華夏視聽

Annual Report

2021

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

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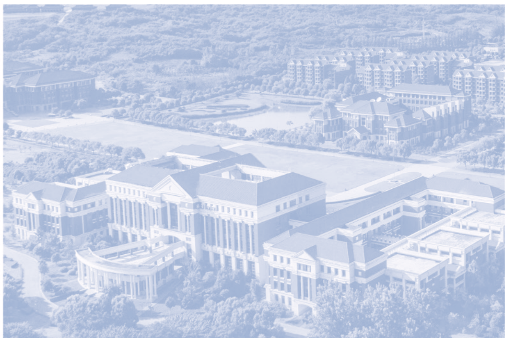

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Sun Haitao
Ms. Chow Yuk Yin Ivy

AUTHORISED REPRESENTATIVES

Mr. Pu Shulin
Mr. Sun Haitao

HEADQUARTERS

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No. 93 Jianguo Road
Chaoyang District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-9008
Cayman Islands

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
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Central
Hong Kong

LEGAL ADVISERS

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42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law
Commerce & Finance Law Offices
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No. 1 Jianguomenwai Avenue
Chaoyang District, Beijing, PRC

As to Cayman Islands law
Walkers (Hong Kong)
15/F, Alexandra House
18 Chater Road, Central, Hong Kong

COMPLIANCE ADVISER

SPDB International Capital Limited
33/F, SPD Bank Tower
1 Hennessy Road
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKS

Bank of China (HK) Ltd.
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

1981

COMPANY WEBSITE

www.cathaymedia.com

Dear Shareholders,

2021 was a challenging year amid regulatory headwinds for various industries in China and uncertainties of the COVID-19 situation.

DISCONTINUED OPERATION OF SHUIMUYUAN

In July 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Further Reducing the Burden of Homework and of Off-campus Training on Students at the Compulsory Education Stage《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》(the "**Opinions**") and the General Office of the Ministry of Education issued the Notice on Further Clarifying the Scope of Curriculum-based and Non-curriculum-based Categories for Off-campus Training at the Compulsory Education Stage《關於進一步明確義務教育階段校外培訓學科類和非學科類範圍的通知》. In the Opinions, several measures have been put forward to reduce the burden on students at the compulsory education stage and standardize off-campus tutoring institutions ("**Double Reduction**"). After the promulgation of the Double Reduction policy, we have seen further tightening policies on off-campus training were introduced for regulating not only curriculum-based tutoring, but also non-curriculum-based tutoring.

We believe these measures will have a negative impact on our art-training business provided by Shuimuyuan, which we acquired in April 2021. Moreover, various local government authorities in China required temporary closure of off-campus offline tutoring activities due to the COVID-19 situation, which brought more uncertainty to Shuimuyuan's business. As such, we decided to dispose of the entire equity interest in Shuimuyuan, resulting in a loss from discontinued operations of RMB53.7 million for the year ended 31 December 2021.

UNDERPERFORMANCE OF TV/FILM PRODUCTION AND INVESTMENT BUSINESS

Our TV/film production and investment business recorded an operating loss of RMB77.0 million for the year ended 31 December 2021, primarily due to a number of reasons. The TV series Dreamed House (理想的房子) (55% invested by the Group) was originally expected to be delivered in 2021. However, as the relevant distribution permit was only obtained in December 2021, the TV series has not been delivered before the end of 2021 and accordingly, no revenue from this TV series was recognized for the year ended 31 December 2021. On the other hand, there was a reduction in revenue of RMB70.0 million in 2021, resulting from the reversal of receivable recognized in 2020 for the TV series Zhaoge (朝歌), which was not broadcasted by the customer due to certain commercial reasons. Furthermore, due to the delayed payment of outstanding receivables from certain customers, credit impairment losses increased for the year ended 31 December 2021.

ROBUST GROWTH IN OUR HIGHER EDUCATION (MEDIA AND ARTS) AND VOCATIONAL EDUCATION BUSINESS

Our University recorded a 30.4% growth in revenue. However, as a credit impairment loss of RMB61.2 million was provided for the aggregate bridging loans of RMB420 million which we lent to the owners of Olympic College in connection with the reorganization prior to our acquisition of Olympic College, the operating profit of our higher education (media and arts) and vocational education business dropped by 6.3% to RMB223.3 million for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

As a result of the foregoing, the Group recorded a total revenue of RMB578.1 million for 2021, representing a 26.8% decrease, and its adjusted net profit for the year ended 31 December 2021 decreased by 48.9% to RMB186.7 million.

Though our results performance for the year ended 31 December 2021 was far below our expectation, we are willing to share our results with the Shareholders during challenging times. The Board recommended a payment of a final dividend of HK$0.03 per Share and a special dividend of HK$0.03 per Share for the year ended 31 December 2021, subject to our Shareholders' approval at the forthcoming annual general meeting. Taking into account the interim dividend of HK$0.06 per Share paid to the Shareholders, the total dividend per Share for the year ended 31 December 2021 amounted to HK$0.12, representing a year-on-year 50% increase.

QUALITY IS OUR FUNDAMENTAL

Looking ahead, we will continue to improve the teaching quality of our higher education (media and arts) and vocational education business, and produce and invest in high-quality content TV/film series. We will explore more opportunities for vocational education and other new businesses such as audio and live streaming e-commerce businesses by leveraging our expertise and resources in our University and TV/film production business, in order to create the greatest return for our Shareholders in the long run.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our Shareholders and our partners including students, parents, suppliers, bankers, professional parties and local government authorities for your continuous trust, support and assistance. I would also like to thank our Board members, senior management and staff for their endeavours and contributions to our Group.

Pu Shulin
Chairperson of the Board

31 March 2022

OVERVIEW

During the Reporting Period, our business included higher education (media and arts) and vocational education, media, arts and vocational training, and TV/film production and investment.

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

Shuimuyuan

Shuimuyuan provides art entrance exam training services, and is classified as non-curriculum-based tutoring, in China. On 19 December 2020, the Group entered into a share purchase agreement with an independent third party (the "**Founder of Shuimuyuan**"), Beijing Shuimu Jinghua Education & Technology Co., Ltd, Monet (Hangzhou) Culture & Art Co., Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd, Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, the "**Shuimuyuan**"), pursuant to which the Group agreed to acquire the entire controlling interests of Shuimuyuan for an aggregate consideration of RMB300 million. The acquisition of Shuimuyuan was completed on 6 April 2021. Reference is made to the announcements of the Company dated 20 December 2020, 28 January 2021 and 7 April 2021 for more details.

Pursuant to the terms of acquisition of Shuimuyuan, the Group paid RMB165 million of the consideration and the balance of the consideration shall be paid by three equal installments provided that certain conditions including the profit guarantee provided by the Founder of Shuimuyuan for the year ended 31 December 2021 and the two years ending 31 December 2022 and 2023 are satisfied.

Since the fourth quarter of 2021, several PRC government authorities have released certain regulatory requirements which primarily aim to tighten the regulation of off-campus training (including non-curriculum-based tutoring). These regulatory requirements include, among others, restrictions on pricing of tuition fees, prepayment of tuition fees, tutoring hours, advertisements for student recruitment, qualifications of practitioners and operating venues. Having considered the potential impact of these regulatory requirements on Shuimuyuan, in December 2021, the Group decided to dispose of the entire controlling interests of Shuimuyuan. Accordingly, the business of Shuimuyuan has been reclassified as discontinued operations for the Reporting Period and its assets and liabilities have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Company's consolidated balance sheet as at 31 December 2021, respectively.

In March 2022, the Ministry of Education of the PRC, the National Development and Reform Commission and the State Administration for Market Regulation jointly issued the announcement on Regulating Non-curriculum-based Off-campus Training《關於規範非學科類校外培訓的公告》to regulate non-curriculum-based off-campus training institutions and certain municipal and provincial government authorities in the PRC have also announced the temporary closure of offline off-campus training institutions due to coronavirus ("**COVID-19**").

The Company is of the view that the operations, results and performance of Shuimuyuan will be adversely affected by the latest regulatory requirements mentioned above and the uncertainty of the COVID-19 situation. After arms-lengths negotiations, the Group and the Founder of Shuimuyuan have agreed to unwind the acquisition of Shuimuyuan and accordingly, on 28 March 2022, the Group, the Founder of Shuimuyuan, his associates and Shuimuyuan entered into an unwind agreement (the "**Unwind Agreement**"), pursuant to which (i) the Group conditionally agreed to sell, and the Founder of Shuimuyuan conditionally agreed to acquire the entire equity interest in Shuimuyuan at the consideration equivalent to the partly paid acquisition consideration of RMB165 million, and (ii) the parties have agreed to the settlement arrangement relating to the outstanding loan of RMB12.7 million granted to Shuimuyuan by the Group. As the Founder of Shuimuyuan, being a director of Shuimuyuan, is a connected person of the Company at the subsidiary level, the Unwind Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules of the Stock Exchange. Reference is made to the announcement of the Company dated 28 March 2022 for more details.

Olympic College

On 21 June 2021, the Group entered into a sale and purchase agreement (the "**Agreement**") with certain independent third parties, including the transferor (the "**Transferor**") and the beneficial owners of the Transferor, pursuant to which the Group agreed to acquire the entire controlling interests of, among others, the Olympic College for a total consideration of RMB450 million (which may be adjusted to RMB250 million if certain conditions precedent (including completion of transfer of an additional land lot for the operation of Olympic College) cannot be satisfied within 36 months from the date of the Agreement). Reference is made to the announcements of the Company dated 22 June 2021 and 19 August 2021 for more details. In order to facilitate the restructuring in connection with the Agreement, the Group also entered into two bridging loan agreements (the "**Loan Agreements**") for the principal amounts of RMB250 million and RMB170 million, respectively, to be extended to the Transferor. The Group is entitled to a set-off over the consideration payable to the Transferor arising under the Agreement against any amount due to the Group from the Transferor or its associates arising under the Loan Agreements. The total amount of RMB420 million for the two bridging loans was included in other receivables in the Company's consolidated balance sheet, of which RMB61.2 million credit impairment loss was provided in the Company's consolidated statement of comprehensive income for the Reporting Period.

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

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

As certain conditions precedent required for the acquisition of Olympic College have not been completed, the beneficial owners of the Transferor, the Transferor and Olympic College (collectively the "**Relevant Parties**") and the Group have entered into a management services agreement pursuant to which, among others, the students of Olympic College recruited in the name of our University from 2021 shall be managed by the Group, the Relevant Parties agreed to appoint the Group to provide teaching, management and supporting services to the students recruited in the name of Olympic College and located in the Binjiang campus of CUCN and the Group is entitled to receive a management fee from Olympic College based on an agreed percentage of its annual tuition fees, boarding fees and other fees.

Higher education (media and arts) and vocational education

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

According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in China in 2021. As of 31 December 2021, the Group had approximately 24,694 students, including 20,085 undergraduates, 4,240 international preparatory students and 369 vocational education students, representing a total year-on-year increase of approximately 40.3%. The above number of undergraduates included the undergraduates enrolled in the Binjiang campus of CUCN (formerly Olympic College of Nanjing Sport Institute (南京體育學院奧林匹克學院)). The registration rate of our new undergraduates for the 2021/2022 year was approximately 97.8%. The total number of new students enrolled in CUCN (including the Binjiang campus) as at the beginning of the 2021/2022 school year reached 9,364, representing a year-on-year increase of approximately 42.1%.

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

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

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

The phase II dormitory buildings at our University has been put into use from the 2021/2022 school year, providing additional capacity of approximately 4,400 students. Currently, the total capacity of our University is approximately 24,000 students.

Media, arts and vocational training

As mentioned in the section headed "Shuimuyuan" above, the Group has decided to dispose of the controlling interests of Shuiyuan taking into account the potential impact of tightening regulatory requirements and the uncertainty of the COVID-19 situation on the operations, results and performance of Shuimuyuan.

Based on the same considerations, in March 2022, the Group ceased the operation of its media and arts training center in Beijing, namely Cathay Kids Arts Center (華夏視聽藝術成長中心), which provided drama, music, dancing and fine arts courses mainly for children aged from 3 to 12. As Cathay Kids Arts Center was only launched in September 2021 and the scale of operation was small, the Company expects the cessation of its operation did not have significant impact on the Group's results.

TV/film production and investment

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

During the Reporting Period, our TV/file production and investment business generated revenue mainly from the sales of the TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (27% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group). The TV series Dreamed House (理想的房子) (55% invested by the Group) obtained the distribution permit in December 2021, which is expected to be delivered in 2022.

During the Reporting Period, our TV/file production and investment business recorded a deduction in revenue of RMB70.0 million for the TV series Zhaoge (朝歌), which has not been broadcasted due to certain commercial reasons.

Regulatory update

Pursuant to the Decision on Amending the Law for Promoting Private Education of the PRC approved by the Standing Committee of the National People's Congress in November 2016 which took effect on 1 September 2017 (the "**2016 Decision**"), school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 22 February 2018, the government of Jiangsu Province promulgated the Implementation Opinion on Encouraging Social Groups to Engage in Education and Promoting the Healthy Development of Private Education, and on 8 May 2018, five local government authorities, including the Jiangsu Education Department, promulgated the Implementation Rules for Classification and Registration of Private Schools in Jiangsu Province (the "**Jiangsu Implementation Rules**"). The Jiangsu Implementation Rules allow private schools established before 7 November 2016 to choose and complete the registration as for-profit or non-profit schools by 2020, or possibly extended until 2022. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in June 2021, our University submitted the decision to the Jiangsu Education Department to register as a for-profit private school. As at the date of this report, we have not been informed that our University is not allowed to register as a for-profit private school.

On 14 May 2021, the State Council published the Implementing Regulations for the Law for Promoting Private Education of the PRC 《中華人民共和國民辦教育促進法實施條例》 (the "**2021 Implementation Regulations**"), which has become effective from 1 September 2021. The 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 Implementation Regulations and contain provisions governing the operation and management of private schools.

The 2021 Implementation Regulations stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for schools that provide education for academic qualifications, the local governments may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle payments by installments; (3) private schools not providing compulsory education must conduct transactions with their interested parties, which include the sponsor, the actual controller, the principal, the council member, the director, the supervisor, the person in charge of the financial affairs of a private school, and any organization or individual that has mutual control or influence over the above mentioned organizations or individuals which may lead to any interest transfer of private schools (the "**Interested Parties**"), in a manner that is open, justified and fair and conduct at reasonable pricing and establish standardised decision-making for such transactions, and must not harm the interests of the State, schools, teachers and students. Private schools must set up an information disclosure mechanism for dealing with their Interested Parties; (4) the registered capital of a private school must be paid in full when it formally established and shall be compatible with the type, level and scale of the school; (5) at the end of each financial year, a for-profit private school must set aside a portion of not less than 10% of its audited annual net profit, and a non-profit private school must set aside a portion of not less than 10% of its audited annual net increase in assets, as the development fund, which is to be used for the development of school.

In addition, on 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and has taken effect on 1 January 2020. Besides, on 27 December 2021, the Ministry of Commerce and the National Development and Reform Commission jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) 《外商投資準入特別管理措施(負面清單)(2021 年版)》, which became effective on 1 January 2022, to replace the previous negative list (2020 Edition).

The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements as a form of foreign investment. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

As at the date of this report, our Group's operations have not been affected by the above law, decision, implementing regulations and rules and administration measures. Based on the current conditions and the Company's preliminary assessment, the Board is of the view that above law, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on our Group's business operations, business plans and financial conditions.

Our Company will continue to monitor developments of the above law, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

RECENT DEVELOPMENTS AFTER THE REPORTING PERIOD

Save for the Unwind Agreement and the cessation of operation of Cathay Kids Arts Center disclosed in other sections in this report, there was no significant change to the existing business and operations of the Group after the Reporting Period and up to the date of this report.

BUSINESS OUTLOOK

Our TV/film production and investment business brings us reputation and recognition in China and helps connect our University with the industry. By leveraging our resources in the TV/film production and investment industry, we introduce industry leaders to join as our faculty advisers and provide a large number of internship and employment opportunities for our students. Our University at the same time also serves as a source for the recruitment of talent and supply of creative content for the TV/film production industry.

We believe there is market potential in the field of quality education and content related to media and arts. Therefore, the Group plans to continue to maintain the Group's market position of its application-oriented higher education (which focuses on media and arts) and improve its teaching quality, while exploring more opportunities of vocational education primarily in the fields of media, arts and TV/film production.

We will further promote cooperations among industries of media, arts and TV/film production and our University, exploring more collaborations with industry leaders. In this regard, we will explore the possibility of developing audio and live streaming e-commerce businesses by leveraging the expertise in our University, our experience and resources in content creation for TV/firm production.

Higher education (media and arts) and vocational education

We are optimistic about the development of vocational education in China as the Central Committee of the Communist Party of China and the State Council of China issued the "Opinions on Promoting the High-Quality Development of Modern Vocational Education"《關於推動現代職業教育高質量發展的意見》in 2021 which, among others, encourage listed companies to run vocational education in China.

The Company expects that the maximum capacity of our University may increase from approximately 24,000 students to 30,000 students assuming the construction of all phases of dormitories and facilities is completed and the necessary government approvals are obtained. We are also planning to rent a new campus to further expand the capacity for our vocational education business so as to meet the expected organic growth in the number of students enrolled in vocational education courses.

The Company believes that the Group's total maximum capacity of its higher education (media and arts) and vocational education may further increase, which may exceed 40,000 students upon completion of the acquisition of Olympic College (assuming all conditions are satisfied, including completion of transfer of additional land lot), as Olympic College will become a secondary college of CUCN and the Binjiang campus of CUCN (南京傳媒學院濱江校區).

The Group is also exploring collaborations with certain independent third parties in connection with the provision of management services by CUCN to certain secondary vocational schools.

TV/film production and investment

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

As of the date of this report, we invested in 3 TV/film series which are under productions, namely Fights Break Sphere (斗破蒼穹) (30% invested by the Group), Lady's Character (女士的品格) (40% invested by the Group) and Meteor with White Plume (白羽流星) (30% invested by the Group), of which 2 of these series are expected to be delivered in 2022. Apart from these, we expect the TV series Dreamed House (理想的房子) (55% invested by the Group) will be delivered in 2022 as the required distribution permit was granted in December 2021.

The impact of COVID-19

Save as disclosed in other sections in this report. based on the current situation and the current information available to the Group, it is expected that the impact of COVID-19 on the Group's continuing operations may not be significant for the year 2022. Our University is allowed to provide online courses for our students if the local government requires students not to attend physical classes as a result of COVID-19. However, the Group will closely monitor the situation of COVID-19 and will make further disclosure when necessary.

Conclusion

Looking ahead, we will continue to improve the teaching quality of our higher education (media and arts) and vocational education business, and produce and invest in high-quality content TV/film series. We will explore more opportunities for vocational education and other new businesses such as audio and live streaming e-commerce businesses by leveraging our expertise and resources in our University and TV/film production business in order to create the greatest return for Shareholders in the long run.

CONTINUING OPERATIONS

Revenue

The following table sets forth our revenue by business segment for the years ended 31 December 2021 and 2020.

	Year ended 31 December			
	2021		2020	
	(RMB'000, except percentages)			
Segment Revenue				
Higher education (media and arts) and vocational education	**472,764**	**81.8%**	362,633	45.9%
TV/film production and investment	**105,287**	**18.2%**	427,110	54.1%
Total	**578,051**	**100.0%**	789,743	100.0%

Total revenue decreased by 26.8% to RMB578.1 million for the year ended 31 December 2021, compared to RMB789.7 million for the year ended 31 December 2020, primarily due to the decrease in revenue from our TV/film production and investment business during the Reporting Period.

Revenue from our higher education (media and arts) and vocational education business increased by 30.4% from RMB362.6 million for the year ended 31 December 2020 to RMB472.8 million for the year ended 31 December 2021, mainly attributable to the growth in total student enrolment in our University.

The Group's revenue from the TV/film production and investment business decreased from RMB427.1 million for the year ended 31 December 2020 to RMB105.3 million for the year ended 31 December 2021. The revenue for the year ended 31 December 2021 was mainly attributable to the revenue from TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (27% invested by the Group) and Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group). By comparison, the revenue for the year ended 31 December 2020 mainly comprised the first-round distribution of Shichahai (什剎海) (100% invested by the Group) and Zhaoge (朝歌) (30% invested by the Group), and the delivery of Don't Call Me Jiushen (別叫我酒神) (50% invested by the Group) and Quiet (安靜) (100% invested by the Group). The decrease in revenue from TV/film production and investment was primarily due to the deduction in revenue of RMB70.0 million during the Reporting Period for the TV series of Zhaoge (朝歌) which was not broadcasted due to certain commercial reasons and the difference in investment portion of abovementioned TV series recognised during the Reporting Period compared to the corresponding period in 2020.

Cost of revenue

	Year ended 31 December			
	2021		2020	
	(RMB'000, except percentages)			
Segment Cost				
Higher education (media and arts) and vocational education	**169,593**	**56.2%**	146,450	33.6%
TV/film production and investment	**132,286**	**43.8%**	290,055	66.4%
Total	**301,879**	**100.0%**	436,505	100.0%

The cost of revenue of our higher education (media and arts) and vocational education business increased by 15.8% from RMB146.5 million for the year ended 31 December 2020 to RMB169.6 million for the year ended 31 December 2021, mainly because employee benefit expense increased in connection with the additional recruitment of teachers for the purpose of improving the teaching quality as well as the teacher-to-student ratio.

The cost of revenue of our TV/film production and investment business decreased from RMB290.1 million for the year ended 31 December 2020 to RMB132.3 million for the year ended 31 December 2021. The decrease was primarily due to the difference in investment portion and the TV series type in the two comparable years.

Gross profit and gross profit margin

	Year ended 31 December			
	2021		2020	
	Gross profit (loss)	**Gross margin**	Gross profit	Gross margin
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	**303,171**	**64.1%**	216,183	59.6%
TV/film production and investment	**(26,999)**	**-25.6%**	137,055	32.1%
Total	**276,172**	**47.8%**	353,238	44.7%

As a result of the foregoing, the Group's gross profit decreased by 21.8% from RMB353.2 million for the year ended 31 December 2020 to RMB276.2 million for the year ended 31 December 2021. The Group's overall gross margin increased from 44.7% for the year ended 31 December 2020 to 47.8% for the year ended 31 December 2021, primarily due to the increase in the proportion of the revenue from our higher education (media and arts) and vocational education business of which its gross margin is much higher than that of TV/film production and investment.

The gross margin for our higher education (media and arts) and vocational education business increased from 59.6% for the year ended 31 December 2020 to 64.1% for the year ended 31 December 2021, mainly due to the economy of scale of our University.

The gross margin for the Group's TV/film production and investment business decreased from 32.1% for the year ended 31 December 2020 to -25.6% for the year ended 31 December 2021, mainly attributable to the deduction of RMB70.0 million during the Reporting Period for the TV series Zhaoge (朝歌) not broadcasted by a customer and the difference in revenue and cost structure of the TV series in the two comparable years.

Gain on sales of television series and film rights

There was no disposal of TV series and film rights during the Reporting Period and accordingly no gain or loss was recognized (for the year ended 31 December 2020: RMB45.8 million).

Selling expenses

The Group's selling expenses decreased by 34.5% from RMB27.1 million for the year ended 31 December 2020 to RMB17.7 million for the year ended 31 December 2021, primarily due to the decrease in distribution expenses of our TV/film production and investment.

Administrative expenses

The Group's administrative expenses increased by 25.4% from RMB73.2 million for the year ended 31 December 2020 to RMB91.8 million for the year ended 31 December 2021. The increase was primarily due to the increase in administration staff salaries, office expenses and outsourced services for our higher education (media and arts) and vocational business during the Reporting Period.

Other income

Other income decreased from RMB44.4 million for the year ended 31 December 2020 to RMB14.9 million for the year ended 31 December 2021. The decrease was primarily attributable to the decrease in donation income.

Credit impairment losses

Credit impairment losses mainly represent provision for impairment losses on trade and other receivables. The amount increased from RMB4.7 million for the year ended 31 December 2020 to RMB87.2 million, primarily due to the provision for impairment loss of RMB61.2 million on the bridging loans in connection with the acquisition of Olympic College, which was recorded in the results of our higher education (media and arts) and vocational education business, and the increase in provision for impairment losses on trade receivables of our TV/film production and investment business.

Fair value changes on financial assets and liabilities at fair value through profit or loss

The amount increased from RMB26.5 million for the year ended 31 December 2020 to RMB44.5 million, primarily due to the increase in fair value of certain TV series and film rights.

Operating profit

As a result of the foregoing, the operating profits of the Group's continuing operation amounted to RMB140.3 million for the year ended 31 December 2021, compared to RMB368.3 million for the year ended 31 December 2020. The operating profit from our higher education (media and arts) and vocational education business decreased from approximately RMB238.5 million for the year ended 31 December 2020 to approximately RMB223.3 million for the year ended 31 December 2021. The operating profit from our TV/film production and investment business decreased from RMB148.8 million for the year ended 31 December 2020 to an operating loss of RMB77.6 million for the year ended 31 December 2021.

Finance (costs)/income – net

The Group recorded an insignificant amount of net finance cost for the year ended 31 December 2021 as compared to a net finance income of RMB3.2 million. The difference was mainly attributable to a net exchange gain of RMB2.8 million was recognised for the year ended 31 December 2020 whereas a net exchange loss of RMB0.8 million recognised for the year ended 31 December 2021.

Taxation

Income tax expense of the Group decreased from RMB34.3 million for the year ended 31 December 2020 to RMB14.8 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in assessable profit from the TV/film production and investment business.

Profit from continuing operations

As a result of the foregoing, the Group's profit from continuing operations decreased from RMB337.1 million for the year ended 31 December 2020 to RMB125.5 million for the year ended 31 December 2021.

Loss from discontinued operations

Loss from discontinued operations of RMB53.7 million for the year ended 31 December 2021 comprised the impairment loss on goodwill of RMB64.0 million and the profit of RMB10.3 million from the discontinued operations of Shuimuyuan.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased from RMB337.1 million for the year ended 31 December 2020 to RMB71.8 million for the year ended 31 December 2021.

Non-HKFRS Measure – Adjusted Net Profit

In order to supplement the Group's consolidated financial statements, which are presented in accordance with HKFRS, the Group also uses adjusted net profit ("**Adjusted Net Profit**") as an additional financial measure. The Group presents this financial measure because it is used by the Group's management to evaluate the Group's financial performance by eliminating the impact of certain items that the Group does not consider to be indicative of the Group's performance during the Reporting Period. The Group also believes that this non-HKFRS measure provides additional information to investors and others in their understanding and 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 measure 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 standardised meaning prescribed by HKFRS and therefore it may not be comparable to similar measures presented by other companies listed on the Stock Exchange.

Adjusted Net Profit, which is unaudited, represents profit for the year after adjusting for listing expenses and amortisation of licensing rights payment to Communication University of China and those new items which did not exist in prior years, including impairment losses on other receivables and loss from discontinued operations. The Adjusted Net Profit of the Group for the year ended 31 December 2021 was RMB186.7 million, representing a decrease of RMB178.7 million or a 48.9% decrease from RMB365.4 million for the corresponding period in 2020.

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 year).

	Year ended 31 December	
	2021	2020
	(RMB'000)	
Profit for the year	**71,822**	337,140
Add: Listing expenses	**–**	13,225
Add: Amortisation of licensing rights payment to CUC	**–**	15,000
Add: Impairment losses on other receivables	**61,207**	–
Add: Loss from discontinued operations	**53,674**	–
Non-HKFRS: Adjusted Net Profit	**186,703**	365,365

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

Liquidity, financial resources and capital structure

During the year ended 31 December 2021, the Group funded its cash requirements principally from funds raised through the Global Offering (as defined in the Prospectus) in July 2020 and cash generated from operations.

As of 31 December 2021, the Group's cash and cash equivalents amounted to RMB312.4 million (as of 31 December 2020: RMB1,308.7 million), of which the majority were denominated in Hong Kong dollars and Renminbi. The decrease in cash and cash equivalents was primarily due to increase in the payment for capital expenditure for the expansion of our University, the partial payment for the acquisition of Shuimuyuan and the two bridging loans provided in relation to the acquisition of Olympic College.

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

The Group continued to maintain a healthy and sound financial position. As of 31 December 2021, the current ratio (the ratio of total current assets to total current liabilities) was 267.8% (as of 31 December 2020: 485.2%). The total assets of the Group increased from RMB3,434.2 million as of 31 December 2020 to RMB3,703.5 million as of 31 December 2021, while the total liabilities increased from RMB559.0 million as of 31 December 2020 to RMB988.4 million as of 31 December 2021. The liability-to-asset ratio increased from 16.3% at the end of 2020 to 26.7% at the end of 2021.

As of 31 December 2021, the Group did not have interest-bearing borrowings (as of 31 December 2020: nil). As of 31 December 2021, the Group's total equity amounted to RMB2,715.1 million (as of 31 December 2020: RMB2,875.2 million). The Board will evaluate the Group's capital structure from time to time based on the Group's operations, its business growth, the relevant funding requirements and available financial resources.

Gearing ratio

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

Capital expenditure and commitment

During the Reporting Period, the Group paid RMB355.5 million for the purchases of property, plant and equipment primarily for the expansion of the capacity of our University and made the net payment of RMB157.4 million in connection with the acquisition of Shuimuyuan.

As of 31 December 2021, capital commitment of the Group was RMB83.8 million (as of 31 December 2020: RMB334.0 million).

Foreign exchange exposure

During the year ended 31 December 2021, 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 of 31 December 2021, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Pledge of assets

As of 31 December 2021, the Group had no pledge of assets.

Contingent liabilities

Except for the contingent consideration in connection with the acquisition of the entire equity interest of Shuimuyuan which was disposed of subsequently, the Group had no material contingent liabilities as of 31 December 2021 (as of 31 December 2020: nil).

Significant Investments

Save as certain bank's wealth management products included in financial assets at fair value through profit or loss, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2021) during the year ended 31 December 2021.

Material acquisitions and disposals

Save for Shuimuyuan and Olympic College as disclosed in the section headed "Business Review and Outlook" above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2021.

Future plans for material investments or capital asset

As of 31 December 2021, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As of 31 December 2021, the Group had a total of 2,173 employees (as of 31 December 2020: 1,555). The following table sets forth the total number of employees by function as of 31 December 2021:

Function	Number of employees
Continuing operations	
Higher education (media and arts) and vocational education	
Teachers	1,415
Administration	170
TV/film production and investment	
Content creation	50
Administration	27
Discontinued operations	
Media, arts and vocational training	
Teachers	311
Administration	200
Total	2,173

The total remuneration cost incurred by the Group for the year ended 31 December 2021 was RMB137.6 million, as compared to RMB100.9 million for the year ended 31 December 2020.

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

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

The Board is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 31 December 2021.

GENERAL INFORMATION

The Company was incorporated under the laws of the Cayman Islands on 4 January 2017 as an exempted limited liability company. The Company's Shares were listed on the Main Board of the Stock Exchange on 15 July 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal business of the Company's subsidiaries is TV/film production and investment, media and arts higher education and media and arts training and tutoring. Analysis of the principal activities of the Group during the year ended 31 December 2021 is set out in note 15 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 68 of this annual report.

BUSINESS REVIEW AND OUTLOOK

A business review of the Group, as required by Schedule 5 to the Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future developments in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the "Business review and outlook" and "Management discussion and analysis" on pages 5 to 18 of this annual report. These discussions form part of this Directors' report. Events affecting the Company that have occurred since the end of the financial year are set out in "Recent developments after the Reporting Period" in "Business review and outlook".

PRINCIPAL RISKS AND UNCERTAINTIES

Our business involves certain risks as set out in the section headed "Risk Factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- Our TV/film production and investment business is primarily dependent upon, among other factors, audience acceptance, which is extremely difficult to predict and therefore inherently risky.
- The TV/film industry is regulated extensively in China.
- We are subject to significant uncertainties brought by recent regulation in the private higher education industry.
- Our TV/film production and investment business depends on the success of a limited number of releases each year. The commercial failure of any one of them could have a material adverse effect on us and this pattern subjects our revenues from our TV/film production and investment business to significant seasonal fluctuation.
- We operate our TV/film production and investment business in a highly competitive industry.

- We are exposed to the risk of high concentration of service providers in our TV/film production and investment business.
- The private higher education business is relatively new and may not gain wide acceptance in China.
- Our University recently terminated the cooperation agreement with Communication University of China ("**CUC**"). We will face significant uncertainties on student enrollment and employment in connection with the termination of the cooperation with CUC.
- Our higher education business depends on the level of tuition fees and boarding fees we are able to charge and the size of the student body we are allowed to enroll.
- We face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.
- The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the Environmental, Social and Governance Report which will be published within five months from the year ended 31 December 2021.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, save as disclosed in this annual report, no related party transaction disclosed in note 41 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2021.

PROPERTY LEASING FRAMEWORK AGREEMENT

Background to the agreement

On 23 June 2020, we (for ourselves and our associates) entered into the leasing framework agreement with Mr. Pu (for himself and his associates) ("**Leasing Framework Agreement**") pursuant to which we have leased from Mr. Pu and his associates various office spaces. The term of the Leasing Framework Agreement is from the Listing Date to 31 December 2022.

In accordance with HKFRS, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased property is available for use by our Group. Moreover, pursuant to guidance issued by the Stock Exchange, a lease recognized as a right-of-use asset is regarded as an acquisition of assets and the annual cap should be set for the total value of right-of-use assets relating to the leases to be entered into by our Company in each year under the Leasing Framework Agreement.

Annual cap

The annual cap for the Reporting Period was RMB16 million. The actual transaction amount for the Reporting Period was nil (2020: nil).

Reason for the transactions

Our Company leased office space from Mr. Pu for office purposes during the Reporting Period and we expect that we will continue to lease these properties after the Reporting Period. We believe that it would save our Group administrative costs and time that would otherwise be spent on negotiating and entering into contracts with third party lessors.

Pricing policies

The rental rates under the Leasing Framework Agreement shall be determined based on arm's length discussions with reference to the prevailing market rates for the leasing of similar properties from Independent Third Parties (as defined in the Prospectus) in the same or adjacent area on normal commercial terms.

Cushman & Wakefield Limited, an independent property valuer, has confirmed that it is of the view that the terms and conditions (including the rental rates) of the leases contemplated under the Leasing Framework Agreement are fair, reasonable and consistent with the prevailing market rentals of similar properties.

Listing Rules implications

The transactions under the Leasing Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms or better that are fair and reasonable, and one or more of the applicable percentage ratios on an annual basis under Chapter 14A of the Listing Rules will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules, but will still be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Background to the Contractual Arrangements

We currently conduct our TV/film production and investment business and our education and training business (the "**Relevant Businesses**") through our Consolidated Affiliated Entities in the PRC as PRC laws and regulations, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the Relevant Businesses. Currently, PRC laws and regulations prohibit the operation of TV series or film production companies and restrict the operation of higher education institutions to Sino-foreign cooperation ownership (in addition to imposing a qualification requirement on the foreign owners). Government approvals of Sino-foreign cooperation ownership in the private education sector have, with very limited exceptions, been withheld in practice.

As a result of the restrictions imposed by PRC laws and regulations, our Company is unable to own or hold any direct sponsor interest or equity interest in our Consolidated Affiliated Entities. Accordingly, the term 'ownership' or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsor/equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits enjoyed by Registered Shareholders from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

All of the Contractual Arrangements are subject to the foreign ownership restrictions described herein and as set out in the Prospectus.

Risks relating to the Contractual Arrangements and actions taken to mitigate the risks

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 47 to 53 of the Prospectus.

- The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

- Substantial uncertainties exist with the PRC foreign investment legal regime and may have a significant impact on our corporate structure and business operations.

- The Contractual Arrangements may not be as effective in providing control over our Consolidated Affiliated Entities as direct ownership.

- The beneficial owners of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- The Contractual Arrangements may subject us to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemptions, or both, which could substantially increase our taxes owed and thereby reduce our profit attributable to equity shareholders of the Company.

- Our exercise of the option to acquire the equity interest held by the Registered Shareholders of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs.

- Any failure by our Consolidated Affiliated Entities or their respective shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- We rely on dividend and other payments from WFOEs to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOEs to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

- If any of our Consolidated Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

The structuring and implementation of the Contractual Arrangements, including the detailed terms of Contractual Agreements, as discussed herein is designed to mitigate these risks.

PRC laws and regulations

TV/film production and investment

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 version) (外商投資準入特別管理措施(負面清單)(2021 年版)), foreign investors are prohibited from holding any equity interest in any PRC radio and TV production company and any PRC film production company. See "Regulations – Regulations on TV series and variety shows production in the PRC" in the Prospectus for more details.

We consulted the National Radio and Television Administration (國家廣播電視總局) ("**NRTA**"), being the competent authority as advised by our PRC Legal Adviser, to confirm the matters relating to foreign investment in a radio and TV production company. We were advised by an official of the Division of TV Series Content of the NRTA that:

(i) foreign investment in TV and film production and distribution business are explicitly prohibited, and the NRTA will not approve any foreign investors to directly or indirectly invest in such business; and

(ii) the execution of the Contractual Arrangements does not require approval from the NRTA.

Given the relevant regulations and policy followed by the NRTA as summarized above, our Directors consider that it is not practicable for us to hold any equity interest in Dongyang Huaxia and its subsidiaries directly or indirectly.

Higher education

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 version) (外商投資準入特別管理措施(負面清單) (2021 年版)), the provision of higher education in the PRC falls within the 'restricted' category. As such, foreign investment in higher education institutions must be in the form of a Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Operating Sino-foreign Schools (中外合作辦學條例) (the "**Sino-Foreign Regulation**") and its implementing rules. In addition, such catalog provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that: (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign school (the "**Foreign Control Restriction**"). Currently, the principal, the chief executive officers and all members of the board of directors (except Jacqueline Luo) of CUCN are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation and its implementing rules, the foreign investor in a Sino-foreign school (a "**Sino-Foreign School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level. Our PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement.

We consulted the Education Department of Jiangsu Province (江蘇省教育廳), being the competent authority as advised by our PRC Legal Adviser, to confirm the matters relating to the Sino-Foreign Schools relevant to us. We were advised by an official of Development and Planning Office of the Education Department of Jiangsu Province that:

(i) the Foreign Control Restriction and the Foreign Ownership Restriction apply to Sino-Foreign Schools in Jiangsu Province;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation and its implementing rules and the Qualification Requirement in Jiangsu Province;

(iii) although there is an understanding that the foreign investor will generally be an educational institution ranked globally among the top 200 universities or top 100 in the relevant fields, due to policy reason, the Education Department of Jiangsu Province will be unlikely to approve an application to convert CUCN or any schools to be newly established or invested by us into Sino-Foreign Schools; and

(iv) the execution of the Contractual Arrangements does not require approval from them.

Given the policy adopted by the Education Department of Jiangsu Province as summarized above, our Directors consider that it is not practicable for us to seek to apply to reorganize CUCN as a Sino-Foreign School.

Qualification requirements

Notwithstanding the above, we have adopted a specific plan and will continue to expend genuine efforts and financial resources towards meeting the Qualification Requirement. We will remain abreast of any regulatory developments and continuously assess whether we meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC Laws.

We are implementing a business plan with a view to expanding our education operations overseas. We currently plan to establish and operate a university authorized to grant Bachelor of Arts degrees in Animation and Media in the state of California, the United States. We believe that such business plan represents our commitment and a meaningful endeavor to demonstrate compliance with the Qualification Requirement. In particular, we have taken the following concrete steps to comply with the Qualification Requirement:

- On 27 June 2017, we incorporated a holding company of a new school in California, United States, namely, Cathay Picture, Inc., which is wholly-owned by Cathay Media HK and will be responsible for the daily operation and management of the university to be established.

- On 6 July 2017, we entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to the licensing application submitted to the Bureau for Private Post-secondary Education ("**BPPE**") in California.

- On 30 May 2018, we submitted a formal application to, and have since been in correspondence with, the BPPE for the establishment of a university through the non-accredited process.

- In December 2018, we received a response letter from the BPPE to request for further information, which we responded to in January 2019.

- In February 2020, we received a request from BPPE for further information, which we responded to in March 2020.

Due to the COVID-19 situation in the United States, based on the further information requested by BPPE and our understanding from our agent, the approval process with the BPPE is expected to be delayed to 2023. We anticipate that the new university will formally commence operations in around half a year after licensing approval is received.

We had expended approximately US$29,000 in connection with our plan as of 31 December 2021. We also estimate additional costs of around US$40,000 in relation to the licensing and accreditation process, and that an initial investment of US$1 million will be required to establish this new university. We intend to fund the establishment, management and operations of the new university from internal resources.

We are in the process of searching for appropriate premises to be used as our initial school office. With the assistance of our consultant, we have prepared the program syllabus and designed the online learning management system. We intend to appoint a chief academic officer with at least 10 years' experience in academic affairs and university management, and approximately 12 additional staff and faculty.

Our PRC Legal Adviser is of the view that while Sino-foreign Schools are to be jointly established by both foreign and domestic educational institutions, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate that it meets the Qualification Requirement. Based on the interviews conducted with the Education Department of Jiangsu Province and the steps that we have undertaken as mentioned above, our PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirement subject to the discretion of competent authority.

Summary of the Contractual Arrangements

The Contractual Arrangements in place for the Reporting Period were:

- ***Exclusive Business Cooperation Agreements***. Pursuant to the exclusive business cooperation agreements entered into by and between the WFOEs, the Registered Shareholders, the Onshore Holdcos and CUCN dated 28 August 2019, the WFOEs have the exclusive right to provide to Dongyang Huaxia and its subsidiaries, Nanjing Lanchou and CUCN technical services, management support services, consulting services, intellectual property licenses and other additional services as the parties may mutually agree from time to time, and in return, the Onshore Holdcos, CUCN shall make payments accordingly.

- ***Exclusive Technical Services and Management Consultancy Agreements***. Pursuant to the exclusive technical services and management consultancy agreements entered into by and between the WFOEs, the Onshore Holdcos and CUCN dated 28 August 2019, the WFOEs have the exclusive right to provide, or designate any third party to provide, technical and management services to Dongyang Huaxia and its subsidiaries, Nanjing Lanchou and CUCN. In consideration of the technical and management consultancy services provided by the WFOEs, each of the Onshore Holdcos and CUCN agreed to pay the WFOEs a service fee equal to all (in the case of the Onshore Holdcos) or 91% (in the case of CUCN) of their respective amount of surplus from operations (after deducting operating costs and other sums required by relevant laws and regulations to be reserved or withheld).

- ***Exclusive Call Option Agreements***. Under the exclusive call option agreements entered into by and between the WFOEs, our Consolidated Affiliated Entities and the Registered Shareholders dated 28 August 2019, the Registered Shareholders have irrevocably granted the WFOEs or their designated purchaser the right to purchase all or part of the interests held by them in our Consolidated Affiliated Entities.

- ***Shareholders' Rights Entrustment Agreements***. Pursuant to the shareholders' rights entrustment agreements entered into by and between the WFOEs, the Onshore Holdcos, and the Registered Shareholders, the Registered Shareholders have irrevocably authorized and entrusted the WFOEs to exercise all their rights as shareholders of each of the Onshore Holdcos to the extent permitted by PRC laws.

- ***Equity Pledge Agreements***. Pursuant to the equity pledge agreements entered into by the WFOEs, the Registered Shareholders, the Onshore Holdcos, Huaxia Audio-Visual and Nanjing Meiya dated 28 August 2019, Mr. Pu, Mr. Liu Chang, Dongyang Huaxia, and Nanjing Lanchou unconditionally and irrevocably pledged and granted first priority security interests over all of their respectively equity interests in Dongyang Huaxia, Huaxia Audio-Visual, Nanjing Lanchou, and Nanjing Meiya, together with all related rights thereto to the WFOEs as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOEs as a result of any event of default on the part of the Registered Shareholders and the Consolidated Affiliated Entities and all expenses incurred by the WFOEs as a result of enforcement of the obligations of the Registered Shareholders and the Consolidated Affiliated Entities under the Contractual Arrangements.

- ***Directors' Rights Entrustment Agreements***. Pursuant to the directors' rights entrustment agreements entered into by and between WFOE-Education and each director of CUCN dated 28 August 2019, each of the directors of CUCN has irrevocably authorized and entrusted WFOE-Education to exercise all of their rights as directors of CUCN and to the extent permitted by PRC laws.

See pages 165 to 172 of the Prospectus for details of the material terms of the Contractual Arrangements.

On 18 November 2020, WFOE-Education, Nanjing Lanchou, Nanjing Meiya, CUCN and the then directors of CUCN entered into a supplemental agreement to the Contractual Arrangements, to reflect conversion, change of name of CUCN and the change of directors of CUCN.

Apart from the above, there were no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended 31 December 2021. Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2021.

For the year ended 31 December 2021, none of the Contractual Arrangements had been terminated as none of the restrictions that led to the adoption of the contracts under the Contractual Arrangements has been removed.

The total revenue and net assets of the Consolidated Affiliated Entities that are subject to the Contractual Arrangements amounted to approximately RMB574.6 million for the year ended 31 December 2021 and approximately RMB1,835.1 million as of 31 December 2021 respectively.

Listing Rules implications and waivers

Mr. Pu is a party to the Contractual Arrangements and is also our Controlling Shareholder and executive Director. Therefore the transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, in respect of the Contractual Arrangements and related new intergroup agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules, and (iii) the requirement to limit the term to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject to the following conditions.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have reviewed the Leasing Framework Agreement and the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended 31 December 2021 have been entered into in accordance with the relevant provisions of the Leasing Framework Agreement and the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 December 2021;

(iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2021 other than the ones disclosed above;

(iv) the Leasing Framework Agreement and Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group;

(v) the Leasing Framework Agreement and the Contractual Arrangements have been entered into on normal commercial terms or better; and

(vi) the Leasing Framework Agreement and the Contractual Arrangements have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONCLUSIONS FROM THE COMPANY'S INDEPENDENT AUDITOR

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2021:

(i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iii) with respect to the aggregate amount of each of the continuing connected transactions other than the Contractual Arrangements, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company; and

(iv) with respect of the disclosed continuing connected transactions with the Consolidated Affiliated Entities under the Contractual Arrangements, nothing has come to their attention that causes the auditor to believe that there are any dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of the equity interests of the Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

MAJOR CUSTOMERS

The customers in our TV/film production and investment business include state-owned TV stations comprising China's sole national TV station, CCTV, provincial TV stations with nationwide coverage, as well as municipal TV stations that operate terrestrial channels and third party distributor. We have also licensed the broadcasting rights of our TV series to online video platforms and overseas markets. For our film production and investment business, we target the end retail audience directly. All of our five largest customers during the Reporting Period were from our TV/film production and investment business.

During the year ended 31 December 2021, we generated revenue of RMB103.8 million from our single largest customer, representing 18.0% of our total revenue during the Reporting Period. During the same period, we generated revenue of RMB172.6 million in aggregate from our five largest customers combined, representing 29.9% of our total revenue.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of our five largest customers during the year ended 31 December 2021.

MAJOR SUPPLIERS

In addition to our full-time employees, we engage many third-party service providers in the production of our TV series and films, including directors, producers, actors, providers of film studios, production equipment, costumes and special effects. Our University also contracts with construction companies and information technology equipment providers for buildings and facilities in our campus.

During the year ended 31 December 2021, the purchases we made from the single largest supplier was RMB129.7 million, representing 15.7% of our total purchases during the Reporting Period. During the same period, the purchases we made from the five largest suppliers combined was RMB423.8 million, representing 51.2% of our total purchases.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of our five largest suppliers during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 18 to the consolidated financial statements.

None of the Company's properties are held for development and/or sale or for investment purposes.

The Group's properties were valued at RMB533.3 million as of 30 April 2020. Had the Group's properties been included in these financial statements at such valuation amount throughout the year ended 31 December 2021, an additional depreciation charge of RMB1.4 million would have been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2021 are set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

DONATION

During the year ended 31 December 2021, the Group made charitable donations of approximately RMB0.3 million (2020: RMB2.0 million).

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Schemes" in this Directors' report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently and was in force during the year ended 31 December 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As of 31 December 2021, the Company had reserves available for distribution to Shareholders amounting to RMB2,237.4 million.

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 72 and in note 43 to the consolidated financial statements, respectively.

LOANS AND BORROWINGS

As at 31 December 2021, the Group did not have any bank loans, overdrafts and other borrowings statements.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date (whichever is sooner).

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" of this Directors' report, none of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2021.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

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

The Directors and the senior management personnel are eligible participants of the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme, details of which are set out in the Prospectus and pages 48 to 50 under 'Other information' in this annual report.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 42 and note 12, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as set out in "Connected Transactions" above and the Underwriting Agreements (as defined in the Prospectus), no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

There has been no change in the Company's auditor in any of the preceding three years.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries, fellow subsidiaries or its holdings companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

By order of the Board
Pu Shulin
Chairperson

China
31 March 2022

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Directors who held office during the year ended 31 December 2021 and up to the date of this report are:

Executive Directors

Pu Shulin
Sun Haitao
Wu Ye
Yan Xiang

Independent non-executive Directors

Zhang Jizhong
Lee Cheuk Yin Dannis
Huang Yu

EXECUTIVE DIRECTORS

Mr. Pu Shulin (蒲樹林), aged 66, is our founder, and is an executive Director, chairperson of the Board and chief executive officer of our Company, and chairperson of the nomination committee and member of the remuneration committee of the Board. Mr. Pu founded our Group and serves as a director and chairman of Dongyang Huaxia, Huaxia Audio-Visual, Huaxia Online, Nanjing Lanchou, Nanjing Meiya, and CUCN. Mr. Pu graduated from Shenyang Conservatory of Music (瀋陽音樂學院) in Shenyang, Liaoning Province, China in 1983.

Mr. Pu founded Beijing Pushengda Advertising Co., Ltd. (北京普聖達廣告有限公司) in December 1998 and Huaxia Online in December 2001 to invest in TV series production, and founded Nanjing Meiya in January 2003 to invest in private higher education services and has continued to serve as its chairman since then, going on to co-found CUCN and now serves as its chairman. Mr. Pu served as the film and TV program center director of Heilongjiang TV Series Production Center (黑龍江電影電視劇製作中心) from 1989 to 1993, and the deputy director of the Heilongjiang International Culture Association (黑龍江省對外文化交流協會) from 1993 to the end of 1996.

Mr. Sun Haitao (孫海濤), aged 37, is an executive Director, joint company secretary and vice president of our Company. He has served as vice president of Huaxia Audio-Visual since joining our Group in October 2016. Mr. Sun received his bachelor's degree of business administration in accountancy from Yokohama National University (橫濱國立大學) in Yokohama, Japan, in March 2009.

Mr. Sun worked at BNP Paribas Securities (Japan) Limited from April 2009 to October 2011. He then went on to serve a vice president of ORIX Corporation from December 2011 to February 2016 and a senior vice-president of ORIX Asia Capital from October 2014 to February 2016. He has remained a consultant for ORIX Asia Capital since February 2016.

Mr. Wu Ye (吳曄), aged 43, is our executive Director and chief production officer, and a director of Huaxia Audio-Visual. He joined our Group in December 2003 and has served as technology director (2003-2007), chief technology officer (2007-2012) and chief production officer (2013-Present) of Huaxia Audio-Visual. Mr. Wu received his associate degree in economic management from Nanjing University (南京大學) in Nanjing, Jiangsu Province, China, in July 2000.

Mr. Wu worked in the production and technology department of China Television Media, Ltd (中視傳媒股份有限公司) (stock code: 600088.SH) from 1998 to 2001. He also served as the technology director of China Media North Television Productions Ltd (中視北方影視製作有限公司) from 2001 to 2003.

Mr. Yan Xiang (嚴翔), aged 62, is our executive Director, the vice-chancellor (校長) and a director of our University, and joined our Group in October 2006. Mr. Yan has been a professor at CUCN since October 2006 and a vice-president of CUCN from 2013 to 2016. Mr. Yan was the dean of the broadcasting and art institute of CUCN from October 2007 to October 2016.

Mr. Yan received his bachelor's degree in arts, majoring in broadcasting, from the Beijing Broadcasting Institute (北京廣播學院), the predecessor of the CUC, in January 1982 and completed postgraduate studies in journalism at Hebei University (河北大學) in Hebei Province, China in 2004.

Mr. Yan served in various capacities at Hebei Radio and TV Station from January 1982 to June 2019, including as broadcaster, advertising manager and producer. He is a broadcasting instructor accredited by the title reform office of Hebei Province (河北省職改辦) since November 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jizhong (張紀中), aged 70, is our independent non-executive Director and a member of the audit and nomination committee of the Board. He completed his certificate in drama and literature, majoring in television drama directing, from The Central Academy Of Drama (中央戲劇學院) in Beijing, China in January 1990.

Mr. Zhang has extensive experience as a TV series producer, including producing:

- The People's Policeman (有這樣一個民警), which was awarded First-Class TV Special at the 10th Flying Apsaras Awards (飛天獎) in 1990;
- The Legend of the Condor Heroes (射雕英雄傳), which won the Gold Prize for Sina's 2003 Most Popular TV Series;
- Demi-Gods and Semi-Devils (天龍八部), which won the Feature TV Series Excellence Award (長篇連續劇(優秀獎)) at the 22nd China TV Golden Eagle Awards (中國電視金鷹獎), Best Period Drama (最佳古裝電視劇) at the 1st TV Fengyun Celebrations (首屆電視劇風雲盛典), each in 2004; and
- The Return of the Condor Heroes (神鵰俠侶), for which he was awarded Best Producer at the 3rd TV Drama Fengyun Festival (第三屆電視劇風雲盛典) in 2007.

Mr. Zhang's personal contributions and achievements have also been recognized with his receipt of an Outstanding Contributions Award (突出貢獻人物) at the China TV Drama Industry 20th Industry Heroes Celebrations (中國電視劇產業 20 年群英盛典) in 2011, the Special Contributions Award (特殊貢獻獎) at the 5th Shanghai University Student TV Festival Award Ceremony (五屆上海大學生電視節頒獎典禮) in 2012 and the National Deyi Shuangxin Lifetime Achievement Award (全國德藝雙馨終身成就獎) at the 11th Deyi Shaugnxin Award Ceremony (第 11 屆德藝雙馨頒獎盛典) in 2015.

Mr. Lee Cheuk Yin Dannis (李卓然), aged 51, is our independent non-executive Director, and chairperson of the audit committee and member of the remuneration and nomination committees of the Board. Mr. Lee received a bachelor of business administration from Texas A&M University, United States in August 1992, and has been a member of the American Institute of Certified Public Accountants since April 1995 and an associate member of the Hong Kong Institute of Certified Public Accountants since June 1996.

Mr. Lee has served as the managing director of DLK Advisory Limited, a company engaged in financial advisory and investment consulting services, since October 2009. Mr. Lee has been an independent non-executive director of Geely Automobile Holdings Limited (stock code: 175.HK) since June 2002, of Tiangong International Company Limited (stock code: 826.HK) since September 2010, of CMBC Capital Holdings Limited (stock code: 1141.HK) since June 2017 and of C&D Property Management Group Co., Ltd (stock code: 2156.HK) since December 2020. He was an independent non-executive director of Meilleure Health International Industry Group Limited (formerly U-Home Group Holdings Limited) (stock code: 2327.HK) from August 2013 to October 2015 and of Southern Energy Holdings Group Limited (stock code: 1573.HK) from June 2016 to October 2019. Mr. Lee was also an independent director of Gridsum Holding Inc. (NASDAQ: GSUM) from April 2019 to March 2021.

Save as disclosed above, as at the date of this report, Mr. Lee did not hold any directorship in any other public companies with securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Huang Yu (黃煜), aged 65, is our independent non-executive Director, and the chairperson of the remuneration committee and member of the audit committee of the Board. Mr. Huang received his bachelor's degree in journalism from the Renmin University of China in July 1986 and his PhD in communications from the University of Westminster in London, United Kingdom in June 1993.

Mr. Huang was appointed dean of the School of Communication of Hong Kong Baptist University in April 2013, where he has taught since 1994. During this time, he has taken up numerous leadership roles including head of the Department of Journalism (2006-2011), associate and acting dean of the School of Communication (2010-2013), and director of the Institute for Journalism and Society (2007-2014). Mr. Huang was awarded the HKBU President's Award for Outstanding Performance in Service in 2011.

SENIOR MANAGEMENT

Mr. Pu Shulin, Mr. Sun Haitao, Mr. Wu Ye and Mr. Yan Xiang are executive Directors. See "—Executive directors" for their biographies.

Mr. Lau Chi Hung ("Mr. Derek Lau") (劉志雄), aged 51, was appointed as the chief financial officer of the Company in June 2021. Mr. Derek Lau has accumulated over 25 years of experience in corporate finance, accounting, auditing, company secretarial affairs and investor relations management from his previous employment as senior management in several companies whose shares are listed on the Stock Exchange and his past career in an international accounting firm.

Mr. Derek Lau is a practising member of Hong Kong Institute of Certified Public Accountants, a fellow member of each of The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales, a chartered tax adviser and an associate member of The Taxation Institute of Hong Kong. He is also an associate member of each of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Derek Lau holds a master's degree in business administration and a bachelor's degree in accountancy from The Hong Kong Polytechnic University.

Mr. Cui Xiong (崔雄), aged 65, is pro-vice-chancellor and director of CUCN. He received his bachelor's degree in oil painting in 1980 and his masters' degree in fine arts in June 2009, both from the Nanjing University of the Arts (南京藝術學院).

Mr. Cui has served in numerous roles at the Nanjing University of the Arts since 1993, including as director of the finance department from 1993 to 1994, director of the office of college affairs (院務辦公室主任) from 1994 to 2004, vice-president from 2004-2016, member of the party committee from 2004-2014 and secretary of the party committee from 2014-2016. He has also been vice-president (副會長) of the Jiangsu Contemporary Art Research Association (江蘇省當代藝術研究會) since December 2018, and a director (理事) of the Jiangsu Oil Painting Association (江蘇省油畫學會) since August 2019.

Mr. Chen Simeng (陳思蒙), aged 39, is secretary of the party committee, pro-vice-chancellor and director of CUCN. Mr. Chen has served a number of other positions at CUCN, including as deputy-secretary of the party committee from October 2016 to April 2018, secretary of the party committee of the school of animation and digital art from September 2015 to October 2016, a director of the student recruitment office from October 2010 to September 2015, assistant to the director of the department of academic affairs and a director of the graduate employment and career counseling center from September 2008 to October 2010 and an officer of the department of academic affairs, responsible for student management from August 2005 to September 2008.

Mr. Chen received his bachelor's degree in management in June 2005 and his master's degree in radio and television arts in July 2010, both from CUC in Beijing, China. He was awarded his Teacher Qualification Certificate by the Department of Education of Jiangsu Province (江蘇省教育廳) in June 2006 and was recognized as a professional instructor by the Human Resources and Social Security Department of Hubei Province (湖北省人力資源和社會保障廳) in September 2010. He was named an assistant researcher by CUC in November 2010.

JOINT COMPANY SECRETARIES

Mr. Sun Haitao is one of our joint company secretaries and an executive Director of our Company. See "— Executive Directors" for his biography.

Ms. Chow Yuk Yin Ivy (周玉燕), is one of our joint company secretaries. She has over 20 years of experience in the corporate secretarial field. Since January 2003, she has worked in the group companies of Tricor Services Limited (a global professional services provider specializing in integrated business, corporate and investor services), with her latest and present position as Director, Corporate Services Division (responsible for the provision of professional corporate secretarial services to companies listed on the Stock Exchange and other multinational, private and offshore companies). Ms. Chow previously worked at PricewaterhouseCoopers Limited in various positions within the company secretarial section of the tax services department.

Ms. Chow is a fellow member of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She has also been an ordinary member of the Hong Kong Securities and Investment Institute. Ms. Chow obtained her bachelor of arts degree in business studies from The Hong Kong Polytechnic University.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this annual report, during the year ended 31 December 2021 and as of the date of this report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, during the year ended 31 December 2021, neither our Controlling Shareholders nor any of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

The Board is pleased to present the corporate governance report for the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance which are crucial to the Company's development and safeguard the interests of Shareholders. In order to accomplish this, the Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices after the Listing.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that for the year ended 31 December 2021, the Company has complied with all the applicable code provisions and certain recommended best practices in the Corporate Governance Code (version up to 31 December 2021), save for the following deviations set out below, which are explained and disclosed in this corporate governance report.

Code provision C.2.1 of the Corporate Governance Code (version effective since 1 January 2022) recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. Mr. Pu performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Pu is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that vesting the roles of both chairperson of the Board and chief executive officer in Mr. Pu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively.

The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. The Board will reassess the division of the roles of chairperson of the Board 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

The Company has adopted the Management Trading of Securities Policy (the "**Code**"), with terms no less exacting than the Model Code, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Code during the year ended 31 December 2021 and up to the date of this report.

There has been no non-compliance with the required standard set out in the Corporate Governance Code.

BOARD COMPOSITION

The Board currently comprises seven members consisting of four executive Directors and three independent non-executive Directors.

During the year ended 31 December 2021 and up to the date of this report, the composition of the Board comprises the following Directors:

Executive Directors

Pu Shulin *(Chairperson of the Board, chief executive officer of the Company, chairperson of nomination committee, member of remuneration committee)*
Sun Haitao
Wu Ye
Yan Xiang

Independent non-executive Directors

Zhang Jizhong *(member of audit and nomination committees)*
Lee Cheuk Yin Dannis *(Chairperson of audit committee and member of nomination and remuneration committees)*
Huang Yu *(Chairperson of remuneration committee and member of audit committee)*

The biographical information of the Directors is disclosed under "Directors and Senior Management" on pages 32 to 35 of this annual report.

There are no material/relevant relationships (including financial, business, family) between members of the Board.

BOARD MEETING AND COMMITTEE MEETINGS

Code provision C.5.1 of the Corporate Governance Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Notice of regular Board meetings is given to all Directors at least 14 days in advance, and reasonable notice is generally given for other Board meetings.

If a Director or any of his associates has a material interest in a transaction, that Director is required to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

During the year ended 31 December 2021, the Board held 4 regular board meetings.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out in the following table below:

	Number of meeting(s) attended/Number of meeting(s) held				
Director	**Annual general meeting**	**Board meeting**	**Audit committee**	**Remuneration committee**	**Nomination committee**
Pu Shulin	1/1	4/4	N/A	2/2	1/1
Sun Haitao	1/1	4/4	N/A	N/A	N/A
Wu Ye	1/1	4/4	N/A	N/A	N/A
Yan Xiang	1/1	4/4	N/A	N/A	N/A
Zhang Jizhong	1/1	4/4	2/2	N/A	1/1
Lee Cheuk Yin Dannis	1/1	4/4	2/2	2/2	1/1
Huang Yu	1/1	4/4	2/2	2/2	N/A

Apart from regular Board meetings, the chairperson of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

During the year ended 31 December 2021, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the Corporate Governance Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Article 108(a) of the Articles of Association of the Company stipulates that at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. However, if the number of Directors is not three or a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Article 108(b) of the Articles of Association of the Company also stipulates that any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors to retire in each year shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 112 of the Articles of Association of the Company stipulates that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after their appointment and be subject to re-election at such meeting. Article 112 also stipulates that any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under Article 112 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner).

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision-making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management, under the supervision of Mr. Pu for the Group's business development and strategic planning and under the supervision of Mr. Sun for the Group's business development, strategic planning and daily operation, with the advisory roles taken by Mr. Wu. and Mr. Yan on strategic development and financial planning of the Group respectively.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit committee

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, review and approve connected transactions and provide advice and comments to the Board.

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

During the year ended 31 December 2021, 2 audit committee meetings were held to review the annual results for the year ended 31 December 2020 and interim results of the Group for the six months ended 30 June 2021, review the annual cap of existing continuing connected transactions, internal audit; risk management and internal control issues and litigation updates; as well as to recommend the results and reports of the Company for the Board's approval.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code.

The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee is also responsible for establishing transparent procedures for developing remuneration policy and structure to ensure that no Director or any of their associates will participate in deciding their own remuneration.

The remuneration committee comprises of one executive Director and two independent non-executive Directors, being Mr. Huang Yu, Mr. Pu Shulin and Mr. Lee Cheuk Yin Dannis, with Mr. Huang Yu as chairperson of the remuneration committee.

The remuneration committee has adopted the second model described in code provision E.1.2(c) of the Corporate Governance Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Directors and senior management members of the Company).

During the year ended 31 December 2021, 2 remuneration committee meetings were held to review and make recommendation to the Board on remuneration policy and the remuneration packages of all Directors and senior management members of the Company.

Details of the remuneration paid or payable to each Director for the year ended 31 December 2021 are set out in note 42 to the consolidated financial statements.

The remuneration of the members of senior management of the Company who are neither a Director nor chief executive of the Company by band for the year ended 31 December 2021 is set out below:

	Number of members of senior management
RMB0 to RMB1,000,000	2

Nomination committee

The Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code.

The primary duties of the nomination committee are to review the structure, size and composition of the Board, to develop and formulate relevant procedures for the nomination and appointment of Directors, to assess independence of independent non-executive Directors, to make recommendations to our Board on the appointment of Directors and management of Board succession, and to assess the independence of independent non-executive Directors.

The nomination committee comprises one executive Director and two independent non-executive Directors, being Mr. Pu Shulin, Mr. Zhang Jizhong and Mr. Lee Cheuk Yin Dannis, with Mr. Pu Shulin as chairperson of the nomination committee.

During the year ended 31 December 2021, 1 nomination committee meeting was held to review and make recommendation to the Board on the remuneration policy and the remuneration packages of individual executive Directors and senior management members.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy on 22 June 2020 which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

The nomination committee will use its best endeavours and on suitable basis to, within three years after Listing, identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director. The Company also seeks to ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board.

The nomination committee will review the diversity policy periodically to ensure its effectiveness and will recommend revisions to the Board for consideration and approval as appropriate.

The nomination committee will report annually a summary of this policy and, where applicable, measurable objectives that the Board has adopted for implementation of this policy and the progress made towards achieving these objectives in the Company's corporate governance report.

As of the date of this report, the Company had a total of seven Directors. There is a diverse mix of educational background and professional experience. The nomination committee has reviewed the diversity policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

DIVIDEND POLICY

In accordance with code provision F.1.1 of the Corporate Governance Code, the Company adopted a dividend policy (the "**Dividend Policy**") on 22 June 2020, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment and distribution of dividends to the Shareholders.

According to the Dividend Policy, subject to the Cayman Islands company law and the Articles of Association of the Company, the Board has absolute discretion on whether to declare and distribute dividends. Shareholders in general meeting may declare dividend but no dividend may be declared in excess of the amount recommended by the Board.

The Board will take into consideration, if it decides to pay dividends, the Company's future operations and earnings, capital requirements and surplus, cash flows, general financial condition, contractual restrictions and any other factors that the Board may consider relevant.

The Company does not have a fixed dividend payout ratio. The Company currently intends to recommend dividends commensurate with the industry average level, while maintaining adequate reserves for its operations, expansion and future growth.

NOMINATION POLICY

In accordance with code provision E(d)(iii) of the Corporate Governance Code, the Company adopted a nomination policy for nomination of directors (the "**Director Nomination Policy**") on 22 June 2020. Such policy ensures that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

According to the Director Nomination Policy:

(i) the ultimate responsibility for selection and appointment of Directors rests with the entire Board;

(ii) the nomination committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders of the Company for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board;

(iii) in assessing the suitability and the potential contribution to the Board of a proposed candidate, the nomination committee would reference, among others, the candidates' reputation for integrity, professional qualifications and skills, accomplishment and experience in the private education sector, commitment in respect of available time and relevant interest, independence of proposed independent non-executive Directors; and diversity in all aspects; and

(iv) the nomination committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of Directors at general meetings. During the period from the Listing Date to 31 December 2021, there was no change in the composition of the Board.

The nomination committee will report annually a summary of this policy including the nomination procedures, criteria for selection, the diversity policy and, where applicable, the measurable objectives adopted and the progress made towards achieving these objectives, in the Company's corporate governance report.

The nomination committee will review the Director Nomination Policy from time to time, as appropriate, to ensure its effectiveness.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 31 December 2021, the key methods of attaining continuous professional development by each of the Directors are recognised as follows:

Director	Attended training session	Reading materials
Pu Shulin	✓	✓
Sun Haitao	✓	✓
Wu Ye	✓	✓
Yan Xiang	✓	✓
Zhang Jizhong	✓	✓
Lee Cheuk Yin Dannis	✓	✓
Huang Yu	✓	✓

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

The Board has reviewed and monitored the Company's policies and practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees risk management functions directly and also through the audit committee and the senior management.

The senior management is responsible for the overall implementation of risk management and internal control plans and policies determined by the Board and managing the risks in connection with all of the Company's business operations. The senior management identifies, assess and take measures against any significant risks that the Company is facing, and reviews the risk assessment report on a quarterly basis and reports to the Board on a semi-annual basis.

The Board did not identify any significant areas of concern for the year ended 31 December 2021.

The audit committee assists the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate.

The management has confirmed to the Board and the audit committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The Board, as supported by the audit committee as well as the management report and the internal audit findings by the internal audit department, has reviewed the effectiveness of the Company's and its subsidiaries' risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate.

The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Board is responsible for the handling and dissemination of inside information. In order to ensure the market and stakeholders are timely and fully informed about the material developments in the Company's business, the Board has adopted the inside information disclosure policy on 22 June 2020 regarding the procedures of proper information disclosure. As such, the inside information will not be passed on to any external party.

JOINT COMPANY SECRETARIES

Mr. Sun Haitao and Ms. Chow Yuk Yin Ivy are the Company's joint company secretaries. Ms. Chow is an external secretarial service provider and a director of Tricor Services Limited.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Sun Haitao, a joint company secretary, has been designated as the primary contact person at the Company who would work and communicate with Ms. Chow, also a joint company secretary, on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2021, both Mr. Sun and Ms. Chow had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

AUDITORS RESPONSIBILITY

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong as the external auditor for the year ended 31 December 2021. A statement by the auditors about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 53 to 67.

AUDITOR'S REMUNERATION

A breakdown of the remuneration in respect of audit and non-audit services provided by the auditor to the Company for the year ended 31 December 2021 is set out below:

Service category	Fees paid/payable (RMB'000)
Audit services	3,980
Non-audit services	–

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures for which are available on the Company's website under "Investor relations—Corporate Governance".

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

The Board is not aware of any provisions allowing the Shareholders of the Company to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	22/F, Block 12, Wanda Plaza, No. 93 Jianguo Road, Chaoyang District, Beijing, China (For the attention of the Board of Directors)
Telephone:	+86-10-58205558
Fax:	+86-10-58205777
Email:	ir@cathaymedia.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 22 June 2020 with reference to code provision L(b) of the Corporate Governance Code. This is to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

In order to promote effective communication, the Company maintains a website where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SIGNIFICANT CHANGES TO CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there was no change in the memorandum and articles of association of the Company.

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

As of 31 December 2021, the interests or short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

Name	Nature of interest	Number of ordinary shares	Approximate % of interest[1]
Mr. Pu	Founder of a discretionary trust	1,160,934,000	69.93%

Note:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as of 31 December 2021.

Interest in associated corporations

Associated corporation	Name	Nature of interest	Number of shares/amount of contribution to registered capital	Interest in associated corporation
Cathay Media Holding Inc.	Mr. Pu	Interest in a controlled corporation	1	100%

Save as disclosed above, as of 31 December 2021, so far as is known to any Director or the chief executives of the Company, none of the Directors nor the chief executives of the Company or their respective associate had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2021, the following persons (other than the Directors and chief executives whose interests have been disclosed in this annual report) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate % of holding(1)
Mr. Pu(2)	Founder of a discretionary trust	1,160,934,000	69.93%
Cathay Media Holdings Inc.(2)	Beneficial owner	1,160,934,000	69.93%
Media One International (PTC) Limited(2)	Trustee	1,160,934,000	69.93%
Winning Global Ventures Limited(2)	Interest in a controlled corporation	1,160,934,000	69.93%
Areo Holdings Limited	Interest in a controlled corporation	88,874,000	5.35%
Highland Pines Limited	Beneficial owner	88,874,000	5.35%
Lam Lai Ming	Interest in a controlled corporation	88,874,000	5.35%
Li Gabriel	Interest in a controlled corporation	88,874,000	5.35%

Notes:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as of 31 December 2021.

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

Save as disclosed above, as of 31 December 2021, no other person (other than the Directors and the chief executives of the Company) had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE SCHEMES

(i) Post-IPO Share Award Scheme

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

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

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

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

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

As of the 31 December 2021, no Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme.

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

(ii) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on 22 June 2020. The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted). The remaining life of the Post-IPO Share Option Scheme is approximately 8 years.

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company is 160,000,000, representing 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

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

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

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

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

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

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

As of the date of this report, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 160,000,000 Shares, representing 10% of the total number of issued Shares of the Company as at the date of this report.

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

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 year ended 31 December 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2021 and up to the date of this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On the Listing Date, the Shares were listed on the Main Board of 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$1,383.0 million, which are intended to be applied in the manner set out in the Prospectus. There was no change in the intended use of proceeds as previously disclosed.

Set out below is the status of use of proceeds from the Global Offering as of 31 December 2021:

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Amount used as of 31 December 2020 (HK$ million)	Amount used for the year ended 31 December 2021 (HK$ million)	Unutilised amount as of 31 December 2021 (HK$ million)	Expected time of full utilisation
Invest in high quality content	30%	414.9	107.9	307.0	–	N/A
Improve and expand our University	30%	414.9	47.2	355.5	12.2	2022
Mergers and acquisitions	30%	414.9	0.1	414.8	–	N/A
General working capital	10%	138.3	138.3	–	–	N/A

FINAL DIVIDEND AND SPECIAL DIVIDEND

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

The Board recommended a final dividend of HK$0.03 per Share (2020: HK$0.08 per Share) and a special dividend of HK$0.03 per Share (2020: nil) for the year ended 31 December 2021. The final dividend and the special dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 27 May 2022 (the "**AGM**") and the final dividend and the special dividend are expected to be payable on or before 30 June 2022 to the Shareholders whose names appear on the register of members of the Company on 9 June 2022.

GUARANTEED PROFITS OR NET ASSETS

As set out in the announcements dated 20 December 2020, 28 January 2021 and 7 April 2021, the Group acquired control of the affiliated entities comprising Shuimuyuan for an aggregate consideration of RMB300 million. Pursuant to the acquisition agreement, Mr. Ma Xiaochuan (馬小川) warranted and guaranteed that the net profit attributable to owners of the Target Company (as defined in the announcement dated 20 December 2020), consolidating the financial information of the Affiliated Entities (as defined in the announcement dated 20 December 2020), for the three years ending 31 December 2021, 2022 and 2023 as calculated in accordance with PRC GAAP shall not be less than RMB24 million, RMB27.6 million and RMB31.74 million, respectively.

On 28 March 2022, the Group, Mr. Ma Xiaochuan and his associates entered into an agreement to unwind the acquisition agreement, pursuant to which the Group agreed to sell, and Mr. Ma Xiachuan and his associates agreed to acquire, the entire equity interests of the affiliated entities comprising Shuimuyuan for a consideration of RMB165 million. Reference is made to the Company's announcement dated 28 March 2022 for details.

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.20 OF THE LISTING RULES

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

The 1st Loan and the 2nd Loan are free of interest and repayment of these loans shall be at the earlier of six (6) months from the drawdown date of the respective loan agreements, or the complete date pursuant to the respective loan agreement, or the compulsory early repayment date pursuant to the respective loan agreements. Mr. Ye Hua and Ms. Gao Jiehong, two of the founders of the Olympic College, have executed share pledges in favour of Nanjing Lanchou over the entire interest of the Transferor and 9% equity interest in Jiangsu Zijin Science and Education Investment Co. Ltd* (江蘇紫金科教投資有限公司) as collateral relating to the 1st Loan and the 2nd Loan. As at 31 December 2021, the 1st loan and the 2nd loan provided under the Loan Agreements remained outstanding, and the aggregate amount (before credit impairment loss) was RMB420 million which exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and constituted an advance to an entity under Rule 13.13 of the Listing Rules.

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

To the Shareholders of Cathay Media and Education Group Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Cathay Media and Education Group Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 68 to 156, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of control over the consolidated affiliated entities through contractual arrangements
- Purchase price allocation for business combination
- Impairment assessment of goodwill
- Valuation of contingent consideration arisen from business combination
- Impairment assessments of television series and film rights, and estimation of net realisable value ("NRV") of inventories
- Income tax assessment for the school in the People's Republic of China (the "PRC")

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of control over the consolidated affiliated entities through contractual arrangements	
Refer to Notes 2.2.1(a)(i) and 4(a) to the consolidated financial statements regarding the accounting policy and critical accounting judgement of the control over the consolidated affiliated entities ("Consolidated Affiliated Entities") through contractual arrangements. A substantial portion of the Group's business is conducted through the Consolidated Affiliated Entities in the PRC due to the regulatory requirements that restrict foreign ownership in television series and film production business and higher education service industry in the PRC. The Group does not have any direct legal ownership of equity interest in the Consolidated Affiliated Entities. Nonetheless, through the establishment and implementation of a series of contractual agreements ("Contractual Arrangements"), the Group has rights to exercise power over the Consolidated Affiliated Entities, has exposure, or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to affect those returns through its power over the Consolidated Affiliated Entities. The directors of the Company ("Directors") concluded that the Group has control over the Consolidated Affiliated Entities, consequently, the Company consolidates the Consolidated Affiliated Entities in the consolidated financial statements of the Group.	In response to this key audit matter, we have performed the following procedures: • We discussed with management to understand the latest regulatory development and whether there were any changes in facts and circumstances which might have an impact on the Contractual Arrangements; • We evaluated Company's assessment and judgements on the validity and enforceability of the Contractual Arrangements with the assistance of our internal legal expert and the assessment of the Group's control over Consolidated Affiliated Entities through the Contractual Arrangements; • We obtained the written opinion from the Company's PRC external legal adviser and discussed with them to understand their analysis and views as to the validity and enforceability of the Contractual Arrangements with respect to all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and evaluated whether these evidences support the relevant judgements made by the Directors;

KEY AUDIT MATTERS (continued)

Key Audit Matter

Assessment of control over the consolidated affiliated entities through contractual arrangements (continued)

During the year ended 31 December 2021, the Directors reassessed, with the involvement of an external legal adviser appointed by the Company, whether there were any changes in facts and circumstances that may impact the validity and enforceability of the Contractual Arrangements. Based on the results of the assessment, it was concluded that the Contractual Arrangements among the Group, the Consolidated Affiliated Entities and their equity shareholders continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are legally enforceable.

Accordingly, the Directors are of the view that Company continues to control over the Consolidated Affiliated Entities and therefore consolidate the Consolidated Affiliated Entities in the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

We focus on this area due to the complexity, high level of judgements involved in determining the validity and enforceability of the Contractual Arrangements in order to evaluate whether it is appropriate for the Company to consolidate the Consolidated Affiliated Entities under HKFRSs, which could have significant and pervasive implications to the consolidated financial statements.

How our audit addressed the Key Audit Matter

- We assessed the competency, capabilities and objectivity of the Company's PRC external legal adviser; and

- We assessed the adequacy of related disclosures in the consolidated financial statements.

Based on the procedures performed, we found the judgements made by Directors to continue to control over the Consolidated Affiliated Entities and therefore consolidate these entities in the consolidated financial statements to be supportable by the evidence obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for business combination	
Refer to Notes 2.2.1(a)(ii), 4(k), and 36 to the consolidated financial statements regarding the accounting policy, critical accounting estimates and judgement and related disclosure note of the purchase price allocation for business combination. On 6 April 2021, the Group, via a wholly-owned subsidiary, Bicheng Art Consulting (Nanjing) Co., Ltd. ("Nanjing Bicheng"), has completed the acquisition of the entire equity interests of Beijing Shuimu Huaxia Education Technology Co., Ltd., an investment holding company incorporated in the PRC, together with its subsidiaries, Beijing Shuimu Jinghua Education & Technology Co., Ltd., Monet (Hangzhou) Culture & Art Co., Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd., Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd. and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, the "Shuimuyuan"), at an aggregate consideration of RMB300,000,000, which comprised of 1) cash consideration of RMB165,000,000 and 2) contingent consideration of RMB45,000,000 payable for each of the three years ended/ending 31 December 2021, 2022 and 2023 subject to satisfaction of certain conditions as agreed in investment agreements ("Acquisition of Shuimuyuan"). Management has identified the intangible assets, and has engaged an independent valuer to perform the valuations of the identified assets and liabilities assumed of Shuimuyuan at the acquisition date. Based on which, management performed a purchase price allocation for the Acquisition of Shuimuyuan, which resulted in recognition of intangible assets of brand, non-compete agreement and goodwill amounted to of approximately RMB165,000,000, RMB10,000,000 and RMB119,354,000, respectively.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of purchase price allocation for business combination and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's identification of intangible assets and methodologies used in determining the fair values of the identifiable assets and liabilities assumed; • We evaluated management's control for preparing the budget and future cash flow forecast of the Shuimuyuan and reconciled the input data for the valuations of the identified assets and liabilities assumed to supporting evidence, such as approved budgets; • We assessed the competency, capabilities and objectivity of independent valuer; • We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert; • We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model by reference to external industry data and the cost of equity of comparable companies in the industry; • We tested the mathematical accuracy of the calculations of the fair values of identified assets and liabilities assumed and the purchase price allocations; and • We assessed the adequacy of related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for business combination (continued)	
The identification of assets acquired, and the liabilities assumed and the determination of their corresponding fair values, require significant management judgement and estimations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly annual revenue growth rate, gross profit margins, discount rates and useful life of brand and non-compete agreement).	Based on the procedures performed, we found the assumptions as adopted by management in the valuation of fair values of the identifiable assets and liabilities assumed to be supportable by the evidence obtained.
We focused on this area due to the significance of the identified brand, non-compete agreement and goodwill recognised arising from the business combination, and the significant judgement and estimations involved in the fair value assessment of the identified brand and non-compete agreement and recognition of goodwill arising from the business combination and the reasonableness of these judgement and estimates have a significant impact on the accounting treatment for the aforesaid acquisition.	

KEY AUDIT MATTERS (continued)

Key Audit Matter

Impairment assessment of goodwill

Refer to Notes 2.7(a), 4(m) and 19 to the consolidated financial statements regarding the accounting policy, critical accounting estimates and judgement and related disclosure note of impairment assessment of goodwill.

As at 31 December 2021, the Group had significant amounts of goodwill amounting to RMB55,379,000. And impairment of RMB63,975,000 had been provided for against the carrying amounts of goodwill during the year ended 31 December 2021.

The Group has performed annual impairment assessment of goodwill. To assess the impairment, the goodwill has been allocated to the relevant cash generating units ("CGUs") at the acquisition date and management has assessed the recoverable amounts of the CGUs by reference to valuation reports as issued by an independent valuer. The recoverable amounts of the CGUs were determined by the higher of its value-in use ("VIU") and fair value less cost of disposal ("FVLCD").

We focused on this area due to the significance of goodwill and given that significant judgement and estimates were involved in determining the key assumptions (in particular the revenue growth rates, sales margins, terminal growth rates and discount rates applicable to the CGUs) for the impairment assessment of goodwill.

How our audit addressed the Key Audit Matter

In response to this key audit matter, we have performed the following procedures:

- We obtained an understanding of management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- We evaluated management's identification of CGUs and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business;
- We evaluated management's control processes for preparing the budget and future cash flow forecast of relevant CGUs and reconciled the input data for the impairment assessment to supporting evidence, such as approved budgets;
- We assessed the competence, capabilities and objectivity of the independent valuer;
- We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;
- We assessed the reasonableness of the key assumptions as adopted by management in the discounted cash flow model for the impairment assessment by reference to external industry data, the Group's historical and subsequent sales and margin information and the cost of equity of comparable companies in the industry;
- We tested the mathematical accuracy of the calculations of the discounted cash flow model and the recoverable amounts of the respective CGUs;
- We assessed the adequacy of related disclosures in the consolidated financial statements.

Based on the procedures performed, we found the key assumptions adopted by management in the impairment assessment of goodwill to be supportable by the evidence obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of contingent consideration arisen from business combination	
Refer to Notes 2.2.1(a)(ii), 3.3, 4(l), 36 and 38 to the consolidated financial statements regarding the accounting policy, fair value estimation, critical accounting estimates and judgement and related disclosure note of contingent consideration arisen from business combination. In respect of Acquisition of Shuimuyuan, the contingent consideration assumed in business combination are measured initially at their fair value at acquisition date and subsequently at their fair value at periods end, and changes of fair value charge to profit and loss. As at 6 April 2021 and 31 December 2021, the contingent consideration payables amounted to approximately RMB63,000,000 and RMB56,000,000, respectively. For the year ended 31 December 2021, the fair value change amounting to RMB7,000,000 was charged to the consolidated statement of comprehensive income. The Group has involved an independent valuer to perform the fair value valuation of contingent consideration payable as at 6 April 2021 and 31 December 2021, respectively. We focused on this area due to significance of the contingent consideration payable balance and fair value change for the year then ended, and given that high degree of judgement required and key assumptions, including the discount rate and volatility involved in determining the fair values of the contingent consideration payable by using Monte Carlo method.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal control and assessment process of valuation of contingent consideration and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We assessed the competence, capabilities and objectivity of the independent valuer; • We read the agreement in relation to Acquisition of Shuimuyuan and discussed with management to obtain an understanding on the details of the arrangement; • We assessed the appropriateness of valuation method with the assistance of our internal valuation expert; • We assessed the reasonableness of the key assumptions as adopted by management in the Monte Carlo method for the valuation of contingent consideration payable by reference to external industry data, the Group's historical and subsequent margin information and risk-free rate and discount rate of comparable companies in the industry; • We assessed the adequacy of related disclosures in the consolidated financial statements. Based on the procedures performed, we found the valuation methodologies of the contingent consideration payable to be acceptable and the assumptions adopted by management to be supportable by the evidence obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of television series and film rights, and estimation of NRV of inventories	
Refer to Notes 2.9, 2.10, 4(f) and 20 to the consolidated financial statements regarding the accounting policy, critical accounting estimates and judgement and related disclosure note of impairment assessments of television series and film rights, and refer to Notes 2.13, 4(g) and 21 to the consolidated financial statements regarding the accounting policy, critical accounting estimates and judgement and related disclosure note of estimation of NRV of inventories. As at 31 December 2021, the carrying amounts of the Group's television series and film produced for licencing and sales classified as television series and film rights and inventories amounted to approximately RMB47,205,000 and RMB94,670,000, respectively. Television series and film rights which are not subject to amortisation have been tested for impairment as at 31 December 2021. To assess the impairment, the recoverable amounts of television series and film rights were determined by management based on "value-in-use" calculations using the discounted cash flow model. Inventories are stated at the lower of cost or NRV as at 31 December 2021. The NRV of inventories were determined by management based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Based on the results of the assessments, management has concluded that no impairment loss for television series and film rights or impairment provision for inventories has to be recognised for the year ended 31 December 2021. We focused on these areas due to the significance of television series and film rights and inventories and given that management applied significant judgements in assessing the impairment of television series and film rights and estimating NRV of the inventories.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's internal controls and assessment processes of impairment of television series and film rights and estimation of NRV of inventories, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's control for preparation of future cash flow forecast of television series and film rights for impairment assessment, and the estimation of NRV of inventories; • We evaluated the outcome of the key assumptions used by management in the prior year assessments to assess the effectiveness of management's estimation process; • We tested, on a sample basis, management's assessment of recoverable amounts of the television series and film rights, and estimation of NRV of inventories, based on the significance of the balance of each item of television series and film right and inventories; *For impairment assessment of the television series and film rights* • We assessed the appropriateness of the valuation model with the assistance of our internal valuation expert;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of television series and film rights, and estimation of NRV of inventories (continued)	• For each selected sample of adaptation rights and scripts and television series under production, we (i) examined the related agreements of the purchased adaption rights and scripts to check their stipulated period of validity; (ii) discussed with management to understand their future production and distribution plans; and (iii) assessed the reasonableness of key assumptions used in the cash flow forecast for impairment assessment such as estimated licensing price and related costs by comparing to historical licensing fee of comparable television series and production and distribution costs of similar television series of the Group; • For each selected sample of television series completed with no associated license agreements entered into, we (i) discussed with management to understand their future distribution plans; and (ii) assessed the reasonableness of key assumptions used in the cash flow forecast for impairment assessment such as the estimated licensing price by comparing to the historical licensing fee of comparable television series of the Group; • We assessed the reasonableness of the discount rate used in the cash flow forecast by reference to external industry data and cost of capital of comparable companies, and tested the mathematical accuracy of calculations of the impairment assessment;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of television series and film rights, and estimation of NRV of inventories (continued)	*For estimation of NRV of inventories* • For each selected sample of inventories, we (i) discussed with management to understand their future production and sales plans; and (ii) assessed the reasonableness of the estimation of selling price, costs of completion and the costs necessary to make the sale of the television series and film produced for sale by comparing the estimated selling price, costs of completion and the costs necessary to make the sale to historical licensing fee of comparable television series of the Group and production and distribution costs of similar television series. • We assessed the adequacy of related disclosures in the consolidated financial statements. Based on the procedures performed, we found the assumptions and estimates used by management in the impairment assessments of television series and film rights and estimation of NRV of inventories to be supportable by the evidence obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter

Income tax assessment for the school in the PRC

Refer to Notes 4(c) and 14 to the consolidated financial statements regarding the critical accounting judgement and related disclosure note of the income tax assessment for the school in the PRC.

The Group operates a school, Communication University of China, Nanjing ("CUCN"), in the PRC that provides tuition and boarding services, international preparatory program services and continuing education services, and is eligible to the preferential tax treatment based on the assessment made by the management. As such, no corporate income tax has been provided on the income generated by CUCN during the year. Significant judgments are required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations in respect of the preferential tax treatment enjoyed by CUCN.

Sponsors of CUCN have elected CUCN to be a non-profit private school. Pursuant to the Implementation Rules for the Law for Promoting Private Education issued by Standing Committee of the National People's Congress, non-profit private schools shall be entitled to the same preferential tax treatment as public schools, which are exempted from corporate income tax based on industry experiences. However, there have been no rules specifying the preferential tax treatment enjoyed by public schools in Corporate Income Tax Law of the People's Republic of China or other relevant tax rules and regulations.

We focus on this area due to the high level of management judgments involved in whether CUCN could adopt the applicable preferential tax treatment and are exempted from the corporate income tax.

How our audit addressed the Key Audit Matter

In response to this key audit matter, we have performed the following procedures:

- We assessed the reasonableness of management's judgments by performing the following:
  - Confirmed CUCN's status as a non-profit private school by 1) interviewing the management of the Group as to the status of the school as a non-profit private school; 2) tracing to the legal documents of the school establishment such as the registration documents and articles of CUCN; and 3) reviewing the board meeting minutes and financial statements that no dividend has been declared or paid by CUCN to the Group;
  - Discussed with the Group's PRC legal advisors and understood their views with respect to the interpretation of the existing applicable laws, and evaluate whether there is any impact on the tax position of CUCN based on management's judgement;
  - Interviewed the local tax bureau and confirmed that CUCN could be entitled to the preferential income tax treatment and is exempted from the corporate income tax, and that CUCN has not violated any of the PRC tax laws during the year and up to the report date; and
  - Assessed management's judgements that CUCN is entitled to the preferential tax treatment with the assistance of the internal tax experts by reviewing the applicable tax laws and regulations, any new policies or rules that might impact CUCN during the year, and historical tax returns filed to the local tax bureau to assess if management's understanding and interpretation could be supported.

Based on the procedures performed, we found management's judgments on the preferential tax treatment adopted by CUCN to be supportable by the evidences obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Cathay Media and Education Group Inc. 2021 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the management discussion and analysis, business review and outlook and financial summary prior to the date of this auditor's report. The remaining other information, including the corporate information, chairman's statement, directors' report, directors and senior management, corporate governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee of the Company and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Continuing operations			
Revenue	6(a)	**578,051**	789,743
Cost of revenue	11	**(301,879)**	(436,505)
Gross profit		**276,172**	353,238
Gain on sales of television series and film rights	6(b)	**–**	45,804
Selling expenses	11	**(17,743)**	(27,095)
Administrative expenses	11	**(91,816)**	(73,236)
Other income	8	**14,876**	44,427
Credit impairment losses	10	**(87,215)**	(4,653)
Fair value changes on financial assets and liabilities at fair value through profit or loss	9	**44,530**	26,531
Other gains – net		**1,483**	3,275
Operating profit		**140,287**	368,291
Finance income		**794**	3,227
Finance costs		**(823)**	–
Finance (costs)/income – net	13	**(29)**	3,227
Share of losses of joint ventures accounted for using the equity method		**–**	(50)
Profit before income tax		**140,258**	371,468
Income tax expense	14	**(14,762)**	(34,328)
Profit from continuing operations		**125,496**	337,140
Loss from discontinued operations	37(b)	**(53,674)**	–
Profit for the year		**71,822**	337,140
Profit is attributable to			
Owners of the Company		**57,527**	316,444
Non-controlling interests	15	**14,295**	20,696
		71,822	337,140
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings/(losses) per share	16		
– continuing operations		**0.07**	0.22
– discontinued operations		**(0.03)**	–
		0.04	0.22
Diluted earnings/(losses) per share	16		
– continuing operations		**0.07**	0.22
– discontinued operations		**(0.03)**	–
		0.04	0.22

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(13,099)**	(83,136)
Items that may be reclassified to profit or loss			
Currency translation differences		**(761)**	(1,789)
Other comprehensive loss for the year, net of tax		**(13,860)**	(84,925)
Total comprehensive income for the year		**57,962**	252,215
Total comprehensive income for the year is attributable to:			
Owners of the Company		**43,667**	231,519
Non-controlling interests		**14,295**	20,696
		57,962	252,215
Total comprehensive income/(loss) for the year attributable to owners of the company arises from:			
Continuing operations		**97,869**	231,519
Discontinued operations		**(54,202)**	–
		43,667	231,519

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	17	**99,840**	106,228
Property, plant and equipment	18	**945,079**	603,202
Investments accounted for using the equity method		**–**	1,564
Intangible assets	19	**1,278**	1,099
Deferred income tax assets	22	**16,535**	16,183
Prepayments, deposits and other receivables	27	**1,880**	–
Television series and film rights	20	**56,861**	–
		1,121,473	728,276
Current assets			
Television series and film rights	20	**47,205**	33,775
Inventories	21	**94,670**	56,906
Trade receivables	26	**384,191**	367,549
Prepayments, deposits and other receivables	27	**614,848**	120,448
Financial assets at fair value through profit or loss	25	**577,994**	818,540
Cash and cash equivalents	28	**249,953**	1,308,667
		1,968,861	2,705,885
Assets classified as held for sale	37	**613,168**	–
		2,582,029	2,705,885
Total assets		**3,703,502**	3,434,161

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	**118**	118
Treasury stock	31	**(34,778)**	–
Other reserves	31	**1,775,057**	1,763,791
Retained earnings		**805,510**	966,404
		2,545,907	2,730,313
Non-controlling interests	15	**169,166**	144,871
Total equity		**2,715,073**	2,875,184
LIABILITIES			
Non-current liabilities			
Deferred income	34	**965**	1,263
Financial liabilities at fair value through profit or loss	38	**23,138**	–
		24,103	1,263
Current liabilities			
Trade payables	32	**60,461**	201,480
Other payables and accrual charges	33	**139,683**	91,608
Contract liabilities	7	**281,716**	204,690
Financial liabilities at fair value through profit or loss	38	**32,862**	–
Current income tax liabilities		**12,486**	38,332
Dividend payables	35	**20,950**	21,604
		548,158	557,714
Liabilities directly associated with assets classified as held for sale	37	**416,168**	–
		964,326	557,714
Total liabilities		**988,429**	558,977
Total equity and liabilities		**3,703,502**	3,434,161

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

The consolidated financial statements on pages 68 to 156 were approved and authorised for issue by the Board of Directors of the Group on 31 March 2022 and were signed on its behalf.

Pu Shulin	**Sun Haitao**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital (Note 29) RMB'000	Treasury Stock (Note 31) RMB'000	Other reserves (Note 31) RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020		86	–	548,976	703,516	1,252,578	124,175	1,376,753
Comprehensive income								
Profit for the year		–	–	–	316,444	316,444	20,696	337,140
Currency translation differences		–	–	(84,925)	–	(84,925)	–	(84,925)
Total comprehensive income		–	–	(84,925)	316,444	231,519	20,696	252,215
Transactions with owners								
Issuance of ordinary shares upon initial public offering ("IPO")	29	32	–	1,286,565	–	1,286,597	–	1,286,597
Share issuance costs	29	–	–	(40,381)	–	(40,381)	–	(40,381)
Profit appropriation to statutory reserves		–	–	53,556	(53,556)	–	–	–
At 31 December 2020		118	–	1,763,791	966,404	2,730,313	144,871	2,875,184
At 1 January 2021		**118**	**–**	**1,763,791**	**966,404**	**2,730,313**	**144,871**	**2,875,184**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**57,527**	**57,527**	**14,295**	**71,822**
Currency translation differences		**–**	**–**	**(13,860)**	**–**	**(13,860)**	**–**	**(13,860)**
Total comprehensive income		**–**	**–**	**(13,860)**	**57,527**	**43,667**	**14,295**	**57,962**
Transactions with owners								
Non-controlling interests arising on acquisition of subsidiaries	36	**–**	**–**	**–**	**–**	**–**	**10,000**	**10,000**
Purchase of shares under restricted share award scheme	30	**–**	**(34,778)**	**–**	**–**	**(34,778)**	**–**	**(34,778)**
Dividends declared	35	**–**	**–**	**–**	**(193,295)**	**(193,295)**	**–**	**(193,295)**
Profit appropriation to statutory reserves		**–**	**–**	**25,126**	**(25,126)**	**–**	**–**	**–**
At 31 December 2021		**118**	**(34,778)**	**1,775,057**	**805,510**	**2,545,907**	**169,166**	**2,715,073**

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

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**19,425**	169,807
Interest received		**1,244**	–
Income tax paid		**(42,832)**	(4,681)
Net cash (outflow)/inflow from operating activities		**(22,163)**	165,126
Cash flows from investing activities			
Purchases of property, plant and equipment		**(355,536)**	(92,978)
Purchases of intangible assets		**(1,920)**	(632)
Proceeds from disposal of property, plant and equipment		**77**	–
Purchases of financial assets at fair value through profit or loss		**(2,169,183)**	(1,083,638)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,391,434**	1,090,107
Net payment for acquisition of subsidiaries	36(b)	**(157,374)**	–
Loans to a third party	27	**(420,000)**	–
Investment in joint venture		**–**	(1,750)
Net proceeds from acquisition of remaining equity interests of joint venture		**1,756**	–
Net cash outflow from investing activities		**(710,746)**	(88,891)
Cash flows from financing activities			
Payments for shares under restricted share award scheme	30	**(34,778)**	–
Proceeds from issuance of ordinary shares upon initial public offering	29	**–**	1,286,597
Dividends		**(193,949)**	–
Repayments of borrowings		**–**	(32,000)
Payment of lease liabilities			
– Principal		**(30,295)**	–
– Interest		**(8,119)**	–
Payment of share issuance costs		**(290)**	(57,974)
Net cash (outflow)/inflow from financing activities		**(267,431)**	1,196,623
Net (decrease)/increase in cash and cash equivalents		**(1,000,340)**	1,272,858
Cash and cash equivalents at beginning of year		**1,308,667**	120,481
Effect of exchange rate changes on cash and cash equivalents		**4,044**	(84,672)
Cash and cash equivalents at end of year		**312,371**	1,308,667
Bank balances and cash	28	**249,953**	1,308,667
Bank balances and cash classified as held for sale	37	**62,418**	–
		312,371	1,308,667
Cash flows of discontinued operation	37(b)		

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

1. GENERAL INFORMATION

Cathay Media and Education Group Inc. (the "Company") was incorporated in the Cayman Islands on 4 January 2017 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

The ultimate holding company of the Company is Media One International (PTC) Limited, a company incorporated in the British Virgin Islands, and which is the trustee of a trust established in January 2021 of which the settlor is Mr. Pu Shulin ("Mr. Pu"), who is also an executive director and Chairman of the Board of Directors of the Company.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

After the Coronavirus Disease 2019 ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group prioritises the health and safety of its employees, and has taken various preventative and quarantine measures across the Group soon after the COVID-19 outbreak. As of the date of these consolidated financial statements, the Group was not aware of any material adverse effects on the financial position as of 31 December 2021 and operating results of the Group for the year then ended. Recent development of the COVID-19 pandemic in China, such as increasing cases reported in Shanghai and other cities in March 2022, as well as with the notices of temporary closure of offline off-campus training institutions due to COVID-19 issued by certain municipal and provincial government authorities in March 2022, continue to generate uncertainties over the Group's operations, results and performance. The Group will continue to closely monitor the development of the COVID-19 outbreak and take appropriate counter-measures if any adverse impact is arising.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value and assets classified as held for sale measured at the lower of carrying amount and the fair value less cost to sell ("FVLCD").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards adopted

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKFRS 39, HKFRS 7, HKFRS 4 and HKFRS 16
- COVID-19-related Rent Concessions – Amendments to HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.2 New and amended standards not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements	Annual Improvements 2018 – 2020 cycle	1 January 2022
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKFRS 1 and HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(i) Subsidiaries controlled through contractual arrangements

The Group's television series and film production business was carried out by Huaxia Audio-Visual Global Media (Beijing) Holdings Co., Ltd. ("Huaxia Audio-Visual"), Beijing Huaxia Audio-Visual Online Cultural Development Co., Ltd. ("Huaxia Online"), while higher education service business was carried out by Nanjing Meiya Education Investment Co., Ltd. ("Nanjing Meiya") and Communication University of China, Nanjing ("CUCN") (collectively as the "Operating Entities"). Pursuant to a series of contractual agreements (the "Contractual Arrangements") among Bicheng Art Consulting (Nanjing) Co., Ltd. ("Bicheng Art") and Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. ("Dongyang Culture") (collectively as the "WFOEs"), Dongyang Huaxia Audio-Visual Film Culture Co., Ltd. ("Dongyang Huaxia", which is parent company of Huaxia Audio Visual), Nanjing Lanchou Corporate Management Co., Ltd. ("Nanjing Lanchou", which is parent company of Nanjing Meiya) and the Operating Entities (collectively as the "Consolidated Affiliated Entities") and Dongyang Huaxia and Nanjing Lanchou's respective shareholders including Mr. Pu and Mr. Liu Chang (collectively as the "Equity Holders"), the WFOEs and the Group are able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise Equity Holders' voting rights of the Consolidated Affiliated Entities;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Subsidiaries controlled through contractual arrangements (continued)

- receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities, in consideration for the technical and consulting services provided by the WFOEs, at the WFOEs' discretion;

- obtain the irrevocable and exclusive right for the WFOEs or their designated persons to purchase all or part of the equity interests in the Consolidated Affiliated Entities from Equity Holders at a minimum purchase price permitted under the PRC laws and regulations at such WFOE's sole and absolute discretion to the extent permitted by PRC law. The Equity Holders shall return the amount of purchase consideration they have received to the WFOEs. In addition, the Equity Holders are not allowed to sell, assign, transfer, or otherwise disposed of or create encumbrance over their interests in any of the Consolidated Affiliated Entities directly or indirectly without prior written consent of the WFOEs; and

- obtain a pledge over the entire equity interest in the Consolidated Affiliated Entities from their Equity Holders to secure the performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities, has exposure, or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to affect those returns through its power over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities under HKFRSs and consolidated these entities as its indirect subsidiaries in the consolidated financial statements of the Group. The Group has included the financial positions and financial results of the Consolidated Affiliated Entities during the years ended 31 December 2021 and 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(a) Consolidation (continued)

(ii) Business combination

The Group applies the acquisition method to account for business combination except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(a) Consolidation (continued)

(iii) Merger accounting for common control business combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control business combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(b) Joint arrangement

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

- *Joint operations*

  When the Group undertakes television series and film production activities under joint arrangements with other television series and film production ventures in the PRC, they invest and share the ownership and earnings of the television series and film rights upon completion of the production proportionally in accordance with the joint production agreements, which gives all the parties joint control of the arrangement and the arrangement is not structured through a separate vehicle. Such television series and film production arrangements are classified as joint operations. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 23.

- *Joint ventures*

  Interests in joint ventures are accounted for using the equity method (see Note (2.2.1 (c)) below), after initially being recognised at cost in the consolidated balance sheet.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is USD. The Group's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. Since the majority of the assets and operations of the Group are located in the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'Finance income or costs'. All other foreign exchange gains and losses are presented in consolidated statement of comprehensive income within 'Other (losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified and measured at fair value through other comprehensive income, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and facilities	40-50 years
Furniture and fixtures	5-15 years
Motor vehicles	5 years
Education equipment	5 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.1. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, and it is tested for impairment at balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

(c) Licensing rights

Licensing rights are initially recorded as intangible assets at cost basis. They are subsequently carried at cost less accumulated amortisation and impairment losses. The costs are amortised over the contractual period.

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Computer software	3-5 years
• Licensing rights	1.5-6 years

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and FVLCD, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to FVLCD. A gain is recognised for any subsequent increases in FVLCD of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

2.9 Television series and film rights

Television series and film rights mainly presents the television series and film rights produced for licensing and certain television series investments.

(a) Adaption rights and scripts

Cost includes all direct costs associated with the purchase of adaption rights and payments on scripts.

(b) Television series and film rights – under production

Television series and film rights under production are carried as cost, less any identified impairment loss.

Cost includes all direct costs associated with the production of television series and film rights, primarily including production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of television series and films, as well as rental of camera, equipment and other facilities. For the co-produced television series and films under joint operation agreement, the related production costs are recognised in relation to its interests in a joint operation.

Television series and film rights under production are transferred to "Television series and film rights – completed production" upon completion of production.

(c) Television series and film rights – completed production

Television series and film rights – completed production are stated at cost, less accumulated amortisation and identified impairment losses, if any.

These television series and film rights are expensed in accordance with the expected consumption pattern by usage through various channels, such as television release or internet release, and other licensing arrangements, with the reference to the pattern of view counts and viewer ratings of similar television series and firms as broadcasted in reputable television series stations and on line video platform in the historical period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Television series and film rights (continued)

(c) Television series and film rights – completed production (continued)

The sales of television series and film rights are accounted as disposal of the assets, the gain of disposal of television series and film rights are determined by comparing the sales price with the carrying amount of the television series and film rights and are recognised as net gain/loss in consolidated statement of comprehensive income.

(d) Television series investments

The Group has certain investments in television series and film projects in which the Group entitles to receive a fixed and/or variable income based on the Group's investment amount and expected rate of return as specified in the respective television series investment agreements. The investments are carried at amortized cost if their cash flows represent solely payments of principal and interest. All other investments that are not solely payments of principal and interest are carried at fair value.

2.10 Impairment of non-financial assets

Television series and film rights under production, intangible assets that have an indefinite useful life, and intangible assets not available to use, are not subject to amortisation and are tested annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's FVLCD and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Investments and other financial assets (continued)

2.11.1 Classification (continued)

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Investments and other financial assets (continued)

2.11.3 Measurement (continued)

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment of financial assets

The Group has following types of financial assets subject to expected credit loss model under HKFRS 9:

- Trade receivables
- Deposits and other receivables
- Cash and cash equivalents
- Term deposits with initial term of over three months

Cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

For the deposits, other receivables and other current financial assets, the Group applies 3-stages model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Inventories

Inventory includes the television series and film rights produced for sale. Inventories are stated at the lower of cost or net realisable value (“NRV”). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital and shares held for employee share scheme

Ordinary shares and non-redeemable participating preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Restricted Share Award Scheme as described in Note 30. are disclosed as treasury shares and deducted from contributed equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) *Pension obligations*

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligations for the post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) *Housing funds*

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period and the Group has no further obligation beyond the contributions made. The non-PRC employees are not covered by the housing funds.

2.21 Share-based payments

Share-based compensation benefits are provided to employees through the Group's Restricted Share Award Scheme.

(a) *Employee share scheme*

The Restricted Share Award Scheme is administered by the Trust as disclosed in Note 15(b), which has been consolidated by the Group in accordance with the principles in Note 2.16.

The market value of shares issued is recognised as employee benefit expenses with a corresponding increase in equity. The total expense is recognised over the vesting period which will be determined by the Group on grant date. Information relating to these schemes are set out in Note 30.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue from contracts with customers

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contracts and the laws that apply to the contract, revenue may be recognised over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration to the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue from contracts with customers (continued)

(a) *Revenue from licensing of television series and film rights*

The Group generates revenue from licensing of television series and film rights to television series stations, online platforms and other third parties. Revenue from licensing of television series and film rights is recognised when or as the control of the asset is transferred to the customers, which are the film rights to television series stations, online platforms and other third parties, when an agreement has been signed with a customer, and broadcast license and master tapes and materials have been delivered in accordance with the terms of the contracts, and the customers can obtain substantially all of the remaining benefits from the asset. Revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, an amount of consideration can vary because of refunds, if the consideration is variable, the Group estimates the amount of consideration to which it will be entitled in exchange for such licenses. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At each balance sheet date, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at balance sheet date and the changes in circumstances during the reporting period.

(b) *Revenue from sales of inventories*

The Group generates revenue from sales of inventories to customers, while the inventories represent television series and film rights produced for sales. Revenue from sales of inventories is recognised at a point in time when control of the inventories has transferred, being when the inventories are delivered to the customer whose acceptance of the inventories could not be affected by unfulfilled obligation, and the right to receive payment pursuant to the contract signed with customer is established at the same time.

(c) *Revenue from the provision of higher education and related services*

Revenue from the provision of higher education and related services mainly includes tuition fees income and boarding fees income, entrance examination fee income, international preparatory program, continuing education and canteen management service.

Tuition and boarding fees are generally received in advance prior to the commencement of each school year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised as revenue proportionately over the relevant period of the applicable program or the beneficial period for the students, where applicable. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and those which will be earned beyond one year is reflected as a non-current liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue from contracts with customers (continued)

(c) Revenue from the provision of higher education and related services (continued)

Entrance examination fees are generally received from the students who plan to apply for art related major. A separated examination is organised by Nanjing Chuanmei Xueyuan which is formerly known as Communication University of China, Nanjing ("CUCN") every year to test the professional ability of the students who apply for enrollment in addition to the National Higher Education Entrance Exam of the PRC following the regulation requirement. The consideration of the service fees is received from students before the services provided and is recorded as contract liabilities, which the revenue was recognised when the services provided.

CUCN provide international preparatory program in form of providing a wide range of high standard art training courses. The credits obtained from the completion of these training courses would later be recognised by overseas cooperative universities for assisting the students' admission applications in the respective universities. The service fees are received in advance prior to the commencement of the program, and are initially recorded as contract liabilities. The advanced payment of the service fees are recognised as revenue over the terms of the services provided or the beneficial period for the students.

Continuing education services are provided to adult students who are not registered as full-time students under full-time formal higher education program, government agencies, enterprises and individual customers. The continuing education service fees are generally received in advance prior to the commencement of the services, and are initially recorded as contract liabilities and recognised as revenue over the terms of the applicable program.

(d) Revenue from the provision of education management services

Revenue from the provision of education management services mainly includes providing educational resources, student daily management and other services for the Olympic College of Nanjing Sport Institute (Note 10). The education management services income are generally received in advance prior to the commencement of the services at the beginning of each academic year, and are initially recorded as contract liabilities and recognised as revenue over the terms of the applicable program.

(e) Revenue from the provision of art training services

The Group provides art tutoring to high school students, through Beijing Shuimu Huaxia Education Technology Co., Ltd., an investment holding company incorporated in the PRC, together with it's subsidiaries, Beijing Shuimu Jinghua Education & Technology Co., Ltd., Monet (Hangzhou) Culture & Art Co., Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd., Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd. and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, the "Shuimuyuan") which were acquired by the Group on 6 April 2021, the tutoring fees and related boarding fees are normally received in advance when the student enrolled for tutoring class, and are initially recorded as contract liabilities. The advanced payment of the tutoring fees and boarding fees are recognised as revenue over the terms of the services provided or the beneficial period for the students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose. Any other interest income is included in other income.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statements on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Lease

Leases are recognised as a right-of use assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the right-of-use assets are as follows:

Land use rights	50 years
Office lease	7 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Lease (continued)

Payments associated with short-term leases are exempted from applying HKFRS 16. And recognised on a straight-line basis as an expense in consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Group adopted the exemption for all short-term leases.

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the year.

The Group's subsidiaries in PRC are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in Hong Kong Dollars (HKD), US Dollars (USD) and Great Britain Pound (GBP).

As at 31 December 2021, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, pre-tax profit for the year would have been RMB616,000 (2020: RMB239,000) higher/lower respectively, mainly as a result of foreign exchange gains/(losses) on translation of USD-denominated cash and cash equivalents and trade receivables.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2021, if RMB had weakened/strengthened by 5% against HKD with all other variables held constant, pre-tax profit for the year would have been RMB51,000 (2020: nil) higher/lower respectively, mainly as a result of foreign exchange gains/(losses) on translation of HKD-denominated cash and cash equivalents.

As at 31 December 2021, if RMB had weakened/strengthened by 5% against GBP with all other variables held constant, pre-tax profit for the year would have been RMB11,000 (2020: nil) higher/lower respectively, mainly as a result of foreign exchange gains/(losses) on translation of GBP-denominated cash and cash equivalents.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and cash equivalents and term deposits with the initial term of over three months, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2021 and 2020, the Group has no borrowings and other interest bearing debts, so there is no potential risk caused by interest rate fluctuation.

(iii) Price risk

The Group is exposed to equity securities price risk arising from investments in trading securities held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity of other entities that are publicly traded are listed in Shanghai Stock Exchange and Shenzhen Stock Exchange.

As at 31 December 2021, if the market price of these trading securities increase/decrease by 10%, the pre-tax profit of the Group would have been approximately RMB663,000 (2020: RMB931,000) higher/lower for the year ended 2021, arising as a result of the fair value gain/loss of financial assets at fair value through profit or loss. The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, term deposits with the initial term of over three months, trade receivables, deposits and other receivables. The carrying amount of each class of the abovementioned financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

For cash and cash equivalents and term deposits with the initial term of over three months, the Group manages the credit risk by placing all the cash and deposits in state-owned financial institutions or reputable banks and financial institutions located in PRC and reputable international financial institutions overseas. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

To manage the risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties.

For trade receivables due from television series stations, online platforms and other third parties, if the strategic relationship with television series stations, online platforms and other third parties, is terminated or scaled-back; or if they experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with television series stations, online platforms and other third parties to ensure effective credit control.

For trade receivables due from education and training services, the Group assessed the loss allowances on lifetime expected credit loss basis. In determining the expected credit loss for receivables from education and training services, the Directors of the Company has taken into account the historical default experience and forward-looking information.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group considers the probability of default upon initial recognition of other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, The Group compares the risk of a default occurring on other receivables as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtors; significant increases in credit risk on other financial instruments of the same debtors;

- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors, etc.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2021 and 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the business climate index in China, including GDP, PPI and CPI etc., and collection schedule of the trade receivable to be the most relevant factors of the forward-looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

	Less than 6 months RMB'000	6 months to 1 year RMB'000	1-2 year RMB'000	2-3 years RMB'000	Total RMB'000
At December 31 2021					
Gross carrying amount					
Trade receivable	177,058	562	219,972	10,028	407,620
Less: loss allowance	(2,213)	(7)	(16,597)	(4,612)	(23,429)
	174,845	555	203,375	5,416	384,191
Expected loss rate (%)	1.25%	1.25%	7.55%	45.99%	5.75%
At December 31 2020					
Gross carrying amount					
Trade receivable	259,544	83,582	7,070	21,471	371,667
Less: loss allowance	(1,536)	(625)	(462)	(1,495)	(4,118)
	258,008	82,957	6,608	19,976	367,549
Expected loss rate (%)	0.59%	0.75%	6.53%	6.96%	1.11%

The Group was exposed to concentration of credit risk on its trade receivables. As at 31 December 2021, the top trade receivables balance due from a single external customer amounting to RMB218,222,000 and accounted for 53.54% of total trade receivables respectively.

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

For the deposits and other receivables, management applies 3-stages model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

The loss allowance for other financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

	Other receivables RMB'000
Opening loss allowance as at 1 January 2021	405
Increase in the allowance recognised in profit or loss during the year	67,904
Closing loss allowance as at 31 December 2021	68,309
Opening loss allowance as at 1 January 2020	–
Increase in the allowance recognised in profit or loss during the year	405
Closing loss allowance as at 31 December 2020	405

(c) *Liquidity Risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates.

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'0000	**Carrying amounts** RMB'000
At 31 December 2021						
Trade payables	**60,461**	**–**	**–**	**–**	**60,461**	**60,461**
Other payables and accrual charges (excluding non-financial liabilities)	**117,388**	**–**	**–**	**–**	**117,388**	**117,388**
	177,849	**–**	**–**	**–**	**177,849**	**177,849**
At 31 December 2020						
Trade payables	201,480	–	–	–	201,480	201,480
Other payables and accrual charges (excluding non-financial liabilities)	59,452	–	–	–	59,452	59,452
	260,932	–	–	–	260,932	260,932

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains constant throughout the year.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2021 and 2020 was as follows:

	As at 31 December	
	2021	2020
The liability-to-asset ratio	**27%**	16%

3.3 Fair value estimation

The fair value of the Group's financial instruments carried at fair value as at 31 December 2021 are determined based on valuation techniques with certain inputs which are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Valuation processes

The finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. The finance team reports directly to the chief financial officer ("CFO") of the Group. Discussions of valuation processes and results are held between the CFO and the finance team at least half year, in line with the Group's reporting periods.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Valuation processes (continued)

The valuation of the level 3 instruments mainly included wealth management products purchased from banks ('WMPs"), the television series investments, at fair value and the contingent consideration arisen from business combination. As the WMPs, the television series investments and contingent consideration arisen from business combination are not traded in an active market, their fair values have been determined by using the expected return based on management judgment.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period based on valuation discussion between the responsible person for finance function and the valuation team. As part of this discussion, the team presents a report that explains the reason for the fair value movements.

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets at fair value through profit or loss				
– Trading listed equity securities *(Note 25)*	**6,632**	**–**	**–**	**6,632**
– WMPs *(Note 25)*	**–**	**–**	**571,362**	**571,362**
– Television series investments, at fair value *(Note 20)*	**–**	**–**	**56,861**	**56,861**
	6,632	**–**	**628,223**	**634,855**
Financial liabilities at fair value through profit or loss				
– Contingent consideration arisen from business combination *(Note 38)*	–	–	56,000	56,000
	–	–	56,000	56,000
As at 31 December 2020				
Financial assets at fair value through profit or loss				
– Trading listed equity securities *(Note 25)*	9,308	–	–	9,308
– WMPs *(Note 25)*	–	–	809,232	809,232
– Television series investments, at fair value *(Note 20)*	–	–	1,038	1,038
	9,308	–	810,270	819,578

There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2021 and 2020.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Valuation processes (continued)

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise trading securities classified as fair value through profit or loss.

(b) **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The level 3 instruments mainly represent WMPs, the television series investments, at fair value and contingent consideration arisen from business combination.

(i) WMPs

The following tables present the changes of the WMPs in level 3 as at 31 December 2021 and 2020:

	WMPs in level 3 RMB'000
As at 1 January 2020	790,172
Additions	767,600
Settlements	(774,531)
Gains and losses recognised in profit and loss	25,991
As at 31 December 2020	809,232
Changes in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**9,034**
As at 1 January 2021	**809,232**
Additions	**2,114,500**
Settlements	**(2,380,238)**
Gains and losses recognised in profit and loss	**27,868**
As at 31 December 2021	**571,362**
Changes in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**4,477**

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Valuation processes (continued)

(c) Financial instruments in level 3 (continued)

(i) WMPs (continued)

The WMPs are not traded in an active market and do not have observable market data. The main level 3 inputs used by the Group are the quoted price derived from the banks and the expected rate of return based on management estimation.

The WMPs of approximately RMB378,302,000 has been priced using third-party pricing information without adjustment, and the Group can only subscribe or redeem this kind of WMPs after the lock-in period. The other WMPs of approximately RMB193,060,000 has been priced using discounted cash flow method based on the expected rate of return.

(ii) Television series investments, at fair value

The following tables presents the changes of the television series investments in level 3 as at 31 December 2021 and 2020:

	Television series investments, at fair value RMB'000
As at 1 January 2020	–
Additions	1,038
As at 31 December 2020	1,038
As at 1 January 2021	**1,038**
Additions	**44,340**
Change in fair value of television series investments	**12,318**
Derecognition	**(835)**
As at 31 December 2021	**56,861**

The television series investments, at fair value, are the investments on film and TV drama that do not meet solely payments of principal and interest condition. The television series investments, at fair value, of approximately RMB56,861,000 are primarily valued based on the discounted cash flows method using the expected rate of return (ranged from 3.33% to 30%) based on the management estimate and are within level 3 of the fair value hierarchy.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Valuation processes (continued)

(c) **Financial instruments in level 3 (continued)**

(iii) *Contingent consideration arisen from business combination*

	For the year ended 31 December 2021 RMB'000	2020 RMB'000
Opening balance	**–**	–
Initial recoginition upon acquisition of subsidiaries *(Note 36)*	**63,000**	–
Change in fair value *(Note 9 and 38)*	**(7,000)**	–
Closing balance	**56,000**	–

Financial liabilities at fair value through profit or loss is the contingent consideration arisen from acquisition of 100% equity interests of Shuimuyuan as disclosed in Note 36. The fair value of contingent consideration arisen from business combination was determined by the management of the Company with reference to valuation reports issued by an independent qualified professional valuer. The Company used Monte Carlo method based on the discount rate (15.5%) and volatility (29%) covering the relevant forecasted periods to determine the fair value of the contingent consideration as at acquisition date and 31 December 2021.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of the WMPs, the television series investments, at fair value and contingent consideration arisen from business combination as at 31 December 2021 and 2020.

Description	Fair values As at 31 December 2021 RMB'000	2020 RMB'000	Valuation techniques	Significant unobservable inputs	Range/weighted average of inputs As at 31 December 2021	2020	Relationship of unobservable inputs to fair value
WMPs	**193,060**	137,146	Discounted cash flow method	Expected rate of return	**2.40%-4.28%**	2.25%-4.00%	The higher the expected rate of return, the higher the fair value
The television series investments, at fair value	**56,861**	1,038	Discounted cash flow method	Expected rate of return	**3.33%-30.00%**	5.00%	The higher the expected rate of return, the higher the fair value
Contingent consideration arisen from business combination	**56,000**	NA	Monte Carlo Method	Discount rate	**15.50%**	NA	The higher the discount rate, the lower the fair value
				Volatility	**29.00%**	NA	The higher volatility-put option, the lower the fair value

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Valuation processes (continued)

(c) Financial instruments in level 3 (continued)

(iii) Contingent consideration arisen from business combination (continued)

If the expected rate of return of the WMPs measured at fair value through profit or loss held by the Group had been 10% higher/lower, the post-tax profit for the years ended 31 December 2021 and 2020 would have been approximately RMB2,762,000 higher/lower and RMB2,070,000 higher/lower, respectively.

If the expected rate of return of the television series investments, at fair value measured at fair value through profit or loss held by the Group had been 10% higher/lower, the post-tax profit for the years ended 31 December 2021 and 2020 would have been approximately RMB1,269,000 higher/lower and RMB5,000 higher/lower, respectively.

If the discount rate of the contingent consideration arisen from business combination measured at fair value through profit or loss held by the Group had been 10% higher/lower, the post-tax profit for the year ended 31 December 2021 would have been approximately RMB700,000 lower/higher. If the volatility of the contingent consideration arisen from business combination measured at fair value through profit or loss held by the Group had been 10% higher/lower, the post-tax profit for the year ended 31 December 2021 would have been approximately RMB1,000,000 lower/higher.

As at 31 December 2021 and 2020, the carrying amounts of the Group's financial assets, including cash and cash equivalent, trade receivables, deposits and other receivables, and financial liabilities, including trade and other payables, borrowings and dividend payables approximate their fair values due to the short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Control over the Consolidated Affiliated Entities through Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC as mentioned in Note 2.2.1(a)(i) due to the regulatory restrictions on the foreign ownership in television series and film production business and higher education service business in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. As a result of the Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities, has exposure, or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to affect those returns through its power over the Consolidated Affiliated Entities, and the directors of the Company ("Directors") considered that the Group has control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities under HKFRSs and consolidated these entities as its indirect subsidiaries in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities. There are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations which could impede the Group's power over the Consolidated Affiliated Entities and its beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities.

Whenever there is any event which may impact the validity and enforceability of the Contractual Arrangements, such as the publication of Implementing Regulations for the Law for Promoting Private Education of the PRC《中華人民民共和國民辦教育促進法實施條例》(the "2021 Implementation Regulations"), which has become effective from 1 September 2021, the Directors would reassess whether or not the Contractual Arrangements continue to be legally enforceable.

The Directors, based on the advice of its legal adviser, consider that the Contractual Arrangements among the WFOEs, the Consolidated Affiliated Entities and their equity shareholders continue to be in compliance with all relevant PRC laws and regulations officially promulgated, publicly available and publicly known, and are valid and legally enforceable.

Considering all the facts and circumstances, the Company continue to control and consolidate the Consolidated Affiliated Entities for the year ended 31 December 2021.

(b) Accounting for amortisation of television series and film rights

The costs of television series and film rights are amortised based on the expected consumption pattern. Adjustment on amortisation is made when the expected changes in consumption pattern occurs. The Group's management determines the expected consumption pattern of each television series and film with reference to historical performance of similar television series and film.

Based on information available on the actual results of each television series and film, management reviews and revises, when necessary, the expected consumption pattern at regular intervals. Such changes may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to recoverable amount. This could have an impact on the Group's results of operations. The carrying amounts of television series and film rights are disclosed in Note 20.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Current and deferred income taxes

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether CUCN is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

The Group recognises deferred income tax assets for television series and film production business based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies which had tax losses.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2021 and 2020, the carrying amount of property, plant and equipment are RMB937,565,000 and RMB603,202,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

(e) Useful lives and impairment of land use rights

As explained in Note 17, the Group's management has determined the useful lives of land use rights based on estimates. The estimates are based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of land use rights may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2021 and 2020, the carrying amount of land use rights are RMB95,971,000 and RMB98,490,000 respectively. Any change in these estimates may have a material impact on the results of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(f) Impairment assessment of television series and film rights

At the end of the reporting period, management of the Group assesses the impairment on television series and film rights with reference to its recoverable amount. The assessment is made on a title-by-title basis. The recoverable amount of the television series and film rights is determined based on value-in-use. If the recoverable amount is lower than the carrying amount, the carrying amount of the television series and film rights will be written down to its recoverable amount. The Group's estimation of impairment provision of television series and film rights reflects management's best estimate of future cash flows expected to be generated from television series and film rights considering the current market environment.

Based on management assessments on the recoverability of television series and film rights (Note 20), no impairment loss has to be recognised for the years ended 31 December 2021 and 2020.

(g) Estimation of NRV of inventories

At the end of the reporting period, management of the Group estimated the NRV of inventories. The estimation is made on a title-by-title basis. The NRV is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. If the NRV is lower than the cost, impairment provision will be recognised. Determination of estimated selling prices requires significant management judgement, taking into consideration of the current market environment.

Based on management's estimation of NRV of inventories (Note 21), no impairment provision has to be recognised for the years ended 31 December 2021 and 2020.

(h) Classification of joint arrangements

The Group has entered into joint arrangements to produce and distribute television series and films. The Group has participating interests ranging from 30% to 60% in these joint arrangements for the years ended 31 December 2021 and 2020. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant key business and operating activities. The Group's joint arrangements involve the joint control by the venturers of the assets contributed to the joint arrangement and dedicated to the purposes of the joint arrangement. The assets are used to obtain benefits for the venturers.

Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint arrangements do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Therefore, these arrangements are classified as joint operations of the Group. The determination of the relevant activities under joint operations requires management's significant judgement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Loss allowance of trade receivables and other receivables

The loss allowances for trade and other receivables is made based on assumptions about the risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical payment profiles of sales, historical default history, as well as forward looking estimates, at the end of each reporting period.

(j) Estimated amount of variable consideration related to revenue

Revenue from license of television series and film rights is measured based on the fair value of consideration received or receivable specified in the contracts with customers. When the consideration in a contract is variable, the amount of consideration is estimated to which the Group will be entitled in exchange for such licenses. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group's management determines the estimated transaction price with reference to the selling price, current market condition and the historical experience of producing and distributing television series and film rights.

Based on information available on the current market condition, the Group's management update their assessment of whether an estimate of variable consideration is constrained when necessary to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(k) Purchase price allocation for business combinations

The Group recognises identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition. In applying the acquisition method, the Group recognises the goodwill with the excess of the acquisition cost over the fair values of the identified net assets of acquirees. The accounting for business combination involves the use of significant management judgment and estimates including identifying assets acquired and the liabilities assumed and the determination of their corresponding fair values. Management engages an independent valuer to assist in performing the purchase price allocation assessment on the fair values of assets acquired and liabilities assumed as at the acquisition date, which involves significant management judgement and estimations in the determination of valuation parameters (e.g. discount rates) and also the assumptions in the operating and financial performance (e.g. revenue growth rates and gross profit margins and useful life of brand and non-compete agreement).

(l) Valuation of contingent consideration arisen from business combination

With respect to the valuation of the contingent consideration payable that arising from the Group's acquisition of Shuimuyuan on 6 April 2021, the acquisition date and at each balance sheet date, the Group uses its judgement to select an appropriate method and make assumptions, including the growth rate and volatility of net profit of Shuimuyuan, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value to be recognised in the statements of comprehensive income and as a result affect the Group's financial condition and results of operation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(m) Goodwill impairment

The Group tests whether goodwill has suffered any impairment at balance sheet date. The recoverable amount of a cash generating unit ("CGU") is determined based on higher of value-in-use calculations and FVLCD which require the use of judgements and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

5. SEGMENT INFORMATION

The CODM has been identified as the chief executive officer and executive directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources.

Before April 2021, the CODM had identified the television series and film production and investment as well as higher and vocational education as separate reportable segments, namely the television series and film production and investment segment and the higher and vocational education segment. Following the completion of acquisition of Shuimuyuan as disclosed in Note 37 on 6 April 2021, the CODM had identified the business as another separate reportable segments, named art training services segment. Revenue of the television series and film production and investment segment comprises of the income from licensing of the television series and film rights and sales of television series and film rights produced for sale. Revenue of the higher and vocational education segment comprise of tuition fee income, boarding fee income, entrance examination fee income, international preparation program income, continuing education service income and others. Revenue of the art training services segment comprise of tuition fee income and boarding fee income.

Refer to Note 37, in December 2021, the management of the Company determined to dispose Shuimuyuan and had initiated an active program to locate a buyer. On 28 March 2022, the Board of Directors of the Company has approved the unwind agreement to dispose Shuimuyuan which is subject to shareholders' approval. Therefore, the Shuimuyuan is reported in these financial statements as a discontinued operation, and the assets and liabilities of Shuimuyuan are presented separately in the balance sheet.

The CODM evaluates the performance of the reportable segments based on their revenue, gross profit and operating results which derived from gross profit to include selling expenses, administrative expenses, other income and other gains/(losses) - net. The CODM also assesses the assets and liabilities of the operating segments.

5. SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2021 is as follows:

	Higher and vocational education RMB'000	Television series and film production RMB'000	Art training services RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Year ended 31 December 2021						
Continuing operations						
Revenue	472,764	105,287	–	–	–	578,051
Cost of revenue	(169,593)	(132,286)	–	–	–	(301,879)
Gross profit/(loss)	303,171	(26,999)	–	–	–	276,172
Selling expenses	(13,628)	(4,115)	–	–	–	(17,743)
Administrative expenses	(55,878)	(23,471)	–	(12,467)	–	(91,816)
Other income	21,454	1,145	–	–	(7,723)	14,876
Credit impairment losses	(61,239)	(25,976)	–	–	–	(87,215)
Fair value changes on financial assets and liabilities at fair value through profit or loss	27,865	9,665	–	7,000	–	44,530
Other gains/(losses)–net	1,601	(7,841)	–	–	7,723	1,483
Operating profit/(loss)	223,346	(77,592)	–	(5,467)	–	140,287
Finance income/(costs)–net	3,403	898	–	(4,330)	–	(29)
Profit/(loss) before income tax	226,749	(76,694)	–	(9,797)	–	140,258
Income tax expense	(208)	(14,554)	–	–	–	(14,762)
Profit/(loss) from continuing operations	226,541	(91,248)	–	(9,797)	–	125,496
Loss from discontinued operation	–	–	(53,674)	–	–	(53,674)
– Profit from discontinued operation	–	–	10,301	–	–	10,301
– Impairment loss on goodwill	–	–	(63,975)	–	–	(63,975)
Profit for the year						71,822
Other segment information						
Additions to non-current assets	377,091	1,363	28,118	–	–	406,572
Depreciation and amortisation	38,261	10,926	44,441	–	–	93,628
– Continuing operations	38,261	10,926	–	–	–	49,187
– Discontinued operations	–	–	44,441	–	–	44,441
As at 31 December 2021						
Total assets	2,847,422	1,752,096	613,168	928,595	(2,437,779)	3,703,502
Total liabilities	588,402	961,972	416,168	77,531	(1,055,644)	988,429

5. SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2020 is as follows:

	Higher and vocational education RMB'000	Television series and film production RMB'000	Unallocated RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Year ended 31 December 2020					
Continuing operations					
Revenue	362,633	427,110	–	–	789,743
Cost of revenue	(146,450)	(290,055)	–	–	(436,505)
Gross profit	216,183	137,055	–	–	353,238
Gain on sales of television series and film rights	–	45,804	–	–	45,804
Selling expenses	(4,602)	(22,493)	–	–	(27,095)
Administrative expenses	(38,235)	(16,061)	(18,940)	–	(73,236)
Other income	39,323	5,104	–	–	44,427
Credit impairment losses	(130)	(4,523)	–	–	(4,653)
Fair value changes on financial assets and liabilities at fair value through profit or loss	25,921	610	–	–	26,531
Other gains – net	–	3,275	–	–	3,275
Operating profit/(loss)	238,460	148,771	(18,940)	–	368,291
Finance income – net					3,227
Share of losses of investment accounted for using the equity method					(50)
Profit before income tax					371,468
Income tax expense					(34,328)
Profit from continuing operations					337,140
Profit from discontinued operation					–
Profit for the year					337,140
Other segment information					
Additions to non-current assets	94,843	263	–	–	95,106
Depreciation and amortisation	48,623	136,113	–	–	184,736
As at 31 December 2020					
Total assets	1,792,245	710,684	1,179,339	(248,107)	3,434,161
Total liabilities	268,623	511,062	27,362	(248,070)	558,977

5. SEGMENT INFORMATION (continued)

Notes:

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

(b) The unallocated assets represent cash received from issuance of ordinary shares upon IPO and intragroup receivables due from subsidiaries. The unallocated liabilities represent payables for professional fees, directors' emoluments and intragroup payables due to subsidiaries.

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

Geographical information

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue		
Mainland China	**576,007**	774,680
Others	**2,044**	15,063
	578,051	789,743

Non-current assets are all located in the PRC.

The major customers which contributed more than 10% of the total revenue for the years ended 31 December 2021 and 2020 are listed as below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A	**103,774**	–
Customer B	**59,604**	–
Customer C	**–**	238,000

6. REVENUE AND GAIN ON SALES OF TELEVISION SERIES AND FILM RIGHTS

(a) Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised at a point in time		
Licensing income (Note)	**(65,197)**	183,858
Sale of inventories	**170,484**	243,252
Entrance examination fee income	**25,974**	30,518
	131,261	457,628
Revenue recognised over time		
Higher education related income		
– Tuition fees	**284,445**	246,771
– Boarding fees	**24,417**	14,096
International preparatory program	**42,405**	39,307
Continuing education services	**75,682**	23,787
Education management services income (Note 10)	**8,500**	–
Others	**11,341**	8,154
	446,790	332,115
	578,051	789,743

Note:

In 2016, the Group and its joint operator of one TV series entered into an online platform broadcasting agreement, as amended in 2020 (together "Licensing Agreement"), with an online video platform which allows the online video platform to broadcasting such TV series. The Group recognised RMB70,047,000 as revenue in 2020 when all the revenue recognition criteria including obtaining the broadcasting license and delivery of master tape and materials to the online video platform were met. The management considered that it was not highly probable that a significant reversal in the amount of cumulative revenue recognised would occur. The online video platform has not broadcasted such TV series till August 2021 due to their own business consideration.

In August 2021, the personal misbehaviors of a major actor who was involved in this TV series were reported by news media which resulted in the restriction of broadcasting of this TV series. Pursuant to the Licensing Agreement, the online video platform has right to cancel the Licensing Agreement and request the Group and the Group's joint operator to refund any payment made by the online video platform before under the Licensing Agreement, when such events occurred. In accordance with HKFRSs, variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As at 31 December 2021, management considered that the transaction price of Licensing Agreement should be nil as it is no longer highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, as a result of the abovementioned circumstances. Therefore, management has recognised of RMB70,047,000 as deduction of revenue for the year ended 31 December 2021 (2020: Deduction of revenue of RMB11,000,000).

(b) Gain on sales of television series and film rights

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gain on sales of television series and film rights	**–**	45,804

7. CONTRACT LIABILITIES

Contract liability is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance. The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as the respective balance sheet dates and are expected to be recognised within two years:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Licensing income	**19,178**	11,108
Higher education related income		
– Tuition fees	**149,422**	132,640
– Boarding fees	**13,358**	11,275
Entrance examination fee income	**16,454**	–
International preparatory program	**18,042**	20,571
Continuing education services	**49,218**	23,499
Education management services income *(Note 10)*	**11,500**	–
Others	**4,544**	5,597
	281,716	204,690

The Group receives licensing fee income from customers in advance based on payment terms of the respective licensing contracts. The advanced payment of licensing fee income are recognised when the control of the asset is transferred to the customers, which are the television series stations or online platforms.

The Group receives tuition fees, boarding fees, international preparatory program fees, continuing education service fees and others from customers in advance prior to the beginning of each school year or contract period, which are recognised over the relevant school year or period of the applicable programs.

The Group receives entrance examination fee income from customers in advance prior to the service provided, which are recognised at point in time upon the completion of the related exams.

7. CONTRACT LIABILITIES (continued)

(a) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Licensing income	**568**	9,206
Higher education related income		
– Tuition fees	**132,640**	126,908
– Boarding fees	**11,275**	3,865
Entrance examination fee income	**–**	21,135
International preparatory program	**20,571**	16,483
Continuing education services	**23,499**	2,536
Others	**5,597**	1,843
	194,150	181,976

For revenue from licensing of television series and film rights, considering the production cycle normally last for around two years, the contract liability will be recognised as revenue in two years accordingly.

For revenue from higher education, the contract liability related revenue will be recognised within one year with the normal period of school year.

(b) Unsatisfied performance obligations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Expected to be recognised within one year		
Licensing income	**920**	669
Higher education related income		
– Tuition fees	**149,422**	132,640
– Boarding fees	**13,358**	11,275
Entrance examination fee income	**16,454**	–
International preparatory program	**18,042**	20,571
Continuing education services	**49,218**	23,499
Education management services income *(Note 10)*	**11,500**	–
Others	**4,544**	5,597
Expected to be recognised over one year		
Licensing income	**18,258**	10,439
	281,716	204,690

8. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Donation income	**9,370**	37,208
Government grants and subsidies *(Note)*	**3,587**	5,398
Others	**1,919**	1,821
	14,876	44,427

Note:

There are no unfulfilled conditions or other contingencies attaching to government grants and subsidies recognised during the year ended 31 December 2021.

9. FAIR VALUE CHANGES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Changes in fair value of financial assets at fair value through profit or loss		
– Trading listed equity securities	**(2,656)**	(36)
– WMPs	**27,868**	26,567
– Television series investments, at fair value	**12,318**	–
Changes in fair value of financial liabilities at fair value through profit or loss		
– Contingent consideration	**7,000**	–
	44,530	26,531

10. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Credit impairment losses		
– Trade receivables	**19,311**	4,247
– Other receivables		
– Sales of television series and film rights	**6,697**	405
– Others (Note)	**61,207**	–
	87,215	4,653

Credit impairment losses for the year ended 31 December 2020, which were included in "Other gains/(losses)-net" in the prior year financial statement, have been reclassified to conform to the current year presentation.

Note:

On 21 June 2021, Nanjing Lanchou, a consolidated affiliated entity of the Group, entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which Nanjing Lanchou agreed to acquire entire equity interests of Jiangsu China Red Science and Education and Investment Group Co., Ltd. ("Target Company") for an aggregate cash consideration of RMB450,000,000 which may be adjusted to RMB250,000,000 if certain conditions precedent (including completion of transfer of an additional land lot for the operation of the Olympic College of Nanjing Sport Institute ("Target College") cannot be satisfied within 36 months from the date of the Sale and Purchase Agreement. ("Acquisition")

10. CREDIT IMPAIRMENT LOSSES (continued)

Note (continued):

On 21 June 2021, to facilitate the series of restructuring stated in the Sale and Purchase Agreement, Nanjing Lanchou has also entered into two loan agreements ("Loan Agreements"), pursuant to which Nanjing Lanchou shall grant to Jiangsu China Red Science and Education Investment Group and Nanjing Energy and Technology Co., Ltd. ("Transferor") two bridging loans in the principal amounts of RMB250,000,000 and RMB170,000,000, respectively. The total loans of RMB420,000,000 are non-interest bearing with maturity date of six months from the date of disbursement, out of which, RMB420,000,000 shall not be used for any purpose other than the repayment of subject debt agreed in the Loan Agreements. Mr. Ye Hua and Ms. Gao Jiehong, the founders of the Transferor, has pledged their 67% and 33% of equity interests in the Transferor as well as 9% equity interests in Jiangsu Zijin Science and Education Investment Co., Ltd., an entity in which Mr. Ye Hua held 30% equity interests, to Nanjing Lanchou as securities for the bridging loans. The Group has granted the aforementioned bridging loans in June 2021.

As at 31 December 2021, the total bridging loans of RMB420,000,000 has not been repaid by the Transferor. The Group has performed individual assessment on the recoverability of the overdue bridging loans using the discounted cash flow model. In making such impairment test, management considered such as revenue growth rate, the cost of equity of comparable companies in the industry and discount rate, and exercised judgement in developing its expectation for the future cash flows. The Group has concluded that an impairment loss is recognised for the amount of RMB61,207,000 by which the receivable's carrying amount exceeds its recoverable amount.

As of the date of these consolidated financial statements, the Acquisition was not yet completed.

On 29 September 2021, given the delay of completion of the Acquisition, Nanjing Lanchou and CUCN has entered into education management service agreement with Transferor, Target Company and Target College ("Education Management Service Agreement") as supplement to the Sale and Purchase Agreement, pursuant to which Nanjing Lanchou and CUCN are responsible for providing educational resources, student daily management and other services to Target College from the semester started in September 2021 to the completion of the Acquisition. The education management services fee is determined at 50% of the total tuition fee, boarding fee and other fee charged to students by Target College.

11. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (Note 12)	**137,582**	100,857
Cost of inventories	**125,420**	157,820
Amortisation		
– Television series and film rights	**6,447**	131,923
– Licensing rights	**–**	15,000
– Software	**548**	192
Depreciation		
– Property, plant and equipment	**35,803**	31,232
– Right-of-use assets	**6,389**	6,389
Office expenses and utilities fee	**28,137**	24,970
Property management and maintenance expenses	**13,653**	13,565
Student activities expenses	**9,500**	8,937
Training expenses	**3,888**	4,520
Outsource service expenses	**15,893**	767
Marketing and promotion expenses	**11,275**	1,737
Professional fee	**5,944**	944
Listing expenses	**–**	9,294
Auditors' remuneration		
– Audit services	**3,980**	4,487
Distribution expenses	**1,711**	21,075
Other expenses	**5,268**	3,127
Total cost of revenue, selling expenses and administrative expenses	**411,438**	536,836

12. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	**113,583**	84,304
Social security costs and housing fund	**19,288**	13,341
Welfare and other expenses	**4,711**	3,212
	137,582	100,857

The Group did not have any forfeited contribution for the years ended 31 December 2021 and 2020 in connection with the defined contribution plan operated by local governments. The Group did not have defined benefit plan for the years ended 31 December 2021 and 2020.

Employee benefit expenses were charged in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cost of revenue	**79,294**	61,450
Administrative expenses	**54,507**	37,323
Selling expenses	**3,781**	2,084
	137,582	100,857

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021 and 2020 include 3 and 2 directors whose emoluments are reflected in the analysis shown in Note 42. Details of the emoluments of the remaining highest paid non-director individuals during the year are set out as below:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Wages and salaries	**1,262**	1,207
Bonuses	**–**	–
Social security costs and housing fund	**75**	65
	1,337	1,272

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December 2021	2020
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**2**	3

13. FINANCE (COST)/INCOME – NET

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Finance income		
Interest income from cash at bank and term deposits with initial term of over three months	**794**	420
Exchange gain – net	**–**	2,807
	794	3,227
Finance costs		
Exchange loss – net	**(823)**	–
	(823)	–
Finance (cost)/income – net	**(29)**	3,227

14. INCOME TAX EXPENSE

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Current income tax expense	**27,959**	38,410
Deferred income tax credit	**(2,736)**	(4,082)
Income tax expense	**25,223**	34,328
Income tax expense is attributable to:		
Profit from continuing operations	**14,762**	34,328
Loss from discontinued operation	**10,461**	–
	25,223	34,328

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Profit from continuing operations before income tax	**140,258**	371,468
Loss from discontinued operation before income tax	**(43,213)**	–
	97,045	371,468
Tax expense calculated at applicable PRC statutory tax rate of 25%	**24,261**	92,867
Tax effects of:		
The impact of non-taxable education income	**(54,417)**	(58,804)
Difference in overseas tax rates	**–**	(473)
The impact of preferential tax rate	**(1,867)**	–
Expenses not deductible for tax purposes	**22,669**	46
Reversal of deferred tax assets	**(5,745)**	–
Tax losses for which no deferred income tax asset was recognised	**40,322**	692
Tax charge	**25,223**	34,328

14. INCOME TAX EXPENSE (continued)

(a) 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.

(b) British Virgin Islands profits tax

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

(c) 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.

(d) PRC corporate income tax

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

According to the *Implementation Rules for the Law for Promoting Private Education* (the "Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of the PRC. For year ended 31 December 2021, no regulations have been promulgated by such authorities in this regard. As a result, no income tax expense was recognised by CUCN for year ended 31 December 2021.

(e) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the year, the Group had distributed certain portion of its PRC subsidiaries' retained earnings to their respective owners. The Group does not have any plan to further distribute the retained earnings of these PRC subsidiaries and intends to retain them for the operation and expansion of the Group's business in the PRC. Accordingly, no deferred income tax liability in connection with the aforesaid undistributed retained earnings has been recognised as at the end of each reporting period. As at 31 December 2021 and 2020, the undistributed retained earnings of those PRC subsidiaries amounted to approximately RMB796,262,000 and RMB952,679,000 respectively.

15. SUBSIDIARIES

(a) Subsidiaries

As at 31 December 2021, the Company has direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment/ kind of legal entity	Issued and Paid-in/ registered capital	Equity interest held As at 31 December 2020	2021	Principal activities/ place of operation
Directly owned:					
Cathay Media Group (BVI) Inc.	BVI/ 12 January 2017/ Limited liability company	USD50,000	100%	100%	Investment holding /PRC
Indirectly owned:					
Cathay Media Group (Hong Kong) Limited	Hong Kong/ 27 January 2017/ Limited liability company	HK$1	100%	100%	Investment holding /PRC
Cathay Picture, Inc.	United states/ 27 June 2017/ Limited liability company	USD1	100%	100%	Investment holding /United States
Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. (Note(ii)) (東陽華夏視聽文化諮詢有限公司)	PRC/ 15 August 2019/ Limited liability company	RMB10,000,000	100%	100%	Investment holding & consulting/PRC
Bicheng Art Consulting (Nanjing) Co., Ltd. (Note(ii)) (碧城藝術諮詢(南京)有限公司)	PRC/ 29 July 2019/ Limited liability company	RMB10,000,000	100%	100%	Investment holding & consulting/PRC
Huaxia Xiao Sha Weng (Beijing) Culture Co., Ltd. (Note (ii)) (華夏小莎翁(北京)文化有限公司)	PRC/ 18 June 2020/ Limited liability company	RMB10,000,000	100%	100%	Investment holding /PRC
Huaxia Xiao Sha Weng (Beijing) Education Technology Co., Ltd. (Note(ii) and (vi)) (華夏小莎翁(北京)教育科技有限公司)	PRC/ 19 January 2015/ Limited liability company	RMB1,000,000	100%	100%	Youth Education /PRC
Beijing Huaxia Audio Visual Meiyu Culture Co., Ltd. (Note (ii)) (北京華夏視聽美育文化有限公司)	PRC/ 7 December 2020/ Limited liability company	RMB5,000,000	100%	100%	Investment holding /PRC
Beijing Shuimu Huaxia Education Technology Co., Ltd. (Note(i) and (ii)) (北京水木華夏教育科技有限公司)	PRC/ 4 February 2021/ Limited liability company	RMB38,000,000	NA	100%	Art Training Service /PRC
Beijing Shuimu Jinghua Education & Technology Co., Ltd. (Note(i) and (ii)) (北京水木京華教育科技有限公司)	PRC/ 18 September 2015/ Limited liability company	RMB2,000,000	NA	100%	Art Training Service /PRC
Shenzhen Shuimuyuan Art Education Co., Ltd. (Note(i) and (ii)) (深圳水木源藝術教育有限公司)	PRC/ 2 March 2020/ Limited liability company	RMB1,000,000	NA	100%	Art Training Service /PRC
Shenzhen Shuimuyuan Education & Technology Co., Ltd. (Note(i) and (ii)) (深圳水木源教育科技有限公司)	PRC/ 22 May 2017/ Limited liability company	RMB1,000,000	NA	100%	Art Training Service /PRC
Jinan Shuimuyuan Education & Technology Co., Ltd. (Note(i) and (ii)) (濟南水木圜教育科技有限公司)	PRC/ 15 June 2020/ Limited liability company	RMB5,000,000	NA	100%	Art Training Service /PRC
Shuimuyuan (Dalian) Education & Technology Co., Ltd. (Note(i) and (ii)) (水木源大連市教育科技有限公司)	PRC/ 23 November 2020/ Limited liability company	RMB1,000,000	NA	100%	Art Training Service /PRC
Monet (Hangzhou) Culture & Art Co., Ltd. (Note(i) and (ii)) (莫內杭州文化藝術有限公司)	PRC/ 16 November 2017/ Limited liability company	RMB1,000,000	NA	75%	Art Training Service /PRC
Wuhan Shuimuyuan Training School Co., Ltd. (Note(i) and (ii)) (武漢市水木原培訓學校有限公司)	PRC/ 26 February 2021/ Limited liability company	RMB1,500,000	NA	70%	Art Training Service /PRC
Chongqing Shuimu Dream Education Technology Co., Ltd. (Note(i) and (ii)) (重慶水木圓夢教育科技有限公司)	PRC/ 6 May 2021/ Limited liability company	RMB100,000	NA	60%	Art Training Service /PRC

15. SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Country/place and date of incorporation/ establishment/ kind of legal entity	Issued and Paid-in/ registered capital	Equity interest held As at 31 December 2020	2021	Principal activities/ place of operation
Indirectly controlled by the Company pursuant to the Contractual Arrangements:					
Nanjing Lanchou Corporate Management Co., Ltd. (Note(iii)) (南京藍籌企業管理有限公司)	PRC/ 26 October 2017/ Limited liability company	RMB10,000,000	100%	**100%**	Investment holding /PRC
Dongyang Huaxia Audio-Visual Film Culture Co., Ltd. (Note(iii)) (東陽華夏視聽影視文化有限公司)	PRC/ 18 June 2019/ Limited liability company	RMB10,000,000	100%	**100%**	Investment holding & Television series and film production /PRC
Huaxia Audio-Visual Global Media (Beijing) Holdings Co., Ltd. (Note(iv)) (華夏視聽環球傳媒(北京)股份有限公司)	PRC/ 27 December 2005/ Joint stock company	RMB61,023,678	91%	**91%**	Television series and film production /PRC
Beijing Huaxia Audio-Visual Online Cultural Development Co., Ltd. (Note(iv)) (北京華夏視聽在線文化發展有限公司)	PRC/ 11 December 2001/ Limited liability company	RMB3,000,000	91%	**91%**	Television series program production /PRC
Nanjing Meiya Education Investment Co., Ltd. (Note(v)) (南京美亞教育投資有限公司)	PRC/ 30 January 2003/ Limited liability company	RMB150,000,000	91%	**91%**	Investment holding /PRC
Communication University of China, Nanjing (Note(v)) (南京傳媒學院)	PRC/ 16 June 2014/University	RMB150,000,000	91%	**91%**	Higher education /PRC
Communication University of China, Nanjing Education Development Foundation (Note(v)) (中國傳媒大學南廣學院教育發展基金會)	PRC/ 26 July 2006/ Non-public foundation	RMB4,000,000	91%	**91%**	Donations /PRC

Notes:

(i) These subsidiaries were newly acquired by the Group in 2021.

(ii) These subsidiaries are registered as wholly foreign owned enterprises under PRC law.

(iii) These are controlled by the Group via Contractual Arrangements.

(iv) These are subsidiaries of Dongyang Huaxia.

(v) These are subsidiaries of Nanjing Lanchou.

(vi) Huaxia Xiao Sha Weng (Beijing) Education Technology Co., Ltd. formerly known as Beijing Kaixin Xiangle Amusement Equipment Co., Ltd. ("Xiao Sha Weng") was established on 19 January 2015 by independent third parties, namely Mr. Lei Yaqi and Mr. Xu Shangyou. On 9 September 2020, the Group has acquired 100% equity interests of the Xiao Sha Weng with nil consideration, and Xiao Sha Weng has become a wholly-owned subsidiary of the Group upon the completion of the transfer of equity interest on 19 November 2020.

15. SUBSIDIARIES (continued)

(b) Consolidation of structured entity other than Consolidated Affiliated Entities

The Company has set up Cathay Media and Education Share Incentive Trust ("**the Trust**") for the implementation of the restricted share award scheme of the Company mentioned in Note 30, and details of which are as follows:

Structured entity	Principal activities
The Trust	Administering and holding the Company's shares acquired through purchases on HKSE for the purpose of restricted share award scheme.

As the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the restricted share award scheme, the directors of the Company consider that it is appropriate to consolidate the Trust.

As at 31 December 2021, the Trust held 13,741,000 shares (31 December 2020: nil) of the Company which have not yet been granted to employees.

(c) Non-controlling interests ("NCI")

Set out below is summarised financial information for each subsidiary that has non-controlling interests ("NCI") that are material to the Group. The balances/amounts disclosed for each subsidiary are before inter-company balances/transactions eliminations.

Summarised balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Huaxia Audio-Visual and its subsidiaries		
Current assets	**523,770**	350,378
Current liabilities	**(575,976)**	(286,672)
Net current (liabilities)/assets	**(52,206)**	63,706
Non-current assets	**5,560**	8,724
Non-current liabilities	**–**	–
Net non-current (liabilities)/assets	**5,560**	8,724
Net (liabilities)/assets	**(46,646)**	72,430
Accumulated NCI	**–**	6,519

15. SUBSIDIARIES (continued)

(c) Non-controlling interests ("NCI") (continued)

Summarised balance sheet (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Nanjing Meiya and its subsidiaries		
Current assets	**1,123,086**	1,085,512
Current liabilities	**(157,667)**	(264,237)
Net current assets	**965,419**	821,275
Non-current assets	**1,038,530**	701,781
Non-current liabilities	**(255,499)**	–
Net non-current assets	**783,031**	701,781
Net assets	**1,748,450**	1,523,056
Accumulated NCI	**158,638**	138,352

Summarised statement of comprehensive income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Huaxia Audio-Visual and its subsidiaries		
Revenue	**(63,780)**	65,166
Loss for the year	**(119,079)**	(18,122)
Other comprehensive income	**–**	–
Total comprehensive loss	**(119,079)**	(18,122)
Loss allocated to NCI	**(6,519)**	(1,631)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nanjing Meiya and its subsidiaries		
Revenue	**471,353**	362,633
Profit for the year	**225,395**	248,078
Other comprehensive income	**–**	–
Total comprehensive income	**225,395**	248,078
Profit allocated to NCI	**20,286**	22,327

15. SUBSIDIARIES (continued)

(c) Non-controlling interests ("NCI") (continued)

Summarised statements of cash flows

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Huaxia Audio-Visual and its subsidiaries		
Cash flows used in operating activities	**(107,693)**	(7,544)
Cash flows used in from investing activities	**(165,361)**	(112,087)
Cash flows generated from financing activities	**273,005**	80,000
Net decrease in cash and cash equivalents	**(49)**	(39,631)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nanjing Meiya and its subsidiaries		
Cash flows generated from operating activities	**403,669**	260,204
Cash flows used in investing activities	**(426,227)**	(217,339)
Cash flows used in from financing activities	**–**	(32,000)
Net (decrease)/increase in cash and cash equivalents	**(22,558)**	10,865

16. 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 years excluding ordinary shares purchased by the Company and held as treasury shares under the Company's Restricted Share Award Scheme (Note 30).

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2021 has been adjusted for the effect of restricted shares (Note 30).

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) attributable to owners of the Company (RMB'000)		
From continuing operations	**111,729**	316,444
From discontinued operations	**(54,202)**	–
	57,527	316,444
Weighted average number of ordinary shares in issue ('000)	**1,657,821**	1,409,534
Basic earnings/(losses) per share (expressed in RMB)		
From continuing operations	**0.07**	0.22
From discontinued operations	**(0.03)**	–
	0.04	0.22

16. EARNINGS PER SHARE (continued)

(b) Diluted

The computation of diluted earning per share for the year ended 31 December 2021 does not consider the effect of shares under the restricted share award scheme as there is no restricted shares granted by the Group for the year ended 31 December 2021. Accordingly, the diluted earnings/(losses) per share is same as the basic earnings/(losses) per share for the years ended 31 December 2021 and 2020.

17. RIGHT-OF-USE ASSETS

	Land use rights (Note(a)) RMB'000	Leased properties (Note(b)) RMB'000	Total RMB'000
Year ended 31 December 2021			
Opening net book amount	98,490	7,738	106,228
Acquisition of subsidiaries (Note 36)	–	241,463	241,463
Depreciation charge	(2,519)	(27,658)	(30,177)
Transfer to assets classified as held for sale (Note 37)	–	(217,674)	(217,674)
Closing net book amount	95,971	3,869	99,840
Year ended 31 December 2020			
Opening net book amount	101,009	11,608	112,617
Depreciation charge	(2,519)	(3,870)	(6,389)
Closing net book amount	98,490	7,738	106,228

(a) As at 31 December 2021, land use rights with carrying amounts of approximately RMB95,971,000 (31 December 2020: RMB98,490,000), which are allocated by the PRC government, have no definite life of use stated in the land use rights certification. The estimated useful lives are 50 years which is the best estimate by reference to the normal lease terms as stated in the land use right certificates in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use rights as allocated by the PRC government.

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

(b) Liabilities arising from a lease are initially measured on a present value basis and are discounted at a rate of 4.9% per annum. The finance cost of leases is charged to profit or loss over the lease period.

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December **2021** **RMB'000**	 2020 RMB'000
Depreciation of right-of-use assets		
Land use rights	**2,519**	2,519
Leased properties	**3,870**	3,870
	6,389	6,389

The lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

The amortisation charge incurred in discontinued operations is RMB23,788,000.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Education equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021								
Opening net book amount	502,987	13,139	1,008	27,184	1,201	–	57,683	603,202
Acquisition of subsidiaries (Note 36)	–	2,224	–	2,531	131	29,633	–	34,519
Additions	17,788	5,105	775	16,008	1,719	9,736	353,521	404,652
Transfer upon construction completed	226,048	–	–	7,068	–	–	(233,116)	–
Disposals	–	–	(48)	–	–	–	–	(48)
Depreciation charge	(19,733)	(5,361)	(470)	(11,395)	(529)	(3,467)	–	(40,955)
Transfer to assets classified as held for sale (Note 37)	(12,886)	(4,285)	(237)	(2,534)	(447)	(35,902)	–	(56,291)
Closing net book amount	714,204	10,822	1,028	38,862	2,075	–	178,088	945,079
At 31 December 2021								
Cost	949,998	89,351	6,228	146,290	7,637	–	178,088	1,377,592
Accumulated depreciation	(235,794)	(78,529)	(5,200)	(107,428)	(5,562)	–	–	(432,513)
Net book amount	714,204	10,822	1,028	38,862	2,075	–	178,088	945,079
Year ended 31 December 2020								
Opening net book amount	446,450	14,108	1,690	24,822	933	–	51,957	539,960
Additions	299	3,780	–	11,235	643	–	78,517	94,474
Transfer upon construction completed	72,791	–	–	–	–	–	(72,791)	–
Depreciation charge	(16,553)	(4,749)	(682)	(8,873)	(375)	–	–	(31,232)
Closing net book amount	502,987	13,139	1,008	27,184	1,201	–	57,683	603,202
At 31 December 2020								
Cost	719,566	86,911	7,028	123,677	6,314	–	57,683	1,001,179
Accumulated depreciation	(216,579)	(73,772)	(6,020)	(96,493)	(5,113)	–	–	(397,977)
Net book amount	502,987	13,139	1,008	27,184	1,201	–	57,683	603,202

Depreciation charges of property, plant and equipment were charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of revenue	**25,033**	22,213
Administrative expenses	**10,770**	9,019
	35,803	31,232

As at 31 December 2021, the Group is still in the process of obtaining the ownership certificates for its buildings located in the PRC which are with carrying amounts of approximately of RMB315,179,000 (2020: RMB101,424,000).

The depreciation charge incurred in discontinued operations is RMB5,152,000.

For the year ended 31 December 2021, motor vehicles amounting to approximately RMB48,000 have been disposed at a cash consideration of approximately RMB77,000, resulting in a net gain on disposal of property, plant and equipment of RMB29,000, which was recognised in "other gains, net" (2020: nil).

19. INTANGIBLE ASSETS

	Computer Software RMB'000	Licensing rights RMB'000	Goodwill RMB'000	Brand RMB'000	Non-compete agreement RMB'000	Total RMB'000
At 31 December 2021						
Opening net book amount	1,099	–	–	–	–	1,099
Acquisition of subsidiaries (Note 36) (Note a)	–	–	119,354	165,000	10,000	294,354
Additions	1,920	–	–	–	–	1,920
Amortisation charge	(1,174)	–	–	(12,375)	(2,500)	(16,049)
Disposal	–	–	–	–	–	–
Impairment loss	–	–	(63,975)	–	–	(63,975)
Transfer to assets classified as held for sale (Note 37)	(567)	–	(55,379)	(152,625)	(7,500)	(216,071)
Closing net book amount	1,278	–	–	–	–	1,278
Year ended 31 December 2021						
Cost	3,019	–	–	–	–	3,019
Accumulated amortisation	(1,741)	–	–	–	–	(1,741)
Net book amount	1,278	–	–	–	–	1,278
At 31 December 2020						
Opening net book amount	659	15,000	–	–	–	15,659
Additions	632	–	–	–	–	632
Amortisation charge	(192)	(15,000)	–	–	–	(15,192)
Closing net book amount	1,099	–	–	–	–	1,099
Year ended 31 December 2020						
Cost	2,439	22,500	–	–	–	24,939
Accumulated amortisation	(1,340)	(22,500)	–	–	–	(23,840)
Net book amount	1,099	–	–	–	–	1,099

Amortisation of the Group's intangible assets were charged in the following categories in the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of revenue	–	15,000
Administrative expenses	548	192
	548	15,192

The amortisation charge incurred in discontinued operations is RMB15,501,000.

19. INTANGIBLE ASSETS (continued)

(a) Impairment assessment for goodwill

Goodwill is monitored by management at the level of the art training services business, Shuimuyuan CGU.

Impairment assessment on the goodwill relating to Shuimuyuan has been conducted by the management as at 31 December 2021 according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the FVLCD and value-in-use calculation.

The management has involved an independent qualified valuer, to perform goodwill impairment assessment to assess the recoverable amounts of the CGU as at 31 December 2021 by using the discounted cash flow model.

The following table sets out the key assumptions for the CGU with goodwill allocated:

	As at 31 December 2021
Revenue growth rate for next 5 years	(23.3%) – 5.0%
Sales margin for next 5 years	46.7% – 47.8%
Terminal growth rate	2.5%
Pre-tax discount rate	19.8%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales margin	Based on past performance and management's expectations for the five-year forecast period.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate refers to forecasts included in industry practice.
Pre-tax discount rate	Reflect specific risks relating to the operation of the business in PRC.

As at 31 December 2021, the Group recognised an impairment provision of approximately RMB63,975,000 against the carrying amount of goodwill relating to Shuimuyuan.

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions been changed as below, the impairment provision would change to as below:

	As at 31 December 2021
Revenue growth rate for next 5 years decreased 5%	111,389
Sales margin for next 5 years decreased 3%	105,093
Terminal growth rate decreased 1%	75,736
Pre-tax discount rate increased 1%	75,079

20. TELEVISION SERIES AND FILM RIGHTS

	As at 31 December 2021 RMB'000	2020 RMB'000
Television series and film rights (Note a)		
– Adaption rights and scripts	**21,742**	21,033
– Under production	**25,463**	5,257
– Completed production	**–**	6,447
	47,205	32,737
– Television series investments, at fair value (Note b)	**56,861**	1,038
	104,066	33,775
Television series and film rights – current portion	**47,205**	33,775
Television series and film rights – non current portion	**56,861**	–

	Adaption rights and scripts RMB'000	Under production RMB'000	Completed production RMB'000	Total RMB'000
As at 1 January 2021	**21,033**	**5,257**	**6,447**	**32,737**
Additions	**2,816**	**18,099**		**20,915**
Transfer from adaption rights and scripts to under production	**(2,107)**	**2,107**	**–**	**–**
Recognised in cost of revenue	**–**	**–**	**(6,447)**	**(6,447)**
As at 31 December 2021	**21,742**	**25,463**	**–**	**47,205**
As at 1 January 2020	17,988	4,915	48,747	71,650
Additions	3,388	145,818	–	149,206
Transfer upon production completed	–	(145,819)	145,819	–
Transfer from adaption rights and scripts to under production	(343)	343	–	–
Recognised in cost of revenue	–	–	(131,923)	(131,923)
Sales (Note 6(b))	–	–	(56,196)	(56,196)
As at 31 December 2020	21,033	5,257	6,447	32,737

Note:

(a) The Group has performed impairment tests on a title-by-title basis for these television series and film rights. The recoverable amounts of television series and film rights were determined by management based on "value-in-use" calculations using the discounted cash flow model. In making such assessments, management considered all possible factors that may affect the future production plans, distribution plans, estimated licensing price and discount rate, and exercised judgement in developing its expectation for the future cash flows. The pre-tax discount rate as adopted in the impairment tests ranged 22.9%-30.3%. After considering the reasonably possible changes in the key parameters for the impairment tests, the Group has concluded that no provision for impairment is required to be recognised as of the respective balance sheet dates.

(b) The movement of television series investments, at fair value are set out in Note 3.3(c(ii)).

21. INVENTORIES

	As at 31 December 2021 RMB'000	2020 RMB'000
– Work in progress	**94,670**	56,906

Inventories recognised as cost of revenue during the year ended 31 December 2021 amounted to approximately RMB125,420,000 (2020: RMB157,820,000).

No impairment provision for inventories were recognised for the years ended 31 December 2021 and 2020.

22. DEFERRED INCOME TAX ASSETS

	As at 31 December 2021 RMB'000	2020 RMB'000
Deferred income tax assets:		
– Deferred income tax asset to be recovered within 12 months	**17,504**	18,119
	17,504	18,119
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered within 12 months	**969**	1,936
	969	1,936

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

	As at 31 December 2021 RMB'000	2020 RMB'000
Deferred income tax assets	**16,535**	16,183

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

	Accrued expenses RMB'000	Lease liabilities RMB'000	Tax losses carry forward RMB'000	Financial assets of fair value through profit or loss RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2021	**9,833**	**–**	**5,745**	**2,541**	**–**	**18,119**
Acquisition of subsidiaries (Note 36)	**–**	**58,177**	**–**	**–**	**–**	**58,177**
Credited/(charged) to profit or loss	**6,742**	**(7,584)**	**(5,745)**	**(1,612)**	**–**	**(8,199)**
Transfer to assets classified as held for sale (Note 37)	**–**	**(50,593)**	**–**	**–**	**–**	**(50,593)**
At 31 December 2021	**16,575**	**–**	**–**	**929**	**–**	**17,504**
At 1 January 2020	8,923	–	–	2,318	3,763	15,004
Credited/(charged) to profit or loss	910	–	5,745	223	(3,763)	3,115
At 31 December 2020	9,833	–	5,745	2,541	–	18,119

22. DEFERRED INCOME TAX ASSETS (continued)

Deferred income tax liabilities

	Right-of-use assets RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At 1 January 2021	**1,936**	**–**	**1,936**
Acquisition of subsidiaries (Note 36)	**60,366**	**46,345**	**106,711**
Credited to profit or loss	**(6,973)**	**(3,962)**	**(10,935)**
Transfer to liabilities directly associated with assets classified as held for sale (Note 37)	**(54,360)**	**(42,383)**	**(96,743)**
At 31 December 2021	**969**	**–**	**969**
At 1 January 2020	2,903	–	2,903
Credited to profit or loss	(967)	–	(967)
At 31 December 2020	1,936	–	1,936

For the year ended 31 December 2021, the deferred income tax expense charges attributable to the discontinued operations amounted to RMB2,384,000.

23. INTERESTS IN JOINT OPERATIONS

The Group has entered into certain joint operation arrangements to produce and distribute/sell three television series during the year. The Group has participating interests ranging from 30% to 60% in these joint operations for the years ended 31 December 2021 and 2020. The aggregate amounts of assets/liabilities as at 31 December 2021 and 2020, and revenue/expenses for the years relating to the Group's interests in these joint operation arrangements are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Inventory	**–**	45,255
Prepayment for television series and film rights	**91,302**	–
Trade receivables	**182,751**	98,107
	274,053	143,362
Trade payables	**(33,495)**	(32,889)
Other payables	**(3,498)**	(7,815)
Contract liabilities	**(7,310)**	(7,310)
	(44,303)	(48,014)
	229,750	95,348

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	**100,807**	74,950
Cost of revenue	**(126,358)**	(42,300)
Selling expenses	**(801)**	(14,882)
(Loss)/profit before income tax	**(26,352)**	17,768

24. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**384,191**	367,549
Deposits and Other receivables (excluding non-financial assets)	**452,019**	115,527
Cash and cash equivalents	**249,953**	1,308,667
	1,086,163	1,791,743
Financial assets at fair value		
Financial assets at fair value through profit or loss	**577,994**	818,540
Television series and film investments, at fair value	**56,861**	1,038
	634,855	819,578
Total	**1,721,018**	2,611,321
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**60,461**	201,480
Dividend payables	**20,950**	21,604
Other payables (excluding non-financial liabilities)	**117,388**	59,452
	198,799	282,536
Financial liabilities at fair value		
Contingent consideration	**56,000**	–
Total	**254,799**	282,536

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
– Trading listed equity securities	**6,632**	9,308
– WMPs	**571,362**	809,232
	577,994	818,540

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

26. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Television series and film productions	**406,969**	364,048
– Higher education and related resources services	**651**	7,619
	407,620	371,667
Less: loss allowance	**(23,429)**	(4,118)
	384,191	367,549

(a) The Group's trade receivables were mainly denominated in RMB and the carrying amounts approximated their fair value.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 6 months	**174,845**	258,008
6 months to 1 year	**555**	82,957
1 to 2 years	**203,375**	6,608
2 to 3 years	**5,416**	19,976
	384,191	367,549

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deposits and other receivables		
Loan to related parties (Note 41(c))	**–**	1,865
Payments of utilities on behalf of canteen operators and other third parties	**4,184**	3,276
Receivable on sales of television series and film rights	**93,542**	108,120
Loans to a third party (Note 10)	**420,000**	–
Others	**2,602**	2,671
	520,328	115,932
Less: loss allowance (Note 10)	**(68,309)**	(405)
	452,019	115,527
Prepayments		
Prepayment for television series and film rights	**151,759**	611
Prepayment for teaching materials	**481**	–
Prepayment for leasehold improvement	**1,880**	–
Deductible value-added-tax	**5,422**	1,010
Others	**5,167**	3,300
	164,709	4,921
Less: non-current portion	**(1,880)**	–
	162,829	4,921
Prepayments, deposits and other receivables – current portion	**614,848**	120,448
Prepayments, deposits and other receivables – non current portion	**1,880**	–

For deposits and other receivables, their carrying amounts are considered to be similar to their fair value.

28. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	**249,953**	1,308,667

Cash and cash equivalents which are denominated in the following currencies are as follow:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**34,573**	124,566
HKD	**1,023**	1,164,524
USD	**214,136**	19,577
GBP	**221**	–
	249,953	1,308,667

29. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares US$
At 1 January 2020 Authorised shares – US$0.00001 each	5,000,000,000	50,000
At 31 December 2021 and 2020 – US$0.00001 each	**5,000,000,000**	**50,000**

	Number of ordinary shares	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:		
As at 1 January 2020	1,200,000,000	86
Issuance of ordinary shares upon IPO (i)	400,000,000	28
Issuance of ordinary shares upon exercise of over-allotment Option of IPO (i)	60,000,000	4
As at 31 December 2020	1,660,000,000	118
Issued and fully paid:		
As at 1 January 2021 and 31 December 2021	**1,660,000,000**	**118**

(i) On 15 July 2020, upon its listing on The Stock Exchange of Hong Kong Limited (the "HKSE"), 400,000,000 ordinary shares were issued at a price of HK$3.1 per share for a total cash consideration, before related issuance expenses, of approximately HK$1,240,000,000 (equivalent to approximately RMB1,119,379,000). Accordingly, 400,000,000 ordinary shares with par value of US$0.00001 each are issued and US$4,000 (equivalent to approximately RMB28,000) are credited to share capital, and remaining amounts, are credited to share premium.

On 5 August 2020, the Company issued additional 60,000,000 ordinary shares with nominal value of US$0.00001 each for the exercises of over-allotment of the IPO at a price of HK$3.1 per share for a total cash consideration before related insurance costs of approximately HK$186,000,000 (equivalent to approximately RMB167,218,000) and 60,000,000 ordinary shares with par value of US$0.00001 each are issued and US$600 (equivalent to approximately RMB4,000) are credited to share capital, and remaining amounts, are credited to share premium.

Share issuance costs related to the IPO mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB40,381,000 was treated as a deduction against the share premium arising from the issuance.

(ii) On 29 December 2021, the board of directors of the Company resolved to exercise its powers under the general mandate to repurchase shares of the Company and subject to market conditions, the Company may repurchase the issued shares in the open market of HKSE from time to time at a maximum aggregate amount of HK$100 million.

For the year ended 31 December 2021, there were no shares repurchased and cancelled by the Company.

Subsequently to the date of these consolidated financial statements, the Company has repurchased 5,063,000 of its own shares, of which 2,182,000 shares were cancelled in the month of February 2022. The total amount paid to acquired the shares was HK$9,652,000 (equivalent to approximately RMB7,852,000), and has been deducted from share premium within shareholders' equity.

30. RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme on 24 September 2021. The purpose of the restricted share award scheme is to align the interests of eligible persons with those of the Company through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The Company has set up the Trust to administer and hold the Company's shares before they are vested and transferred. The Trust purchases the Company's shares from the open market using cash contributed by the Company.

In 2021, the Trust purchased 13,741,000 shares of the Company on HKSE in a total consideration of HK$42,537,000 (equivalent to RMB34,778,000) for the restricted share award scheme.

As at 31 December 2021, no shares were granted by the Company.

31. TREASURY STOCK AND OTHER RESERVES

Treasury stock and other reserves movement of the Group are as follow:

		Other reserves				
	Treasury Stock RMB'000	Share Premium RMB'000	Statutory reserves (Note (a)) RMB'000	Foreign translation reserves RMB'000	Capital reserves RMB'000	Total RMB'000
At 1 January 2021	**–**	**1,246,184**	**353,950**	**(83,970)**	**247,627**	**1,763,791**
Profit appropriation to statutory reserves	**–**	**–**	**25,126**	**–**	**–**	**25,126**
Currency translation differences	**–**	**–**	**–**	**(13,860)**	**–**	**(13,860)**
Purchase of shares under restricted share award scheme (Note 30)	**(34,778)**	**–**	**–**	**–**	**–**	**–**
At 31 December 2021	**(34,778)**	**1,246,184**	**379,076**	**(97,830)**	**247,627**	**1,775,057**
At 1 January 2020	–	–	300,394	955	247,627	548,976
Profit appropriation to statutory reserves	–	–	53,556	–	–	53,556
Currency translation differences	–	–	–	(84,925)	–	(84,925)
Issuance of ordinary shares (Note 29)	–	1,286,565	–	–	–	1,286,565
Share issuance costs (Note 29)	–	(40,381)	–	–	–	(40,381)
At 31 December 2020	–	1,246,184	353,950	(83,970)	247,627	1,763,791

31. TREASURY STOCK AND OTHER RESERVES (continued)

(a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the respective regulations or boards of the directors of the relevant PRC subsidiaries where applicable. These reserves include:

- statutory reserve fund of the limited liability companies;

  In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC generally accepted accounting principles (the "PRC GAAP"), to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders of the PRC Subsidiaries. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

- general reserve fund of foreign invested enterprise; and

  Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiaries which are foreign investment enterprises in China have to make appropriations from their after-tax profit as determined under the PRC GAAP to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion.

- the development fund of schools.

  According to the relevant PRC Laws and regulations, for a private school not requiring reasonable return, it is required to appropriate to development fund of not less than 25% of the net profit or the annual increase of net assets of the relevant school as determined in accordance with the PRC GAAP. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

32. TRADE PAYABLES

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 1 year	**14,201**	174,128
1 to 2 years	**19,140**	27,352
Over 2 years	**27,120**	–
	60,461	201,480

33. OTHER PAYABLES AND ACCRUAL CHARGES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other payables and accrual charges		
Miscellaneous expenses received from students (Note)	**16,094**	12,455
Amount due to a related party (Note 41(c))	**–**	595
Payables for purchases of television series and film rights	**–**	2,805
Payables for teaching materials and other operating expenditure	**6,626**	6,655
Payables for purchases of property, plant and equipment	**49,899**	1,028
Payables to joint operators	**9,306**	9,504
Payables for deposits	**12,414**	6,191
Payables for marketing and promotion	**10,472**	–
Payables for professional services	**914**	9,352
Government subsidies payable to students	**4,784**	3,712
Others	**6,879**	7,155
Total financial liabilities	**117,388**	59,452
Salary and welfare payables	**21,250**	18,851
Other tax payable	**1,045**	13,305
Total non-financial liabilities	**22,295**	32,156
Other payables and accrual charges	**139,683**	91,608

Note:

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

34. DEFERRED INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred government grants	**965**	1,263

The government grants were received for subsidies in connection with the Group's construction/purchases of certain property, plant and equipment and are recognised over the estimated useful lives of the relevant assets.

35. DIVIDEND PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Dividend payables	**20,950**	21,604

On 5 December 2017, Huaxia Audio-Visual declared dividend of RMB58,092,000 and part of the declared dividends of RMB52,864,000 were paid on 24 January 2018, RMB654,000 were paid on 4 March 2021. The remaining dividend payable to the NCI of RMB4,574,000 had not yet been settled as at 31 December 2021 (2020: RMB5,228,000).

On 9 August 2019, Huaxia Audio-Visual declared dividend of approximately RMB181,964,000. Declared dividends of RMB165,588,000 were paid on 26 August 2019. The remaining dividend payables to the NCI of RMB16,376,000 had not yet been settled as at 31 December 2021 and 2020.

On 27 May 2021, the shareholders of the Company approved the declaration of the dividend relating to 2020 of HK$0.08 (equivalent to approximately RMB0.07) per share, amounting to a total dividend of HK$132,800,000 (equivalent to approximately RMB110,860,000) and the dividend had been paid on 24 June 2021.

On 30 August 2021, the shareholders of the Company approved the declaration of the dividend relating to 2021 of HK$0.06 (equivalent to approximately RMB0.05) per share, amounting to a total dividend of HK$99,600,000 (equivalent to approximately RMB82,435,000) and the dividend had been paid on 15 October 2021.

Pursuant to the Board resolution passed on 31 March 2022, the Board resolved to recommend for declaration and payment of a final dividend of HK$0.03 per share and a special dividend of HK$0.03 per share for the year ended 31 December 2021, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 27 May 2022. The final dividend will be paid on or before 30 June 2022 to the shareholders whose names appear on the register of members of the Company on 9 June 2022.

36. BUSINESS COMBINATION

On 6 April 2021, the Group, via wholly-owned subsidiary, Bicheng Art Consulting (Nanjing) Co., Ltd. ("Nanjing Bicheng"), has completed acquisition of entire equity interests of Beijing Shuimu Huaxia Education Technology Co., Ltd., from its sole shareholder ("Founder of Shuimuyuan"), at an aggregate consideration of RMB300,000,000, which comprised 1) cash consideration of RMB165,000,000 which has been fully paid upon completion of the acquisition and 2) contingent consideration of RMB45,000,000 for each of the three years ending 31 December 2021, 2022 and 2023 subject to satisfaction of the certain conditions as agreed in investment agreements ("Acquisition Agreement").

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

The Group recognised the outstanding payment obligations in the investment agreement as contingent consideration. The contingent consideration payables were initially recognised and subsequently measure at fair value and the management has involved an independent qualified valuer to determine the fair value of contingent consideration (Note 38).

The acquired business contributed revenue of RMB260,342,000 and net loss of approximately RMB62,376,000 to the Group for the period from 6 April 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been RMB851,402,000 and RMB61,532,000 respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to right-of-use assets, property, plant and equipment and intangible assets had applied from acquisition date, together with the consequential tax effects.

36. BUSINESS COMBINATION (continued)

(a) Summary of acquisition

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

	As at 6 April 2021 RMB'000
Purchase consideration	
Cash consideration paid	**165,000**
Contingent consideration	**63,000**
Total consideration	**228,000**
Less: Non-compete arrangement (Note 19 and (i))	**(10,000)**
Total purchase consideration	**218,000**

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

	Fair value RMB'000
Right of use assets (Note 17)	241,463
Property, plant and equipment (Note 18)	34,519
Intangible assets (Note 19)	165,000
Prepayments, deposits and other receivables	7,666
Cash and cash equivalents	7,626
Lease liabilities	(227,172)
Other payable and accrual charges	(58,664)
Deferred income tax liabilities (Note 22)	(48,534)
Contract liabilities	(13,258)
	108,646
Less: Non-controlling Interests (iii)	(10,000)
Net identifiable assets acquired	98,646
Add: Goodwill (ii)	119,354
	218,000

The Group has identified the intangible assets and has engaged an independent valuer to assist in performing the valuations of the identified assets and liabilities of Shuimuyuan at the acquisition date. Based on which, the Group performed a purchase price allocation for the acquisition, which resulted in recognition of intangible assets of brand, non-compete agreement and goodwill amounted to of approximately RMB165,000,000, RMB10,000,000 and RMB119,354,000, respectively (Note 19).

Notes:

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

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

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

(iv) There were no acquisitions in the year ended 31 December 2020.

36. BUSINESS COMBINATION (continued)

(b) Purchase consideration – cash outflow

	Year ended 31 December 2021 RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**165,000**
Less: Cash and cash equivalent acquired	**7,626**
Net outflow of cash – investing activities	**157,374**

Subsequently on 28 March 2022, with the approval of the board of directors of the Company, the Group and the Founder of Shuimuyuan agreed to unwind Acquisition Agreement, pursuant to which (i) the Group conditionally agreed to dispose all equity interests of Shuimuyuan held at the consideration equivalent to the partly paid at an aggregate consideration of RMB165,000,000; and (ii) the parties have agreed to the settlement arrangement relating to the outstanding amount of the loan granted to Shuimuyuan amounted to RMB12,675,000.

The disposal was expected to be completed in 2022 and the loss on such disposal was approximately RMB19.3 million.

37. DISCONTINUED OPERATIONS

(a) Description

On 29 December 2021, management of the Group decided to exist art training business carried out by Shuimuyuan which was acquired by the Group on 6 April 2021, taking into account that the tightening regulatory requirements for off-campus training (including non-curriculum-based tutoring) released since the fourth quarter of 2021, together with the notices of temporary closure of offline off-campus training institutions due to COVID-19 issued by certain municipal and provincial government authorities, may have a potential adverse impact on the operations, results and performance of Shuimuyuan. Management of the Group has initiated an active program to locate a buyer for Shuimuyuan. The associated assets and liabilities were consequently presented as held for sale in these consolidated financial statements as at 31 December 2021, and the art training business were therefore presented as discontinued business for the year then ended.

Financial information relating to the discontinued operation for the year ended 31 December 2021 is set out below.

37. DISCONTINUED OPERATIONS (continued)

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 31 December 2021.

	From 6 April 2021 to 31 December 2021 RMB'000
Revenue	260,342
Cost of revenue and expenses	(239,543)
Impairment loss on goodwill (Note 19)	(63,975)
Others	(37)
Loss before income tax	(43,213)
Income tax expense	(10,461)
Loss from discontinued operation	(53,674)
Net cash inflow from operating activities	120,693
Net cash outflow from investing activities	(29,877)
Net cash outflow from financing activities	(36,024)
Net increase in cash generated	54,792

(c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2021:

	As at 31 December 2021 RMB'000
Assets classified as held for sale	
Right-of-use assets (Note 17)	217,674
Property, plant and equipment (Note 18)	56,291
Intangible assets (Note 19)	216,071
Deferred income tax assets (Note 22)	50,593
Prepayments, deposits and other receivables	7,155
Trade receivables	2,966
Cash and cash equivalents	62,418
Total assets of disposal group held for sale	613,168
Liabilities directly associated with assets classified as held for sale	
Lease liabilities	(202,608)
Deferred income tax liabilities (Note 22)	(96,743)
Trade payables	(18,583)
Other payables and accrual charges	(61,759)
Contract liabilities	(25,501)
Current income tax liabilities	(10,974)
Total liabilities of disposal group held for sale	(416,168)

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contingent consideration arisen from business combination (Note 36)		
Current portion	**32,862**	–
Non-current portion	**23,138**	–
	56,000	–

The movements of financial liabilities at fair value through profit or loss are set out in Note 3.3(c(iii)).

39. CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(Loss) before income tax	**97,045**	371,468
From continuing operations	**140,258**	371,468
From discontinued operations	**(43,213)**	–
Adjustments for:		
– Depreciation of property, plant and equipment (Note 18)	**40,955**	31,232
– Amortisation of intangible assets (Note 19)	**16,049**	15,192
– Depreciation of right-of-use assets (Note 17)	**30,177**	6,389
– Deferred income	**(298)**	(298)
– Credit impairment losses (Note 10)	**87,215**	4,653
– Losses on disposal of property, plant and equipment (Note 18)	**(29)**	–
– Goodwill impairment charge (Note 19)	**63,975**	–
– Finance cost-net	**8,652**	647
– Change in fair value of financial assets and financial liabilities at fair value through profit or loss (Note 9)	**(44,530)**	(26,531)
– Share of net profit of joint ventures accounted for using the equity method	**–**	50
– Others	**290**	9,131
Changes in working capital:		
– Television series and film rights	**(14,467)**	38,913
– Inventory	**(37,764)**	(53,086)
– Trade receivables	**(38,939)**	(301,460)
– Prepayments, deposits and other receivables	**(141,770)**	(105,105)
– Contract liabilities	**89,268**	12,983
– Trade payable	**(122,491)**	165,176
– Other payable and accrual charges	**(12,669)**	453
Cash generated from operations	**20,669**	169,807

39. CASH FLOW INFORMATION (continued)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net book amount (Note 18)	**48**	–
Net gains on disposals of land use rights, property, plant and equipment	**29**	–
Proceeds from disposals of property, plant and equipment	**77**	–

(c) Reconciliation of liabilities from financing activities

This section sets out the movements in net debt for each of the years presented.

	Borrowings from non – financial institution	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2021	**–**	**–**	**–**
Cash outflows-Principal	**–**	**30,295**	**30,295**
Cash outflows-Interest	**–**	**8,119**	**8,119**
Other non-cash movements-Transfer to liabilities directly associated with assets classified as held for sale	**–**	**(38,414)**	**(38,414)**
Net debt as at 31 December 2021	–	–	–
Balance as at 1 January 2020	(32,547)	–	(32,547)
Cash outflows-Principal	32,000	–	32,000
Cash outflows-Interest	547	–	547
Net debt as at 31 December 2020	–	–	–

40. COMMITMENT

(a) Capital commitments

Capital expenditure contracted for at the end of the years but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Acquisition of subsidiaries (Note)	**–**	300,000
Property, plant and equipment	**44,856**	34,021
Television series and film rights	**38,919**	–
Total	**83,775**	334,021

Note:

As mentioned in Note 10, the consideration related to the Acquisition might be offset by the bridging loans to the Transferor.

41. RELATED PARTY TRANSACTIONS

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

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

Mr. Pu is the Controlling Shareholder of the Group for the years ended 31 December 2021 and 2020.

(a) Name and relationship with related parties

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

Note:

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

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

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

41. RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties

During the years ended 31 December 2021 and 2020, the Group has the following significant transactions with related parties:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dividend payables		
Balance at 1 January	**21,604**	21,604
Dividend paid		
– Mr. Pu Yu	**(654)**	–
Balance at 31 December	**20,950**	21,604
Other non-trade transactions with related parties		
Payment on behalf of Emperor Nanguang	**–**	1,865

(c) Non-trade balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts due from Emperor Nanguang	**–**	1,865
	–	1,865
Amounts due to Mr. Pu	**–**	595
Dividend payables to non controlling shareholder	**20,950**	21,604
	20,950	22,199

(d) Key management compensation

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and other benefits	**4,512**	2,785

42. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

Year ended 31 December 2021

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contributions to the retirement benefit scheme RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name						
Executive directors						
Mr. Pu	200	1,200	–	–	–	1,400
Mr. Sun Haitao	200	500	–	17	32	749
Mr. Yan Xiang	200	253	–	–	–	453
Mr. Wu Ye	200	169	–	17	32	418
Total	800	2,122	–	34	64	3,020
Independent non – executive directors:						
Mr. Zhang Jizhong	200	–	–	–	–	200
Mr. Lee Cheuk Yin Dannis	200	–	–	–	–	200
Mr. Huang Yu	200	–	–	–	–	200
Total	600	–	–	–	–	600
Chief financial officer:						
Mr. Derek Lau	–	886	–	6	–	892

Year ended 31 December 2020

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contributions to the retirement benefit scheme RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name						
Executive directors						
Mr. Pu	100	1,050	–	–	–	1,150
Mr. Sun Haitao	100	506	–	24	47	677
Mr. Yan Xiang	100	240	–	–	–	340
Mr. Wu Ye	100	170	–	17	31	318
Total	**400**	**1,966**	–	**41**	**78**	**2,485**
Independent non – executive directors:						
Mr. Zhang Jizhong	100	–	–	–	–	100
Mr. Lee Cheuk Yin Dannis	100	–	–	–	–	100
Mr. Huang Yu	100	–	–	–	–	100
Total	**300**	**–**	–	**–**	**–**	**300**

42. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' retirement benefits

No retirement benefits were paid or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking for the years ended 31 December 2021 and 2020, respectively.

(c) Directors' termination benefits

No payments were made to directors as compensation for early termination of the appointment for the years ended 31 December 2021 and 2020, respectively.

(d) Consideration provided to third parties for making available directors' service

No payments were made to the former employer of directors or third parties for making available the services as a director of the Company for the years ended 31 December 2021 and 2020, respectively.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No other loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the years ended 31 December 2021 and 2020, respectively.

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transaction, arrangement and contract in relation to the Group's business to which the Group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2021 and 2020, respectively.

43. BALANCE SHEET AND OTHER RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,778,410**	1,112,924
Total non-current assets		**1,778,410**	1,112,924
Current assets			
Cash and cash equivalents		**201,629**	1,164,199
Prepayments, deposits and other receivables		**17,491**	14,862
Total current assets		**219,120**	1,179,061
Total assets		**1,997,530**	2,291,985
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	**118**	118
Treasury stock	31	**(34,778)**	–
Other reserves		**2,237,413**	2,275,960
Accumulated losses		**(205,223)**	(2,175)
Total equity		**1,997,530**	2,273,903
LIABILITIES			
Current liabilities			
Other payables		**–**	18,082
Total liabilities		**–**	18,082
Total equity and total liabilities		**1,997,530**	2,291,985

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

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022, and was signed on its behalf.

Pu Shulin	**Sun Haitao**
Director	Director

43. BALANCE SHEET AND OTHER RESERVE MOVEMENT OF THE COMPANY (continued)

Treasury stock and other reserves movement of the Company

			Other reserves		
	Treasure Stock RMB'000	Share Premium RMB'000	Foreign translation reserves RMB'000	Capital reserves RMB'000	Total RMB'000
At 1 January 2021	–	1,246,184	(178,426)	1,208,202	2,275,960
Currency translation differences	–	–	(38,547)	–	(38,547)
Purchase of shares under restricted share award scheme	(34,778)	–	–	–	–
At 31 December 2021	(34,778)	1,246,184	(216,973)	1,208,202	2,237,413
At 1 January 2020	–	–	(11)	1,208,202	1,208,191
Currency translation differences	–	–	(178,415)	–	(178,415)
Issuance of new ordinary shares (Note 29)	–	1,286,565	–	–	1,286,565
Share issuance cost (Note 29)	–	(40,381)	–	–	(40,381)
At 31 December 2020	–	1,246,184	(178,426)	1,208,202	2,275,960

44. SUBSEQUENT EVENTS

Other than the events as disclosed in in Note 10, Note 29, Note 35, Note 36 and Note 37, there is no other significant event occurred after the balance sheet date.

A summary of the audit results and of the assets and liabilities of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	556,878	368,318	747,186	789,743	**578,051**
Cost of revenue	(275,733)	(163,387)	(374,361)	(436,5050	**(301,879)**
Gross profit	281,145	204,931	372,825	353,238	**276,172**
Profit before income tax	204,183	153,226	240,331	371,468	**140,258**
Profit from continuing operations	–	–	–	–	**125,496**
Loss from discontinued operations	–	–	–	–	**(53,674)**
Profit for the year	180,562	148,825	194,517	337,140	**71,822**

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	727,806	762,865	680,337	728,276	**1,121,473**
Current assets	966,542	1,130,567	1,088,419	2,705,885	**2,582,029**
Current liabilities	461,504	528,155	358,442	557,714	**964,326**
Net current assets	505,038	602,412	729,977	2,148,171	**1,617,703**
Total assets less current liabilities	1,232,844	1,365,277	1,410,314	2,876,447	**2,739,176**
Non-current liabilities	18,503	1,859	33,561	1,263	**24,103**
Net assets	1,214,341	1,364,418	1,376,753	2,875,184	**2,715,073**
Total equity	1,214,341	1,364,418	1,376,753	2,875,184	**2,715,073**

DEFINITIONS

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

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKFRS"	Hong Kong Financial Reporting Standards
"Huaxia Audio-Visual"	Huaxia Audio-Visual Global Media (Beijing) Holdings Co., Ltd. (華夏視聽環球傳媒(北京)股份有限公司), a company established in the PRC on 27 December 2005 and a Consolidated Affiliated Entity of our Company
"Huaxia Online"	Beijing Huaxia Audio-Visual Online Cultural Development Co., Ltd. (北京華夏視聽在線文化發展有限公司), a company established in the PRC on 11 December 2001 and a Consolidated Affiliated Entity of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	15 July 2020, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Pu"	Mr. Pu Shulin (蒲樹林), our founder, executive Director, chief executive officer, chairperson of the Board and our Controlling Shareholder
"Nanjing Lanchou"	Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司), a company established in the PRC on 26 October 2017 and a Consolidated Affiliated Entity of our Company
"Nanjing Meiya"	Nanjing Meiya Education Investment Co., Ltd. (南京美亞教育投資有限公司), a company established in the PRC on 30 January 2003 and a Consolidated Affiliated Entity of our Company
"Onshore Holdcos"	Dongyang Huaxia and Nanjing Lanchou
"Olympic College"	the Olympic College of Nanjing Sport Institute
"Post-IPO Share Award Scheme"	the post-IPO share award scheme approved and adopted by our Company on 22 June 2020 with effect from Listing
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by our Company on 22 June 2020 with effect from Listing
"PRC Legal Adviser"	Commerce & Finance Law Offices

"Prospectus"	the prospectus of the Company dated 30 June 2020
"RMB"	Renminbi yuan, the lawful currency of China
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos, namely Mr. Pu and Mr. Liu Chang (劉暢)
"Reporting Period"	the year ended 31 December 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"WFOEs"	WFOE-Education and WFOE-Production collectively
"WFOE-Education"	Bicheng Art Consulting (Nanjing) Co., Ltd (碧城藝術諮詢(南京)有限公司), a company established in the PRC on 29 July 2019 and a wholly-owned subsidiary of our Company
"WFOE-Production"	Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. (東陽華夏視聽文化諮詢有限公司), a company established in the PRC on 15 August 2019 and a wholly-owned subsidiary of our Company
"%"	per cent