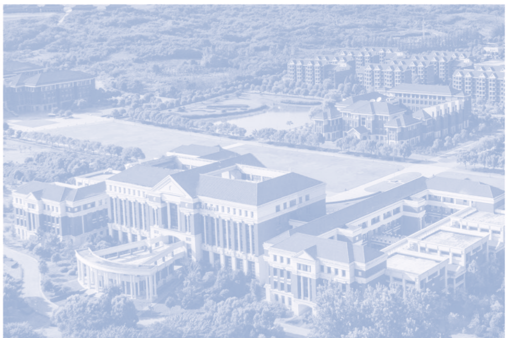
2022
Annual Report

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

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Pu Shulin *(Chairperson and Chief Executive Officer)*
Mr. Sun Haitao *(retired on 27 May 2022)*
Mr. Wu Ye
Mr. Yan Xiang
Mr. Lau Chi Hung *(appointed on 27 May 2022)*

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 *(resigned as the joint company secretaries on 27 May 2022)*
Ms. Chow Yuk Yin Ivy *(resigned as the joint company secretaries on 27 May 2022)*
Mr. Lau Chi Hung *(appointed as company secretary on 27 May 2022)*

AUTHORISED REPRESENTATIVES

Mr. Pu Shulin
Mr. Sun Haitao *(resigned on 27 May 2022)*
Mr. Lau Chi Hung *(appointed on 27 May 2022)*

HEADQUARTERS

22/F, Block 12, Wanda Plaza
No. 93 Jianguo Road
Chaoyang District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

REGISTERED OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor
35/F One Pacific Place
88 Queensway
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong and U.S. laws
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law
Commerce & Finance Law Offices
12/F – 14/F, China World Office 2
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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Bank of China (HK) Ltd.

STOCK CODE

1981

COMPANY WEBSITE

www.cathaymedia.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

Our University is one of the top media and arts independent colleges in China. During the Reporting Period, our higher education (media and arts) and vocational education business continued to bring a stable source of revenue, profit and cash flows to the Group. We will continue to improve the teaching quality and expand the capacity of our University. If the application for an increase in tuition fee for our University is approved by the relevant government authority, we can recruit more seasoned teachers and further enhance our teaching facilities.

2022 was another tough year for the TV/film production industry in China. The results performance of our TV/film production and investment for the Reporting Period was affected by the recognition of impairment losses on certain long-outstanding trade receivables of RMB140.5 million and a write-down of inventories of RMB36.1 million, resulting in a segment loss of RMB172.8 million as compared to a segment loss of RMB77.0 million for the year ended 31 December 2021. In view of the long receivable collection period, we are cautious about future investment in our TV/film production and investment business, and collection of trade receivables is a main task in 2023.

We strive to expand our business and create more internships and job opportunities for our students through promoting the integration of industries and education. With a talent pool of more than 28,000 students and teachers from our University as well as our business connection with certain artists in the TV/film production industry, we are well-positioned to expand our business to the livestreaming e-commerce. We are actively seeking cooperations with certain artists and internet celebrities to develop our livestreaming e-commerce business and we wish the new business together with our solid higher education (media and arts) and vocational education business may increase the return for our Shareholders in the long run.

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 2023

BUSINESS REVIEW AND OUTLOOK

OVERVIEW

During the Reporting Period, the Group disposed of its entire equity interest in Shuimuyuan (as defined below) which provides art entrance exam training services in China , and its media and arts training operation has been reclassified as discontinued operation accordingly. The Group's continuing operations comprise higher education (media and arts) and TV/film production and investment.

Shuimuyuan

On 19 December 2020, the Group and the then founder of Shuimuyuan has entered into a purchase agreement in connection with the acquisition of 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**").

Since the fourth quarter of 2021, several government authorities in the PRC 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's art entrance exam training services which are classified as non-curriculum-based tutoring, in December 2021, the Group decided to dispose of the entire equity interests in Shuimuyuan. Accordingly, the business of Shuimuyuan has been reclassified as discontinued operation and its assets and liabilities as at 31 December 2021 have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Group's consolidated statement of financial position 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 would be adversely affected by the latest regulatory requirements mentioned above and the uncertainty of the COVID-19 situation. After arm's length 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**"). Prior to the said disposal, the Group has paid a total of RMB165 million of the acquisition consideration to the founder of Shuimuyuan.

Pursuant to the Unwind Agreement, (i) the Group conditionally agreed to sell, and the founder of Shuimuyuan and his associates 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 on the Stock Exchange. Please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company dated 25 May 2022 for more details.

Transfers of the equity interest in Shuimuyuan to the founder of Shuimuyuan and his associates, respectively, were completed and duly registered with the relevant authorities in the PRC on 12 April 2022. Since the registration of the aforementioned transfers, the Group ceased to control the board of directors of Shuimuyuan, and Shuimuyuan ceased to be subsidiaries of the Company and, accordingly, the financial statements of Shuimuyuan were no longer consolidated into the consolidated financial statements of the Group. Upon completion of the disposal of Shuimuyuan, the contingent consideration of RMB56 million in relation to the acquisition of Shuimuyuan recognised as financial liabilities at fair value through profit or loss in the Group's consolidated statement of financial position as at 31 December 2021 was derecognised and the amount was included in the gain on disposal of Shuimuyuan during the Reporting Period.

Up to the date of this report, the registration of the share pledges in Shuimuyuan by the founder of Shuimuyuan and his associates with the relevant authorities in China have also been completed pursuant to the requirements of the Unwind Agreement, and the Group has received RMB112.7 million in aggregate, being the first, second, third and fourth payments of the disposal consideration and the whole outstanding loan amount of RMB12.7 million from Shuimuyuan under the Unwind Agreement. Pursuant to the terms of the Unwind Agreement, the fifth and final payments of the disposal consideration, being RMB30 million and RMB35 million, shall be settled by the founder of Shuimuyuan and his associates on or before 31 December 2023 and 31 December 2024, respectively. For the avoidance of doubt, the Group is not required to pay the balance of the acquisition consideration (i.e. RMB135 million) under the Unwind Agreement.

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).

Olympic College, a secondary college of Nanjing Sport Institute (南京體育學院) located in Jiangning District, Nanjing City, is approved by the International Olympic Committee and authorized by the Chinese Olympic Committee, and is currently the only higher education college named "Olympic" in the PRC. As at the date of the Agreement, Olympic College had approximately 3,000 higher education students. The Company expects that, if Olympic College is merged with CUCN upon completion of the acquisition of Olympic College, Olympic College will become a secondary college of CUCN and the Binjiang campus of CUCN (南京傳媒學院濱江校區), and thereby increasing the capacity for student enrolment of Olympic College (assuming all conditions are satisfied including completion of transfer of an additional land lot). Please refer 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 (the "**Bridging Loans**"), respectively, to be extended to the Transferor. The Group is entitled to set-off 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.

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.

The total amount of RMB420 million for the Bridging Loans was included in other receivables in the Group's consolidated statement of financial position as at 31 December 2022, and the accumulated impairment loss recognised on the Bridging Loans amounted to RMB65.8 million (as at 31 December 2021: RMB61.2 million). The impairment loss on the Bridging Loans has been provided based on the fair value of Olympic College and the security provided for the Bridging Loans estimated by an independent professional valuer.

BUSINESS REVIEW

Higher education (media and arts) and vocational education

During the Reporting Period, our higher education (media and arts) and vocational education business recorded a total revenue of RMB561.7 million, representing a year-on-year growth of 18.8%, which was in line with the growth in student enrolment. The segment profit of our higher education (media and arts) and vocational education business increased from RMB222.7 million for the year ended 31 December 2021 to RMB280.7 million for the Reporting Period, primarily due to the reduction of impairment loss recognised on the Bridging Loans during the Reporting Period. COVID-19 did not have significant impact on the financial results and operation of our higher education (media and arts) and vocational education business during the Reporting Period.

Our University has been converted from an independent college to a private higher education institution under the new school name 南京傳媒學院 (Communication University of China, Nanjing) in March 2020. According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in China in 2022. As at 31 December 2022, the Group had approximately 27,638 students, including 22,345 undergraduates, 4,890 vocational education students and 403 international preparatory students. The above number of undergraduates included 1,290 undergraduates enrolled by Olympic College under our University's management. Excluding the number of undergraduates of Olympic College, the total number of our students recorded a year-on-year growth of approximately 16.8%.

Currently, CUCN offered more than 50 undergraduate majors, covering multiple media and art fields. Among them, 4 majors were appraised as the first tier at the national level, and 12 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 study at the overseas universities we cooperate with to continue their undergraduate courses after completing relevant courses.

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

Media, arts and vocational training

As mentioned in the section headed "Shuimuyuan" above, the Group entered into the Unwind Agreement with the founder of Shuimuyuan and his associates on 28 March 2022 and transferred the entire equity interest in Shuimuyuan to the founder of Shuimuyuan and his associates on 12 April 2022, 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, 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 cessation of Cathay Kids Arts Center did not have significant impact on the Group's results.

Accordingly, the Group's media and arts training operation has been reclassified as discontinued operation.

TV/film production and investment

During the Reporting Period, our TV/film production and investment business generated revenue mainly from the distribution of the TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group). Revenue from this business segment decreased by 9.7% to RMB95.1 million for the Reporting Period. The segment loss of our TV/film production and investment business increased from RMB77.0 million for the year ended 31 December 2021 to RMB172.8 million for the Reporting Period, primarily due to the increase in impairment losses on trade receivables and a write-down of inventories as a result of unexpected challenges faced by our TV/film production and investment business.

TV/film production is normally a lengthy process during which we may encounter some unexpected situations, such as delays in the production process and obtaining distribution permit which, in turn, may affect the timing of revenue recognition. TV/film distribution channels in China, such as TV stations and online video channels, usually settle their purchase of TV/film series after broadcasting the relevant TV/film series, and their broadcast schedules are beyond our control. Accordingly, the revenue and receivables cycle of our TV/film production and investment business is generally long and was further extended amid strict COVID-19 prevention and control measures adopted by certain regions in China in 2022. During the Reporting Period, our TV/film production and investment business recognised impairment losses on certain long outstanding trade receivables of RMB140.5 million and made a provision for obsolete and slow moving inventories of RMB36.1 million, due to uncertain recoverability of these assets.

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; and (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 the contractual arrangements as a form of foreign investment. As advised by our PRC legal advisor, 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 invest 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.

On 17 February 2023, the China Securities Regulatory Commission (the "**CSRC**") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(the "**Overseas Listing Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies《關於境內企業境外發行上市備案管理安排的通知》, which, among others, clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. 31 March 2023) shall be deemed as existing applicants (存量企業), or the Existing Applicants. Existing Applicants are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

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 the 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

There has been no significant change in the Group's continuing operations after the Reporting Period.

OUTLOOK

Our higher education (media and arts) and vocational education will continue to provide stable revenue and cash flows to the Group. On the other hand, we are committed to expanding our business through promoting the integration of industries and education.

Among the industries related to our media and arts higher education, we believe the livestreaming e-commerce in China will bring more job opportunities for our students and will provide us with more business opportunities, given the popularity of online shopping and online video platforms. Livestreaming e-commerce is transforming online shopping mode by blending interactive entertainment of livestreamers with instant purchasing behaviours of consumers. With the rise in livestreaming shopping activities in China, more and more reputable brands and micro brands expand their sales channels through livestreaming e-commerce.

Leveraging the advantages of the talent resources in our University and our business network in the TV/film production, we have been striving to expand our business to the livestreaming e-commerce and create job opportunities for our students.

The faculty of Jiangsu livestreaming e-commerce and digital economy industries (江蘇直播電商與數字經濟產業學院) of our University is able to provide a talent pool of potential anchors, internet celebrities, content creators, scenic designers and lighting technicians, etc. for the livestreaming e-commerce industry. We currently have more than 28,000 students and teachers and the majority of our students major in broadcasting and hosting, performing arts, digital media, TV/film production and arts design, animation and media related disciplines. It is expected that the number of our graduates will exceed 5,000 each year in the future. Since its establishment in 2004, our University has cultivated more than 45,000 graduates. A number of our outstanding alumni have remarkable achievements in the entertainment and media professions, covering a wide range of careers such as media hosts, actors, singers, models and TV/film directors.

On the other hand, we have been operating in the TV/film production and investment industry for a long time, during which we cooperate with many well-known artists and maintain a good relationship with them. These artists generally have a large number of followers on social media and some of them already have strong capabilities in livestreaming sales. In the future, the cast of some TV/film series that we intend to produce or invest in will come from those artist and internet celebrity anchors who collaborate with our livestreaming e-commerce business.

In order to cater for the development of our livestreaming e-commerce business, we have established new companies with our new brands, namely 華夏優選 (Huaxia Youxuan), 華夏優品 (Huaxia Youpin), 華夏嚴選 (Huaxia Yanxuan) and 華夏互娛 (Huaxia Huyu), set up livestreaming studios in Beijing and Nanjing, and recruited a seasoned operation team for livestreaming e-commerce. Our livestreaming operation team has been negotiating with various suppliers of quality products including cosmetics, fashion products, food, books and cultural and living goods. Since the second half of 2022, we have organized some trial livestreaming collaborations with certain artists and internet celebrities who have many followers on video platforms such as Douyin and Kuaishou, in order to evaluate their livestreaming sales performance. We will select those artists and internet celebrities who are fit and appropriate to cooperate with us in our livestreaming e-commerce business, and we expect our livestreaming e-commerce business will be officially launched in the second quarter of 2023.

Higher education (media and arts) and vocational education

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. We believe that private higher education operators which provide undergraduate programs in China are beneficiaries with the support of the relevant policies for the development of vocational education in China.

In order to promote the integration of the livestreaming e-commerce industry and our media and arts higher education, the faculty of Jiangsu livestreaming e-commerce and digital economy industries (江蘇直播電商與數字經濟產業學院) of our University has set up some livestreaming rooms and related courses for training our students to become potential anchors, internet celebrities and operation crew and it actively seeks collaborations with enterprises for providing internships and job opportunities to our students.

The Company expects that the maximum capacity of the main campus of our University may further increase to over 30,000 students, assuming the construction of all phases of dormitories and facilities is completed, and the necessary government approvals are obtained.

Our University has submitted the application for tuition fee increment to the relevant government authority, pending government approval. Although the date of approval for the tuition fee increment is beyond our control, we will follow up with the local government authority from time to time. We expect that our University can further improve its teaching quality by recruiting more outstanding teachers if we obtain the approval for our tuition fee increment.

TV/film production and investment

Receivables collection will be the primary task of our TV/film production and investment business in 2023. Given the lengthy revenue and receivables cycle, we are cautious about the future development of our TV/film production and investment business. In the future, one of the key considerations for our investments in TV/film production is that those artist and internet celebrity anchors who collaborate with our livestreaming e-commerce business will be part of the cast of those TV/film series we intend to invest in.

Up to the date of this report, the production of the TV/film series Fights Break Sphere (斗破蒼穹) (30% invested by the Group), which has been reclassified as financial assets at fair value through profit or loss ("**FVTPL**") during the Reporting Period according to certain terms of the investment agreement, has been completed. The TV/film series Fights Break Sphere (斗破蒼穹) is expected to be delivered in the second half of 2023. The TV/film series Galloped Era II (奔騰年代 II) (60% invested by the Group) is still in the process of scriptwriting, whereas the TV/film series Meteor with White Plume (白羽流星) (50% invested by the Group) has obtained the required distribution permit and we are negotiating with customers on the delivery schedule. The first round distribution of the TV/film series Lady's Character (女士的品格) (40% invested by the Group) was completed in February 2023 and accordingly, the corresponding revenue is expected to be recognized in the first half of 2023.

The impact of COVID-19

With the relaxation of COVID-19 restrictions in China since December 2022, based on the current situation and the current information available to the Group, it is expected that the COVID-19 situation will not have significant impact on the Group's continuing operations for the year ending 31 December 2023. However, the Group will closely monitor the situation of COVID-19 and will make further disclosure when necessary.

Conclusion

We will continue to improve the teaching quality, expand the student capacity and strive for the tuition fee increment for our higher education (media and arts) and vocational education business. We will strive to develop the livestreaming e-commerce businesses by leveraging our advantages of the support from the faculty of Jiangsu livestreaming e-commerce and digital economy industries (江蘇直播電商與數字經濟產業學院), the talent pool of over 28,000 students and teachers of our University and our business network in the TV/film production industry, aiming to increase the return for Shareholders.

CONTINUING OPERATIONS

Revenue

The following table sets forth our revenue by business segment for the years ended 31 December 2022 and 2021.

	Year ended 31 December			
	2022		2021	
	(RMB'000, except percentages)			
Segment Revenue				
Higher education (media and arts) and vocational education	**561,747**	**85.5%**	472,764	81.8%
TV/film production and investment	**95,068**	**14.5%**	105,287	18.2%
Total	**656,815**	**100.0%**	578,051	100.0%

Total revenue from continuing operations of the Group increased by 13.6% from RMB578.1 million for the year ended 31 December 2021 to RMB656.8 million for the year ended 31 December 2022, primarily due to the increase in revenue from higher education (media and arts) and vocational education business during the Reporting Period.

Revenue from our higher education (media and arts) and vocational education business increased by RMB88.9 million, or 18.8%, from RMB472.8 million for the year ended 31 December 2021 to RMB561.7 million for the year ended 31 December 2022, primarily due to the growth in total student enrolment in our University.

Revenue from our TV/film production and investment business decreased from RMB105.3 million for the year ended 31 December 2021 to RMB95.1 million for the year ended 31 December 2022. The fluctuation of the revenue from this business segment in the comparable periods was generally due to a number of reasons including, but not limited to, the pricing per episode, the number of episodes, type of TV/film series and our investment portion for each of the TV/film series sold in the comparable periods. The revenue for the year ended 31 December 2022 was mainly attributable to the revenue from TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group). By comparison, the revenue for the year ended 31 December 2021 mainly comprised the revenue from TV/film 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) and the deduction in revenue of RMB70.0 million in respect of the TV series of Zhaoge (朝歌) delivered in 2020 which was not broadcasted subsequently due to certain commercial reasons.

Cost of revenue

	Year ended 31 December			
	2022		2021	
	(RMB'000, except percentages)			
Segment Cost				
Higher education (media and arts) and vocational education	**220,222**	**64.8%**	169,593	56.2%
TV/film production and investment	**119,392**	**35.2%**	132,286	43.8%
Total	**339,614**	**100.0%**	301,879	100.0%

The cost of revenue of our higher education (media and arts) and vocational education business increased from RMB169.6 million for the year ended 31 December 2021 to RMB220.2 million for the year ended 31 December 2022, primarily due to the increase in teachers' salaries and the depreciation of certain new teaching buildings and dormitories in our University.

The cost of revenue of our TV/film production and investment business decreased from RMB132.3 million for the year ended 31 December 2021 to RMB119.4 million for the year ended 31 December 2022, primarily due to the decrease in number of TV/film series sold during the Reporting Period.

Gross profit/(loss) and gross margin

	Year ended 31 December			
	2022		2021	
	Gross profit/ (loss)	**Gross margin**	Gross profit/ (loss)	Gross margin
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	**341,525**	**60.8%**	303,171	64.1%
TV/film production and investment	**(24,324)**	**-25.6%**	(26,999)	-25.6%
Total	**317,201**	**48.3%**	276,172	47.8%

As a result of the foregoing, the Group's gross profit from continuing operations increased by 14.9% from RMB276.2 million for the year ended 31 December 2021 to RMB317.2 million for the year ended 31 December 2022. The Group's overall gross profit margin increased from 47.8% for the year ended 31 December 2021 to 48.3% for the year ended 31 December 2022, primarily due to the increase in the proportion of the revenue from our higher education (media and arts) and vocational education for the Reporting Period.

The gross profit margin for our higher education (media and arts) and vocational education business decreased from 64.1% for the year ended 31 December 2021 to 60.8% for the year ended 31 December 2022, mainly due to the increase in teachers' salaries and the depreciation of certain new teaching buildings and dormitories in our University.

Our TV/film production and investment business recorded a gross loss margin of 25.6% for the year ended 31 December 2022, primarily due to the write-down of certain obsolete and slow moving inventories of RMB36.1 million, whereas the gross loss margin for the year ended 31 December 2021 was primarily attributable to the deduction in revenue of RMB70.0 million in respect of the TV series of Zhaoge (朝歌) delivered in 2020 which was not broadcasted subsequently due to certain commercial reasons.

Other income

Other income from continuing operations increased from RMB17.2 million for the year ended 31 December 2021 to RMB32.1 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in government grants.

Other gains and losses

Other gains and losses from continuing operations decreased from RMB43.7 million for the year ended 31 December 2021 to RMB3.1 million for the year ended 31 December 2022, primarily due to the decrease in gain from changes in fair value of certain financial assets and liabilities measured at FVTPL.

Selling expenses

The Group's selling expenses from continuing operations decreased by RMB2.2 million, or 12.6%, from RMB17.7 million for the year ended 31 December 2021 to RMB15.5 million for the year ended 31 December 2022, primarily due to the decrease in distribution expenses of our TV/film and production investment business.

Administrative expenses

The Group's administrative expenses from continuing operations increased by RMB3.2 million, or 3.5%, from RMB91.8 million for the year ended 31 December 2021 to RMB95.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in salaries of administrative staff.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss (net of reversal) from continuing operations comprised mainly impairment losses on certain trade receivables from our TV/film production and investment business and other receivables of our higher education (media and arts) and vocational education business. The Group's impairment losses under expected credit loss model (net of reversal) increased from RMB87.2 million for the year ended 31 December 2021 to RMB145.2 million for the year ended 31 December 2022, primarily due to the recognition of impairment losses on certain long outstanding trade receivables of RMB140.5 million from our TV/film production and investment business for the Reporting Period.

Taxation

The Group's income tax expense from continuing operations increased from RMB14.8 million for the year ended 31 December 2021 to RMB17.8 million for the year ended 31 December 2022, primarily due to the increase in deferred tax of our TV/film production and investment business.

Profit for the year from continuing operations

As a result of the foregoing, the Group's profit from continuing operations decreased by RMB47.3 million, or 37.7%, from RMB125.5 million for the year ended 31 December 2021 to RMB78.2 million for the year ended 31 December 2022.

Profit (loss) for the year from discontinued operation

Profit (loss) for the year from discontinued operation comprised the results of discontinued operation of Shuimuyuan for the comparable periods and the gain on disposal of Shuimuyuan (please refer to note 12 to the consolidated financial statements in this report).

During the period from 1 January 2022 to the date of completion of the disposal of Shuimuyuan (i.e. 12 April 2022), Shuimuyuan recorded a loss of approximately RMB19.6 million, as compared to a loss of RMB53.7 million for the period from 6 April 2021 (the date of acquisition) to 31 December 2021, and its results performance was below our expectation, primarily due to the impact of COVID-19 and tightening regulatory requirements relevant to the operation of Shuimuyuan.

As a result of the disposal of Shuimuyuan, the Group recorded a gain of approximately RMB43.7 million during the Reporting Period, primarily due to the one-off derecognition of contingent consideration of RMB56 million in relation to the acquisition of Shuimuyuan (which was recorded as financial liabilities at FVTPL as at 31 December 2021).

Profit for the year

As a result of the foregoing, the Group's profit for the year increased from RMB71.8 million for the year ended 31 December 2021 to RMB121.9 million for the year ended 31 December 2022, representing an increase of 69.8%.

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 profit (loss) for the year from discontinued operation, impairment losses on other receivables and a write-down of certain inventories which did not exist in prior years. The Adjusted Net Profit of the Group for the year ended 31 December 2022 was RMB118.8 million, representing a decrease of RMB67.9 million or a 36.4% decrease from RMB186.7 million for the corresponding period in 2021.

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	
	2022	2021
	(RMB'000)	
Profit for the year	**121,923**	71,822
Less/add: Profit/loss for the year from discontinued operation	**(43,710)**	53,674
Add: Impairment losses on other receivables	**4,550**	61,207
Add: Write-down of inventories	**36,052**	–
Non-HKFRS: Adjusted Net Profit	**118,815**	186,703

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 and financial resources

During the year ended 31 December 2022, the Group funded its cash requirements principally from funds raised through the Global Offering in July 2020 and cash generated from operations.

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB520.9 million (as at 31 December 2021: RMB250.0 million), of which the majority were denominated in RMB and Hong Kong dollars. The increase in cash and cash equivalents was primarily due to the increase in net cash from operating activities and the decrease in cash used in investing activities.

As at 31 December 2022, the Group's structured deposits and listed equity investments classified as financial assets at FVTPL amounted to RMB459.7 million (as at 31 December 2021: RMB578.0 million). The majority of these structured deposits and listed equity investments were purchased from banks for better utilisation of our surplus cash.

The Group continued to maintain a healthy and sound financial position. As at 31 December 2022, the current ratio (the ratio of total current assets to total current liabilities) was 356.4% (as at 31 December 2021: 267.8%). The total assets of the Group decreased from RMB3,703.5 million as at 31 December 2021 to RMB3,225.0 million as at 31 December 2022, while the total liabilities decreased from RMB988.4 million as at 31 December 2021 to RMB582.6 million as at 31 December 2022. The liability-to-asset ratio decreased from 26.7% at the end of 2021 to 18.1% as at 31 December 2022.

As at 31 December 2022, the Group did not have interest-bearing borrowings (as at 31 December 2021: nil). As at 31 December 2022, the Group's total equity amounted to RMB2,642.4 million (as at 31 December 2021: RMB2,715.1 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 at 31 December 2022, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as at 31 December 2021: zero).

Capital expenditure and commitment

During the year ended 31 December 2022, the Group paid RMB75.4 million for the purchases of property and equipment primarily for the expansion of the capacity of our University and paid RMB32.0 million for certain leasehold land occupied by our University and leased properties of the Group's headquarters.

As at 31 December 2022, capital commitment of the Group was RMB194.0 million (as at 31 December 2021: RMB44.9 million).

Foreign exchange exposure

During the year ended 31 December 2022, the Group mainly operated in China and the majority of the transactions were settled in RMB, which is the Company's primary subsidiaries and consolidated affiliated entities' functional currency. As at 31 December 2022, except for certain bank balances and 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 at 31 December 2022, the Group had no pledge of assets (as at 31 December 2021: nil).

Contingent liabilities

Save as disclosed in note 36 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 December 2022 (as at 31 December 2021: nil).

Significant Investments

Save for certain bank's structured deposits included in financial assets at FVTPL, the Group did not make or hold other significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2022) during the Reporting Period.

Material acquisitions and disposals

Save for the disposal of the entire equity interest in Shuimuyuan as disclosed in the section headed "Business Review and Outlook" in this report, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2022.

Future plans for material investments or capital asset

As at 31 December 2022, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As at 31 December 2022, the Group had a total of 1,755 employees (as at 31 December 2021: 2,173). The following table sets forth the total number of employees by function as at 31 December 2022:

Function	Number of employees
Continuing operations	
Higher education (media and arts) and vocational education	
Teachers	1,481
Administration	180
TV/film production and investment	
Content creation	65
Administration	29
Total	1,755

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB145.2 million, as compared to RMB137.6 million for the year ended 31 December 2021.

The Company also has adopted a post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") and a post-IPO share option scheme. Please refer to the "Other Information" in this report for more details of the Post-IPO Share Award Scheme.

DIRECTORS' REPORT

The Board is pleased to present this Directors' report together with the consolidated financial statements of the Group for the year ended 31 December 2022.

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 businesses of the Company's subsidiaries are higher education (media and arts) and vocational education, and TV/film production and investment. Analysis of the principal activities of the Group during the year ended 31 December 2022 is set out in note 35 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 67 of this annual report.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and up to the date of this report are:

Executive Directors

Pu Shulin
Sun Haitao *(retired on 27 May 2022)*
Wu Ye
Yan Xiang
Lau Chi Hung *(appointed on 27 May 2022)*

Independent non-executive Directors

Zhang Jizhong
Lee Cheuk Yin Dannis
Huang Yu

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 4 to 19 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.
- TV/film production and investment is a lengthy process during which we may encounter some unexpected situations that may affect the timing of revenue collection and the recoverability of our investment.

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 on the same date with this report.

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 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

CONNECTED TRANSACTIONS

Disposal of Shuimuyuan

On 28 March 2022, the Company entered into Unwinding Agreement for the disposal of Shuimuyuan to the founder of Shuimuyuan. Pursuant to the Unwind Agreement, (i) the Group conditionally agreed to sell, and the founder of Shuimuyuan and his associates 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 on the Stock Exchange. Please refer to (i) the announcement of the Company dated 28 March 2022 and the circular of the Company dated 25 May 2022; (ii) page 4 and page 5 of the "Business Review and Outlook" of this annual report and note 12 of the consolidated financial statements for more details.

Property Lease Agreements

On 9 December 2022, the Group, as tenant, entered into the Lease Agreements with Mr. Pu (the executive Director and the Controlling Shareholder), as the landlord, to renew the leases of the Premises under the Existing Leasing Framework Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. The Premises are currently used as the Group's headquarters. The aggregate rental amount for the Lease Agreements for three years is approximate RMB14.2 million. Mr. Pu agreed to renew the tenancy of the Premises to continue the Group's present usage of the Premises as the Group's headquarters for its usual and ordinary course of business. The Group believes that it would save administrative costs and time as well as renovation costs that would otherwise be spent on negotiating and entering into new contracts with third party lessors.

In accordance with HKFRS, the Group (as the lessee) is required to recognise the leases of the Premises as right-of-use assets. Hence, the entering into of the Lease Agreements and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group. As at the date of the Lease Agreements, Mr. Pu is the executive Director and the Controlling Shareholder and therefore, Mr. Pu and his associates are connected persons of the Company and the entering into of the Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use assets to be recognised by the Group under the Lease Agreements are more than 0.1% but less than 5%, the entering into of the Lease Agreements fall within the ambit of Rule 14A.76(2)(a) of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details are set out in the announcement of the Company dated 9 December 2022.

During the year ended 31 December 2022, save as disclosed in this annual report, no related party transaction disclosed in note 34 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 2022.

CONTRACTUAL ARRANGEMENTS

Background to the Contractual Arrangements

We currently conduct our TV/film production and investment business and our education 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 2022. 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 2022. 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 2022.

For the year ended 31 December 2022, 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 RMB653.3 million for the year ended 31 December 2022 and approximately RMB2,355.5 million as of 31 December 2022 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 Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended 31 December 2022 have been entered into in accordance with the relevant provisions of 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 2022;

(iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2022 other than the ones disclosed above;

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

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

(vi) 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 2022:

(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) For transactions involving the provision of goods or services, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) 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;

(iv) 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

(v) 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 distributors. We have also licensed the broadcasting rights of our TV series to online video platforms and overseas markets. 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 2022, we generated revenue of RMB67.7 million from our single largest customer, representing 10.3% of our total revenue during the Reporting Period. During the same period, we generated revenue of RMB94.3 million in aggregate from our five largest customers combined, representing 14.4% 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 2022.

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 2022, the purchases we made from the single largest supplier was RMB23.0 million, representing 23.7% of our total purchases during the Reporting Period. During the same period, the purchases we made from the five largest suppliers combined was RMB55.1 million, representing 56.7% 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 2022.

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 35 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2022 are set out in note 16 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 consolidated financial statements at such valuation amount throughout the year ended 31 December 2022, an additional depreciation charge of RMB1.4 million would have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2022 are set out in note 27 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 2022, the Group made charitable donations of approximately RMB0.3 million (2021: RMB0.3 million).

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended 31 December 2022.

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 2022.

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 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had reserves available for distribution to Shareholders amounting to RMB2,026.0 million

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 71 and in note 37 to the consolidated financial statements, respectively.

LOANS AND BORROWINGS

As at 31 December 2022, 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 2022.

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 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 '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 13 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 2022.

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 2022.

AUDITOR

On 15 July 2022, the Company announced that Pricewaterhouse Coopers ("**PwC**") resigned as the auditor of the Company with effect from 15 July 2022 as the Company and PwC could not reach a consensus in respect of the auditor's remuneration for the year ending 31 December 2022. On the same day, the Board, with the recommendation of the audit committee of the Company, has resolved to appoint Deloitte Touche Tohmatsu as the new auditor of the Company with effect from 15 July 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company. For details, please refer to the announcement of the Company dated 15 July 2022.

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

Save as disclosed above, 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

Saved for disclosed in the annual report, 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 2022 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 2023

EXECUTIVE DIRECTORS

Mr. Pu Shulin (蒲樹林), aged 67, 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 Huyu, 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 Huyu 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. Wu Ye (吳曄), aged 44, 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 63, 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.

Mr. Lau Chi Hung (劉志雄), aged 52, is our executive Director and the Group's chief financial officer and the company secretary of the Company. He joined our Group in June 2021.

Mr. Lau has accumulated over 25 years of experience in corporate finance, accounting, auditing, company secretarial affairs and investor relations management. He is a practising member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales, a chartered tax adviser and an associate member of The Taxation Institute of Hong Kong. Mr. Lau 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. Lau holds a master's degree in business administration and a bachelor's degree in accountancy from The Hong Kong Polytechnic University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Jizhong (張紀中), aged 71, is our independent non-executive Director and a member of the audit and nomination committee of the Board. He joined our Group in June 2020. 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 52, is our independent non-executive Director, and chairperson of the audit committee and member of the remuneration and nomination committees of the Board. He joined our Group in June 2020. 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 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, of Southern Energy Holdings Group Limited (stock code: 1573.HK) from June 2016 to October 2019, and of Geely Automobile Holdings Limited (stock code: 175.HK) from June 2002 to May 2022. 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 66, is our independent non-executive Director, and the chairperson of the remuneration committee and member of the audit committee of the Board. He joined our Group in June 2020. 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 retired as dean of the School of Communication of Hong Kong Baptist University from September 2022. During his tenure with Hong Kong Baptist University from 1994 to 2022, Mr. Huang took up numerous leadership roles including head of the Department of Journalism (2006-2011), director of the Institute for Journalism and Society (2007-2014), associate and acting dean (2010-2013) and dean (April 2013 to August 2022) of the School of Communication. Mr. Huang was awarded the HKBU President's Award for Outstanding Performance in Service in 2011.

SENIOR MANAGEMENT

Mr. Pu Shulin, Mr. Wu Ye, Mr. Yan Xiang and Mr. Lau Chi Hung are executive Directors. See "Executive directors" for their biographies.

Mr. Chen Simeng (陳思蒙), aged 42, is deputy-secretary of the party committee and pro-vice-chancellor of CUCN. Mr Chen joined our Group in August 2005. Mr. Chen has served a number of other positions at CUCN, including as secretary of the party committee from May 2018 to December 2022, 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 obtained the title as assistant researcher and associate researcher at CUC in November 2010 and in 2018, respectively.

COMPANY SECRETARY

Mr. Lau Chi Hung is our company secretary and an executive Director. See "Executive Directors" for his biography.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this annual 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 subsequent to the publication of the interim report of the Company for the six months ended 30 June 2022.

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 2022, 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 2022.

CORPORATE GOVERNANCE CULTURE AND PURPOSE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

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. Good corporate governance standards are essential in providing a framework for the Group to enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. 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 2022, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code, 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 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 2022 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 OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

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 2022 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 *(retired on 27 May 2022)*
Wu Ye
Yan Xiang
Lau Chi Hung *(appointed on 27 May 2022)*

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 33 to 36 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 2022, the Board held 6 board meetings, of which 4 were 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	6/6	N/A	1/1	1/1
Sun Haitao(1)	1/1	2/6	N/A	N/A	N/A
Wu Ye	1/1	6/6	N/A	N/A	N/A
Yan Xiang	1/1	6/6	N/A	N/A	N/A
Lau Chi Hung(2)	N/A	4/6	N/A	N/A	N/A
Zhang Jizhong	1/1	6/6	3/5	N/A	1/1
Lee Cheuk Yin Dannis	1/1	6/6	5/5	1/1	1/1
Huang Yu	1/1	6/6	5/5	1/1	N/A

Notes:

(1) Mr. Sun Haitao retired as the executive Director with effect on 27 May 2022.

(2) Mr. Lau Chi Hung was appointed as the executive Director with effect on 27 May 2022.

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 2022

The independent non-executive Directors have attended general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

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 2022, 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 re-election and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and 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 independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. 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.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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, with the advisory roles taken by Mr. Wu., Mr. Yan and Mr. Lau 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 main duties of the audit committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company, including but not limited to reviewing and approving connected transactions and providing advice and comments to the Board.

The audit committee comprises 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 2022, 5 audit committee meetings were held to discuss the audit plan with auditors, review the annual results for the year ended 31 December 2021 and interim results of the Group for the six months ended 30 June 2022, recommend the financial results and reports of the Company for the Board's approval, and consider the resignation and appointment of auditors. During these meetings, the audit committee also reviewed continuing connected transactions, financial reporting system, policies and practice, internal controls, risk management, anti-corruption and whistle policy of the Group.

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 (i) 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, and (ii) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to Directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report.

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 2022, 1 remuneration committee meeting was held to review the remuneration of directors and senior management of comparable companies 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 2022 are set out in note 13 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 2022 is set out below:

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

One senior management resigned in March 2023

Remuneration policy

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors and senior management are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors and senior management comprises basic salary, pensions and discretionary bonus. Directors and senior management are entitled to receive share options and share awards to be granted under the Company's share option scheme and share award scheme. The remuneration policy for independent non-executive Directors is to ensure that independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

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 2022, the Nomination Committee held 1 meeting to (i) review the structure, size and composition of the Board, (ii) assess the independence of the independent non-executive Directors, (iii) consider the qualifications of the retiring Directors standing for re-election at the Annual General Meeting, (iv) review the Board Diversity Policy and Director Nomination Policy, and (v) consider and recommend to the Board on the appointment of an executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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, the nomination committee reviews regularly 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. In relation to reviewing and assessing the Board composition, the nomination committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one member of the Board shall be female;

(B) at least one-third of the members of the Board shall be independent non-executive Directors;

(C) at least one member of the Board shall have obtained accounting or other professional qualifications; and

(D) at least three members of the Board shall have more than 10 years of experience in the industry he/she is specialised in education and television and film production and investment.

The nomination committee will use its best endeavours and on suitable basis to identify and recommend at least one female candidate to our Board for its consideration on the appointment of Director by 31 December 2024. 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.

WORKFORCE DIVERSITY

The Company values gender diversity across all levels of the Group. The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group. The Board had targeted to achieve at least one female Director, one female senior management and 50% of female employees of the Group and considers that the above gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found on pages 11 and 41 of the Environmental, Social and Governance Report.

As at 31 December 2022, 58% of the total 1,755 employees of the Group, representing 1,010, were female employees (including management staff), with a higher female employee base driven by our higher education (media and arts) business. The Group has a strong focus on promoting gender diversity in the workforce, having set an overall gender diversity target of at least 50% female representation across the organization. To support the achievement of these targets, specific initiatives have included a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

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.

In general, the nomination process of Director is as follows:

Appointment of New Director

(i) The nomination committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The nomination committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the nomination committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The nomination committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the nomination committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the nomination committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

During the year ended 31 December 2022, the nomination committee recommended to the Board the appointment of a new executive Director, namely Mr. Lau Chi Hung. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

Re-election of Director at General Meeting

(i) The nomination committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The nomination committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The nomination committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

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.

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

Under the Board Independence Evaluation Mechanism, independent views and input are available to the Board. The Board has a balanced composition of executive and independent non-executive Directors, in which approximately half of the Board are independent non-executive Directors. Besides, the Directors are encouraged to seek independent professional advice in performing their duties at the Company's expense; and to access and consult with the Company's senior management independently, if necessary. The independent non-executive Directors are also encouraged to voice their views by individual communication with the chairperson of the Board.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, all Directors has completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

The Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

WHISTLEBLOWING PROCEDURES AND ANTI-CORRUPTION POLICIES SYSTEM

The Company has in place the whistleblowing policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the audit committee, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

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.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the year ended 31 December 2022, 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(1)	✓	✓
Wu Ye	✓	✓
Yan Xiang	✓	✓
Lau Chi Hung(2)	✓	✓
Zhang Jizhong	✓	✓
Lee Cheuk Yin Dannis	✓	✓
Huang Yu	✓	✓

Notes:

(1) Mr. Sun Haitao resigned as executive Director with effect on 27 May 2022.

(2) Mr. Lau Chi Hung was appointed as executive Director with effect on 27 May 2022.

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 2022.

The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended 31 December 2022, and the disclosure of other financial information and report therein complies with relevant legal requirements.

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 risk management and internal control systems and accounting system of the Group are aimed at identifying and evaluating the Group's risk, formulate risk mitigation strategies, providing reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines.

The Group's risk management and internal control system is embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organisation structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on our organization structure, a reporting system has been developed including reporting channels from division heads of business units to the Board.

The Group has a defined organisational structure with clear defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to report to executive Directors on a regular basis. Policies and procedures are set for each department, which includes establishing and maintaining effective policies to enhance risks identification to which the Group are exposed and taking appropriate action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders.

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholders investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. The Board also clarifies that the system is purported to manage, but not eliminate, the risk of failure to fulfil business objectives, and can only provide reasonable but 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 Group's strategic objectives, and ensuring that the Group 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 Group's business operations.

The Group has designated staff to carry out internal audit function on the Group's operational and financial matters under the supervision of senior management. In addition, the Group has also engaged an independent internal control and risk management consultancy firm to review the effectiveness of its internal control and risk management of the Group annually and the internal control review report will be presented to the audit committee and the Board. The Board, with the assistance of the audit committee and the independent internal control and risk management consultancy firm, will review the effectiveness of the risk management and the internal control systems of the Group, and review, among others, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function.

For the year ended 31 December 2022, the Board, with the assistance of the audit committee and the independent internal control and risk management consultancy firm, conducted a review of the effectiveness of the risk management and internal control systems on certain operations of the Group and no significant internal control weakness was identified. The Board considered the risk management and the internal control systems are effective and adequate for the year ended 31 December 2022, and the resources, qualifications and experience of staff of the Group's accounting and financial reporting function are sufficient.

INSIDE INFORMATION DISCLOSURE AND CONTROL MEASURES

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.

From time to time, the Group has adopted certain regulatory measures as appropriate to prevent violation of the disclosure requirements of the Group, including:

- Only a limited number of personnel (mainly the senior management and Directors) have access to inside information upon request. Employees having access to the inside information are fully aware of their confidentiality responsibilities.

- All employees (including the Directors of the Group) must strictly comply with the employment provisions regarding the administration of confidential information.

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars is not false or misleading as to material facts, or false or misleading through the omission of material facts, and presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Mr. Lau Chi Hung is the company secretary of the Company and is responsible for advising the Board on corporate governance and board practices and matters, and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

For the year ended 31 December 2022, Mr. Lau had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Note: On 27 May 2022, Ms. Chow Yuk Yin Ivy ("Ms. Chow") and Mr. Sun Haitao ("Mr. Sun") resigned as the joint company secretaries of the Company. Immediately after the resignation of Ms. Chow and Mr. Sun, Mr. Lau was appointed as company secretary of the Company with effect from 27 May 2022.

AUDITORS RESPONSIBILITY

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as the external auditor for the year ended 31 December 2022, with effect from 15 July 2022 to fill the casual vacancy following the resignation of PricewaterhouseCoopers. A statement by the auditors about their reporting responsibilities for the consolidated financial statements is included in the Independent Auditor's Report on pages 62 to 66.

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 2022 is set out below:

Service category	**Fees paid/payable** (RMB'000)
Annual audit	2,820
Interim review	760

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 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".

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.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

The Board is not aware of any provisions allowing the Shareholders 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 Board reviewed the implementation and effectiveness of the Shareholders' communication policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report; (b) the interim report and; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (http://www.cathaymedia.com).

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be held on a required basis.

SIGNIFICANT CHANGES TO CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there was no change in the memorandum and articles of association of the Company. The Company will amend its memorandum and articles of association to update with the latest changes in the Listing Rules at the forthcoming annual general meeting. Details of the amendments are set out in the circular dated 28 April 2023 to the Shareholders.

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 2022, 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	1,175,970,000	71.05%
Mr. Lau Chi Hung	Beneficial owner	100,000	0.00%

Note:

(1) The calculation is based on the total number of 1,654,937,000 Shares in issue as of 31 December 2022.

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 2022, 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 2022, 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	1,175,970,000	71.05%
Cathay Media Holding Inc.(2)	Beneficial owner	1,175,970,000	71.05%
Media One International (PTC) Limited(2)	Trustee	1,175,970,000	71.05%
Winning Global Ventures Limited(2)	Interest in a controlled corporation	1,175,970,000	71.05%
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 1,654,937,000 Shares in issue as of 31 December 2022.

(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 2022, 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

The Company has two existing share schemes, namely the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 accordingly (effective from January 1, 2023).

As there were no grants made under the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme, there were 0 new Shares, representing 0% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme.

(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.

Purpose

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.

Eligible persons

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.

Maximum number of shares available for grant

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.

Maximum entitlement of a grantee

There is no specific limit on the maximum number of shares which may be granted to a single eligible participant under the Post-IPO Share Award Scheme.

Vesting period

The Board or its delegate(s) may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested.

Consideration

No consideration is required to be paid by the grantees for the grant of awards under the Post-IPO Share Award Scheme.

Remaining life of the Post-IPO Share Award 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. The remaining life of the Post-IPO Share Option Scheme is approximately 7 years.

As of the 31 December 2022, 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.

Purpose

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.

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.

Maximum number of Shares available for grant

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 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.

Maximum entitlement of a grantee

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.

Time of exercise 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.

Vesting period

The Board or its delegate(s) may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested.

Consideration

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

Exercise price

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.

Remaining Life of the Post-IPO Share Option Scheme

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.

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

During the Reporting Period, the Company repurchased 5,063,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$9.7 million before expenses. All of these repurchased Shares were subsequently cancelled. Details of the Shares repurchased are as follows:

Month of repurchase during Reporting Period	Number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Aggregate consideration before expenses
January 2022	2,182,000	1.94	1.68	3,990
February 2022	2,881,000	2.08	1.87	5,662
Total	5,063,000			9,652

Save as disclosed in this report, 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

Save as disclosed in this report, the Directors are not aware of other material litigation or claims that are pending or threatened against the Group during the Reporting Period 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 2022:

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Amount used as at 31 December 2021 (HK$ million)	Amount used for the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Expected time of full utilisation
Invest in high quality content	30%	414.9	414.9	–	–	N/A
Improve and expand our University	30%	414.9	402.7	12.2	–	N/A
Mergers and acquisitions	30%	414.9	414.9	–	–	N/A
General working capital	10%	138.3	138.3	–	–	N/A

FINAL DIVIDEND

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

The Board did not recommend the distribution of a final dividend for the year ended 31 December 2022 (2021: HK$0.03 per share).

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 and the Company's circular dated 25 May 2022 for more details. As the disposal of Shuimuyuan was completed in April 2022, the abovementioned profit guarantee has been no longer applicable since the completion of disposal.

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 2022, 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

We have audited the consolidated financial statements of Cathay Media and Education Group Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 144, which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As disclosed in notes 3, 4 and 30 to the consolidated financial statements, the ECL on credit-impaired trade receivables are assessed individually, and the remaining is collectively assessed using a provision matrix through grouping of various debtors that have similar internal credit rating, after considering repayment history, customer-specific conditions and past-due status. In calculating the ECL, the loss rates are estimated based on probability of default, loss given default and adjusted for forward-looking information that is available without undue cost or effort. The Group recognised an amount of RMB140,638,000 of impairment of trade receivables for the year, and as at 31 December 2022, the Group has trade receivables amounted to RMB516,888,000, net of allowance amounted to RMB345,718,000.	Our procedures in relation to impairment assessment of trade receivables included: • Obtaining an understanding of the relevant key controls on how the management estimates the loss allowance for trade receivables; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables, including their identification of credit-impaired trade receivables, the reasonableness of grouping of the remaining trade debtors in the provision matrix, and the basis of estimated loss rates applied; • Testing the integrity of information used by the management to develop the provision matrix, including trade receivables ageing analysis, on a sample basis, by comparing with the relevant sales supporting documents; • Evaluating the competence, capability and objectivity of the independent valuer engaged by the management for impairment assessment of trade receivables; and • Involving the internal valuation specialists to evaluate the appropriateness of the methodology, key assumptions and judgements used by the management.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 skepticism 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Wong Shun Yu.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 December **2022** **RMB'000**	 2021 RMB'000 (restated)
Continuing operations			
Revenue	5	**656,815**	578,051
Cost of revenue		**(339,614)**	(301,879)
Gross profit		**317,201**	276,172
Other income	6	**32,050**	17,153
Other gains and losses	7	**3,106**	43,707
Selling expenses		**(15,502)**	(17,743)
Administrative expenses		**(95,042)**	(91,816)
Impairment losses under expected credit loss model, net of reversal	8	**(145,188)**	(87,215)
Finance costs	9	**(578)**	–
Profit before tax		**96,047**	140,258
Income tax expense	10	**(17,834)**	(14,762)
Profit for the year from continuing operations	11	**78,213**	125,496
Discontinued operation			
Profit (loss) for the year from discontinued operation (including derecognised contingent considerations of RMB56,000,000)	12	**43,710**	(53,674)
Profit for the year		**121,923**	71,822
Other comprehensive income (expenses):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**261,340**	(55,455)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(240,704)**	41,595
Release of translation reserve on disposal of subsidiaries		**(5,061)**	–
Other comprehensive income (expenses) for the year		**15,575**	(13,860)
Total comprehensive income for the year		**137,498**	57,962
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**51,827**	111,729
– from discontinued operation		**44,640**	(54,202)
Profit for the year attributable to owners of the Company		**96,467**	57,527
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operations		**26,386**	13,767
– from discontinued operation		**(930)**	528
Profit for the year attributable to non-controlling interests		**25,456**	14,295
		121,923	71,822

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000 (restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		**112,042**	43,667
Non-controlling interests		**25,456**	14,295
		137,498	57,962
Total comprehensive income (expenses) for the year attributable to owners of the Company:			
– from continuing operations		**67,402**	97,869
– from discontinued operation		**44,640**	(54,202)
		112,042	43,667
Earnings per share	15		
From continuing and discontinued operations			
Basic (RMB cents)		**5.92**	3.47
From continuing operations			
Basic (RMB cents)		**3.18**	6.74

	Notes	As at 31 December 2022 RMB'000	 2021 RMB'000 (restated)
Non-current Assets			
Property and equipment	16	**1,039,886**	946,959
Right-of-use assets	17	**148,491**	99,840
Other intangible assets	18	**1,128**	1,278
Deferred tax assets	19	**–**	16,535
Other receivables	12, 21	**29,072**	–
Rental deposit		**1,061**	–
Financial assets at fair value through profit or loss ("FVTPL")	22	**–**	56,861
		1,219,638	1,121,473
Current Assets			
Inventories	20	**109,126**	170,177
Trade and other receivables	21	**818,712**	970,737
Financial assets at FVTPL	22	**514,624**	577,994
Restricted bank deposit	23	**42,000**	–
Cash and cash equivalents	23	**520,872**	249,953
		2,005,334	1,968,861
Assets classified as held for sale	12	**–**	613,168
		2,005,334	2,582,029
Current Liabilities			
Trade and other payables	24	**236,796**	200,144
Contract liabilities	25	**300,507**	281,716
Financial liabilities at FVTPL		**–**	32,862
Tax liabilities		**845**	12,486
Dividend payable		**20,950**	20,950
Lease liabilities	26	**3,601**	–
		562,699	548,158
Liabilities associated with assets classified as held for sale	12	**–**	416,168
		562,699	964,326
Net Current Assets		**1,442,635**	1,617,703
Total Assets less Current Liabilities		**2,662,273**	2,739,176

	Notes	As at 31 December **2022** **RMB'000**	 2021 RMB'000 (restated)
Non-current Liabilities			
Deferred tax liabilities	19	**130**	–
Financial liabilities at FVTPL		**–**	23,138
Deferred income		**669**	965
Lease liabilities	26	**19,054**	–
		19,853	24,103
Net Assets		**2,642,420**	2,715,073
Capital and Reserves			
Share capital	27	**117**	118
Reserves		**2,457,279**	2,545,789
Equity attributable to owners of the Company		**2,457,396**	2,545,907
Non-controlling interests	35	**185,024**	169,166
Total Equity		**2,642,420**	2,715,073

The consolidated financial statements on pages 67 to 144 were approved and authorised for issue by the board of directors on 31 March 2023 and signed on its behalf of:

Pu Shulin	**Lau Chi Hung**
Director	Director

	Attributable to owners of the Company									
	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note a)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	118	–	1,246,184	247,627	(83,970)	353,950	966,404	2,730,313	144,871	2,875,184
Profit for the year	–	–	–	–	–	–	57,527	57,527	14,295	71,822
Other comprehensive expenses for the year	–	–	–	–	(13,860)	–	–	(13,860)	–	(13,860)
Total comprehensive (expenses) income for the year	–	–	–	–	(13,860)	–	57,527	43,667	14,295	57,962
Non-controlling interests arising on acquisitions of subsidiaries *(note 12)*	–	–	–	–	–	–	–	–	10,000	10,000
Purchases of shares under share award scheme *(note 28)*	–	(34,778)	–	–	–	–	–	(34,778)	–	(34,778)
Appropriation	–	–	–	–	–	25,126	(25,126)	–	–	–
Dividend recognised as distribution *(note 14)*	–	–	(193,295)	–	–	–	–	(193,295)	–	(193,295)
At 31 December 2021	118	(34,778)	1,052,889	247,627	(97,830)	379,076	998,805	2,545,907	169,166	2,715,073
Profit for the year	–	–	–	–	–	–	96,467	96,467	25,456	121,923
Other comprehensive income for the year	–	–	–	–	15,575	–	–	15,575	–	15,575
Total comprehensive income for the year	–	–	–	–	15,575	–	96,467	112,042	25,456	137,498
Disposal of subsidiaries *(note 12)*	–	–	–	–	–	–	–	–	(9,598)	(9,598)
Purchases of shares under share award scheme *(note 28)*	–	(17,633)	–	–	–	–	–	(17,633)	–	(17,633)
Repurchase and cancellation of shares *(note 27)*	(1)	–	(8,255)	–	–	–	–	(8,256)	–	(8,256)
Transaction costs attributable to repurchase and cancellation of shares	–	–	(48)	–	–	–	–	(48)	–	(48)
Appropriation	–	–	–	–	–	29,568	(29,568)	–	–	–
Dividend recognised as distribution *(note 14)*	–	–	(174,616)	–	–	–	–	(174,616)	–	(174,616)
At 31 December 2022	117	(52,411)	869,970	247,627	(82,255)	408,644	1,065,704	2,457,396	185,024	2,642,420

Note:

(a) Pursuant to the relevant laws in the People's Republic of China (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 management of the relevant PRC subsidiaries. These reserves include: (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

i. For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

ii. According to the Implementation Rules of 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》, it is required for not-for-profit private school to appropriate to development fund of not less than 10% of the annual increase in net asset of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for construction or maintenance of the school or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
OPERATING ACTIVITIES		
Profit for the year	**121,923**	71,822
Adjustments for:		
Income tax expense	**16,626**	25,223
Finance costs	**3,012**	8,119
Interest income from banks	**(933)**	(1,244)
Interest income from consideration receivables	**(3,215)**	–
Depreciation of property and equipment	**51,329**	40,955
Depreciation of right-of-use assets	**15,115**	30,177
Amortisation of other intangible assets	**5,677**	16,049
Release of asset-related government grants	**(296)**	(298)
Impairment loss, net of reversal		
– goodwill	**–**	63,975
– financial assets under expected credit loss model	**145,188**	87,215
Write-down of inventories	**36,052**	–
Gain on disposals of property and equipment	**–**	(29)
Gain on financial assets measured at FVTPL	**(4,219)**	(37,530)
Gain on financial liabilities measured at FVTPL	**–**	(7,000)
Gain on disposal of subsidiaries	**(63,278)**	–
Foreign exchange difference	**19,447**	1,273
Operating cash flow before movements in working capital	**342,428**	298,707
Decrease (increase) in inventories	**24,999**	(52,231)
Decrease (increase) in trade and other receivables	**31,021**	(181,159)
Decrease in trade and other payables	**(44,644)**	(135,160)
Increase in contract liabilities	**12,687**	89,268
Cash generated from operations	**366,491**	19,425
Income taxes paid	**(26,649)**	(42,832)
Net cash from (used in) operating activities	**339,842**	(23,407)
INVESTING ACTIVITIES		
Interest received	**933**	1,244
Proceeds on disposals of property and equipment	**–**	77
Purchases of property and equipment	**(75,442)**	(355,536)
Payments for right-of-use assets	**(32,039)**	–
Purchases of other intangible assets	**(322)**	(1,920)
Payments for rental deposits	**(1,420)**	–
Purchases of financial assets at FVTPL	**(1,355,000)**	(2,169,183)
Redemptions of financial assets at FVTPL	**1,479,450**	2,391,434
Net cash outflow on acquisition of subsidiaries	**–**	(157,374)
Net cash inflow on disposal of Shuimuyuan (defined in note 5)	**84,733**	–
Repayment from Shuimuyuan	**12,675**	–
Loans to third parties	**–**	(420,000)
Net cash acquired from the business combination of a joint venture	**–**	1,756
Net cash from (used in) investing activities	**113,568**	(709,502)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
FINANCING ACTIVITIES		
Dividend paid	**(174,616)**	(193,949)
Payments for shares under share award scheme	**(17,633)**	(34,778)
Payments on repurchase and cancellation of shares	**(48)**	–
Transaction costs attributable to repurchase and cancellation of shares	**(8,256)**	–
Repayments of lease liabilities	**(3,545)**	(38,414)
Issue costs paid	**–**	(290)
Net cash used in financing activities	**(204,098)**	(267,431)
Net increase (decrease) in cash and cash equivalents	**249,312**	(1,000,340)
Transfer from cash and cash equivalents to restricted bank deposit *(note 36)*	**(42,000)**	–
Cash and cash equivalents at the beginning of the year, represented by		
bank balances and cash	**249,953**	1,308,667
bank balances and cash classified as held for sale	**62,418**	–
	519,683	308,327
Effect of foreign exchange rate changes	**1,189**	4,044
Cash and cash equivalents at the end of the year, represented by		
bank balances and cash	**520,872**	249,953
bank balances and cash classified as held for sale	**–**	62,418
	520,872	312,371

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. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2020. Its immediate holding company is Cathay Media Holdings Inc, a company incorporated in the British Virgin Islands (the "BVI") and its ultimate holding company is Media One International (PTC) Limited, a company incorporated in the BVI, which is the trustee of a trust established in January 2021 of which the settlor is Mr. Pu Shulin, who is also an executive director and chairman of the board of directors of the Company. 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 as the "Group") are principally engaged in the provision of higher and vocational education services and television series and film productions in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of United States dollars ("US$"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Group's higher and vocational education business was carried out by Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司) ("Nanjing Lanchou"), Nanjing Meiya Education Investment Co., Ltd. (南京美亞教育投資有限公司) ("Nanjing Meiya"), Communication University of China, Nanjing (南京傳媒學院) ("CUCN"), while the television series and film production business was carried out by Dongyang Huaxia Audio-Visual Film Culture Co., Ltd. (東陽華夏視聽影視文化有限公司) ("Dongyang 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) ("Huaxia Audio-Visual") and Beijing Huaxia Mutual Entertainment Cultural Communication Co., Ltd. (北京華夏互娛文化傳播有限公司) ("Huaxia Huyu") (collectively as the "Consolidated Affiliated Entities").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

Due to the restriction of foreign ownership in the operation of higher and vocational education business and television series and film production business, the Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the contractual arrangements entered by Bicheng Art Consulting (Nanjing) Co., Ltd. (碧城藝術諮詢(南京)有限公司) ("Nanjing Bicheng"), a wholly owned subsidiary of the Group, with the Consolidated Affiliated Entities operating higher and vocational education business and Mr. Pu Shulin, while Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. (東陽華夏視聽文化諮詢有限公司) ("Dongyang Huaxia"), a wholly owned subsidiary of the Group, with the Consolidated Affiliated Entities operating television series and film production business, Mr. Pu Shulin and Mr. Liu Chang, respectively (the "Contractual Arrangements"), the Group is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- 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 Group, at the Group's discretion;
- obtain the irrevocable and exclusive right for the Group 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 the Group's sole and absolute discretion to the extent permitted by PRC law; and
- obtain a pledge over the entire equity interests in the Consolidated Affiliated Entities from their equity holders to secure the performance of their obligations under the Contractual Arrangements.

Accordingly, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect held subsidiaries and their financial positions and results are included in the consolidated financial statements for the years ended 31 December 2022 and 2021.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

The following balances and amounts of the Consolidated Affiliated Entities were included in the consolidated financial statements:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**653,265**	574,641
Profit before tax	**110,203**	144,679

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets	**1,217,572**	1,067,255
Current assets	**1,713,978**	1,770,478
Current liabilities	**556,242**	521,066
Non-current liabilities	**19,853**	965

Certain comparative figures for the year ended 31 December 2021 and as at 31 December 2021 have been re-classified to conform to the current year presentation.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition datedate, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Non-current assets held for sale

Non-current assets (and 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. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. The management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents 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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff apartments and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in US$ and Hong Kong dollars ("HK$") to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit schemes and and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

Shares granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services or for administrative purposes (other than properties under construction as described below). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and facilities in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and other intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets and intangible assets other than goodwill are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories include scripts, television series and films completed, which are produced for sale and are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, restricted bank deposit and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these credit-impaired trade receivables are assessed individually and the remaining is collectively assessed using provision matrix, estimated based on internal credit rating of trade debtors, taking into consideration of repayment history, customer-specific conditions and past-due status.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.. Except for credit-impaired trade receivables are assessed for ECL individually, the Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix based on internal credit rating and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and dividend payable are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the higher and vocational education business and television series and film production business in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the consolidated financial statements throughout the year or since the respective dates of establishment, whichever is the shorter period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Contractual Arrangements (continued)

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the assets, liabilities and operating results of the Consolidated Affiliated Entities. The management of the Group, based on the advice of its legal counsel, considers that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

Trade receivables credit-impaired are assessed for ECL individually, and the remaining is estimated collectively by using a provision matrix. The provision rates are based on internal credit rating as grouping of various debtors taking into consideration repayment history, customer-specific conditions and past-due status. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 21 and 30.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers from continuing operations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
Types of goods or services		
Recognised over time		
Higher and vocational education service income		
– Higher education programmes	**355,127**	308,862
– Continuing education programmes	**100,238**	75,682
– International preparatory programmes	**42,766**	42,405
Education management service income	**13,500**	8,500
Other ancillary service income	**13,633**	11,341
	525,264	446,790
Recognised at a point in time		
Sales of inventories	**95,068**	105,287
Entrance examination fees	**36,483**	25,974
	131,551	131,261
	656,815	578,051
Geographical markets *(Note i)*		
Mainland China	**655,860**	576,007
Others	**955**	2,044
	656,815	578,051

Note:

i: Information about the Group's revenue from continuing operations is presented based on the location of the customers.

Performance obligations for contracts with customers

Revenue from the provision of higher and vocational education services

Revenue from the provision of higher and vocational education services includes tuition fees and boarding fees from higher education programmes, continuing education programmes and international preparatory programmes.

Revenue from tuition and boarding fees is recognised over time. 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 programme or the beneficial period for the students. The Group's contracts with students for higher vocational education and vocational education services are normally with duration of one year and renewed up to total duration of two to four years depending on the education programmes.

5. REVENUE AND SEGMENT INFORMATION (continued)

Performance obligations for contracts with customers (continued)

Revenue from the provision of education management services

Revenue from the provision of education management services is in relation to the acquisition of Olympic College (as detailed and defined in note 21). As certain conditions precedent required for the acquisition have not been completed, the Group entered into a management service agreement with the Transferor (defined in note 21), the Target Company (defined in note 21) and Olympic College, to provide the educational resources, student daily management and other services to Olympic College from the semester started in September 2021 to the completion of the acquisition. Revenue from the provision of education management services is recognised over time by reference to the service provided.

Revenue from the provision of other ancillary services

Revenue from the provision of other ancillary services mainly includes canteen management services and is recognised over time by reference to the service provided.

Revenue from sale of inventories

Revenue from sales of inventories, representing television series and film products produced for sales, is recognised at a point in time upon television series and film products are delivered to the customers in accordance with the contracts, provided that there is no further obligation to be performed or fulfilled.

Revenue from entrance examination fees

Revenue from entrance examination fees is generally received from the students who intend to major in certain media and arts subjects. A separated examination is organised by CUCN every year to test the professional skills of the students in addition to standard academic university entrance exams. The entrance examination fees are received from students before the services provided and are initially recorded as contract liabilities, which is recognised at point in time upon the completion of the related examinations.

Transaction price allocated to the remaining performance obligation for contracts with customers

The contracts for higher and vocational education and television series and film production are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

The Group's operating segments are based on information prepared and reported to the chief executive officer and executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and performance assessment. The CODM had identified two reportable and operating segments, namely higher and vocational education segment and television series and film production segment.

Upon the completion of acquisition of Beijing Shuimu Huaxia Education Technology Co., Ltd. (北京水木華夏教育科技有限公司) and its subsidiaries (collectively referred as "Shuimuyuan") on 6 April 2021, the Group commenced the business in provision of art training services in the PRC. The business was considered as a separate reportable and operating segment, namely art training services segment. Details of the acquisition of Shuimuyuan are set out in note 12.

In December 2021, the management of the Group determined to dispose of Shuimuyuan. On 28 March 2022, the board of directors of the Company approved to unwind the agreement in order to dispose of Shuimuyuan to the original owners, and the disposal had been completed on 12 April 2022. Accordingly, Shuimuyuan was reported as a discontinued operation in the consolidated financial statements, which was not reported in the following segment information. Details of the discontinued operation are set out in note 12.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2022

Continuing operations

	Higher and vocational education RMB'000	Television series and film production RMB'000	Total RMB'000
Segment revenue			
External sales	561,747	95,068	656,815
Segment profit (loss)	280,746	(172,838)	107,908
Unallocated			
Other income			4,148
Other gains and losses			(1,113)
Corporate administrative expenses			(14,896)
Profit before tax from continuing operations			96,047

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

For the year ended 31 December 2021

Continuing operations

	Higher and vocational education RMB'000	Television series and film production RMB'000	Total RMB'000
Segment revenue			
External sales	472,764	105,287	578,051
Segment profit (loss)	222,718	(76,965)	145,753
Unallocated			
Other income			794
Other gains and losses			6,177
Corporate administrative expenses			(12,466)
Profit before tax from continuing operations			140,258

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment and excludes certain other income, certain other gains and losses and corporate administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other information

For the year ended 31 December 2022

Continuing operations

	Higher and vocational education RMB'000	Television series and film production RMB'000	Total RMB'000
Amounts included in the measure of segment profit:			
Depreciation of property and equipment	**48,449**	**557**	**49,006**
Depreciation of right-of-use assets	**3,956**	**3,870**	**7,826**
Amortisation of other intangible assets	**239**	**233**	**472**
Write-down of inventories	**–**	**36,052**	**36,052**
Impairment loss on trade and other receivables recognised in profit or loss	**4,693**	**140,495**	**145,188**

For the year ended 31 December 2021

Continuing operations

	Higher and vocational education RMB'000	Television series and film production RMB'000	Total RMB'000
Amounts included in the measure of segment profit:			
Depreciation of property and equipment	34,272	264	34,536
Depreciation of right-of-use assets	2,519	3,870	6,389
Amortisation of other intangible assets	201	347	548
Impairment losses on trade and other receivables recognised in profit or loss	61,239	25,976	87,215

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Customer A	**67,669**	–
Customer B	**–**	103,774
Customer C	**–**	59,604

6. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
Continuing operations		
Government grants *(Note)*	**22,789**	3,587
Interest income from consideration receivables *(note 12)*	**3,215**	–
Non-regular service income	**3,053**	3,402
Donation received by CUCN	**1,510**	9,370
Interest income from banks	**933**	794
Others	**550**	–
	32,050	17,153

Note: Government grants mainly represented subsidies granted by local governments for encouraging domestic business development and recognised upon receipt. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
Continuing operations		
Gain from changes in fair value of financial assets measured at FVTPL	**4,219**	37,530
Gain from changes in fair value of financial liabilities measured at FVTPL	**–**	7,000
Net foreign exchange loss	**(1,113)**	(823)
	3,106	43,707

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Impairment losses recognised:		
– trade receivables	**140,638**	26,008
– other receivables	**4,550**	61,207
	145,188	87,215

Details of impairment assessment are set out in note 30.

9. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000 (restated)
Continuing operations		
Interest expenses on lease liabilities	**578**	–

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
– current tax	**1,169**	15,114
– deferred tax *(note 19)*	**16,665**	(352)
	17,834	14,762

The Company was incorporated in the Cayman Islands and its direct owned subsidiary, Cathay Media Group (BVI) Inc. was incorporated in the BVI that are tax exempted as no business carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI, respectively.

No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during both years.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "EIT Law of the PRC"), the statutory tax rate of the PRC subsidiaries is 25% for both years.

According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education and the Implementation Rules, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns or the schools are elected to be not-for-profit schools. Although the detailed Implementation Rules of Law for Promoting Private Education has been announced with effective from 1 September 2021, CUCN has not yet elected to be for-profit or not-for-profit schools since it was not compulsory to be elected up to the end of the reporting period. As at the end of the reporting period, the relevant taxation policy regarding schools elected as for-profit or not-for-profit remains unchanged and no further new and specific tax implementation regulations are announced, no income tax expense was recognised by CUCN for both years. During the year ended 31 December 2022, the non-taxable income amounted to RMB558,801,000 (2021: RMB471,353,000), and the related non-deductible expenses amounted to RMB261,224,000 (2021: RMB162,769,000).

10. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax from continuing operations	**96,047**	140,258
Tax at PRC EIT rate of 25%	**24,012**	35,065
Tax effect on expenses not deductible for tax purposes	**67,398**	43,169
Tax effect of income not taxable for tax purpose	**(140,504)**	(119,588)
Tax effect of deductible temporary differences not recognised	**64,074**	18,337
Tax effect of tax losses not recognised	**2,854**	37,779
Income tax expense for the year relating to continuing operations	**17,834**	14,762

11. PROFIT FOR THE YEAR

Profit for the year from continuing operations has been arrived at after charging:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Directors' remuneration	**4,878**	3,620
Other staff costs		
– salaries and other allowances	**120,117**	114,772
– retirement benefit scheme contributions	**20,238**	19,190
	145,233	137,582
Depreciation of property and equipment	**49,006**	34,536
Depreciation of right-of-use assets	**8,669**	6,389
Amortisation of other intangible assets	**472**	548
Total depreciation and amortization	**58,147**	41,473
Less: capitalised in construction in progress	**(843)**	–
	57,304	41,473
Write-down of inventories (included in cost of revenue)	**36,052**	–
Auditor's remuneration	**3,580**	3,980

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN

Business combination

On 6 April 2021, Nanjing Bicheng completed the acquisition of entire equity interests of Shuimuyuan from its sole shareholder, Mr. Ma Xiaochuan (the "Founder of Shuimuyuan"), at an aggregate consideration of RMB300,000,000, which comprised 1) cash consideration of RMB165,000,000 which was fully paid upon completion of the acquisition and 2) contingent consideration of RMB45,000,000 for each of the three years ended/ending 31 December 2021, 2022 and 2023 subject to satisfaction of certain conditions as agreed in the investment agreements (the "Acquisition Agreement"). The acquisition has been accounted for as acquisition of business using the acquisition method.

Details of the acquisition were set out in the announcements of the Company dated 20 December 2020, 28 January 2021 and 7 April 2021.

	RMB'000
Consideration transferred:	
Cash	165,000
Contingent consideration arrangement *(Note i)*	63,000
Total consideration	228,000

	6 April 2021 RMB'000
Assets acquired and liabilities recognised at the date of acquisition:	
Property and equipment *(note 16)*	34,519
Right-of-use assets *(note 17)*	241,463
Other intangible assets *(note 18 and Note ii)*	175,000
Trade and other receivables	7,666
Cash and cash equivalents	7,626
Trade and other payables	(58,664)
Contract liabilities	(13,258)
Lease liabilities	(227,172)
Deferred tax liabilities *(note 19)*	(48,534)
Net identifiable assets acquired	118,646
Goodwill arising on acquisition:	
Consideration transferred	228,000
Add: non-controlling interests *(Note iii)*	10,000
Less: net identifiable assets acquired	(118,646)
Goodwill arising on acquisition *(Note ii)*	119,354
Net cash outflow on acquisition:	
Cash consideration paid	165,000
Less: cash and cash equivalents balances acquired	(7,626)
	157,374

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

Business combination (continued)

Notes:

i. Pursuant to the Acquisition Agreement, the Founder of Shuimuyuan has warranted and guaranteed to Nanjing Bicheng that the net profit attributable to owners of Shuimuyuan, for each of the three years ended/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 Performance Guaranteed Year, the Founder of Shuimuyuan shall compensate Nanjing Bicheng in cash (the "Performance Compensation"), in an amount based on the formula agreed in the Acquisition 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/ending 31 December 2021, 2022 and 2023 with its due Performance Compensation.

   The Group recognised the outstanding payment obligations in the Acquisition Agreement as contingent considerations. The contingent considerations were initially recognised and subsequently measured at fair value and the management involved an independent qualified valuer to determine the fair value of contingent considerations. As at 6 April 2021 and 31 December 2021, the contingent considerations recognised in financial liabilities at FVTPL amounted to RMB63,000,000 and RMB56,000,000, respectively. Details of the fair value measurement for contingent considerations are set out in note 30.

ii. The Group identified the intangible assets and engaged an independent valuer to assist in performing the valuation 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 name, three years non-compete agreement and goodwill amounted to approximately RMB165,000,000, RMB10,000,000 and RMB119,354,000 respectively.

   According to the Acquisition Agreement, the founder and the key managements of Shuimuyuan were prohibited to undertake any competition business for three years from the date of acquisition, and the protection clause in the Acquisition Agreement was separately recognised as an intangible asset.

   The goodwill is attributable to workforce and curriculum system of the art training established by Shuimuyuan. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

iii. The Group elected to recognise the non-controlling interests at fair value.

Impact of acquisition on the results of the Group

The acquisition of Shuimuyuan contributed revenue of approximately RMB260,342,000 and loss of approximately RMB53,674,000 to the Group, included in the line item "profit (loss) for the year from discontinued operation" of the consolidated financial statements for the period from 6 April 2021 to 31 December 2021. If the acquisition had completed on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would be approximately of RMB851,402,000 and RMB61,532,000 respectively.

In determining the 'pro-forma' revenue and profit of the Group had Shuimuyuan been acquired on 1 January 2021, the directors of the Company calculated depreciation and amortisation based on the recognised amounts at the date of the acquisition.

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

Discontinued operation and disposal of Shuimuyuan

On 29 December 2021, the management of the Group decided to exit art training service business carried out by Shuimuyuan, 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. The 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.

On 28 March 2022, Nanjing Bicheng entered into the unwind agreement with the Founder of Shuimuyuan, Ms. You Xiaofei, the spouse of the Founder of Shuimuyuan and Qingdao Yangjin Culture and Art Partnership (Limited Partnership) (青島央金文化合夥企業(有限合夥)), whose ultimate beneficial owner is the Founder of Shuimuyuan (collectively referred as the "Purchasers"), to dispose of all equity interests in Shuimuyuan at the consideration of RMB165,000,000 and the settlement arrangement relating to the outstanding loan amounted to RMB12,675,000 granted by Nanjing Lanchou to Shuimuyuan. The loan was settled by 31 December 2022. The disposal was completed on 12 April 2022 and the contingent considerations in the Acquisition Agreement were lapsed and included in the calculation of the gain or loss on disposal of Shuimuyuan.

Gain (loss) for the year from discontinued operation was set out below:

	1 January 2022 to 12 April 2022 RMB'000	6 April 2021 to 31 December 2021 RMB'000
Loss for the year from discontinued operation	**(19,568)**	(53,674)
Gain on disposal of Shuimuyuan	**63,278**	–
	43,710	(53,674)

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

Discontinued operation and disposal of Shuimuyuan (continued)

The results of the discontinued operation are as follows:

	1 January 2022 to 12 April 2022 RMB'000	6 April 2021 to 31 December 2021 RMB'000
Revenue	21,624	260,342
Cost of revenue, selling expenses and administrative expenses	(40,816)	(235,362)
Impairment loss recognised on goodwill	–	(63,975)
Finance costs	(2,434)	(8,119)
Other income	850	3,901
Loss before income tax	(20,776)	(43,213)
Income tax credit (expense)	1,208	(10,461)
Loss for the year	(19,568)	(53,674)
(Loss) profit for the year from discontinued operation attributable to		
Owner of the Company	(18,638)	(54,202)
Non-controlling interests	(930)	528
	(19,568)	(53,674)
Depreciation of property and equipment	2,323	6,419
Depreciation of right-of-use assets	7,289	23,788
Amortisation of other intangible assets	5,205	15,501

The net cash flows (used in) from the discontinued operation are as follows:

	1 January 2022 to 12 April 2022 RMB'000	6 April 2021 to 31 December 2021 RMB'000
Net cash flows (used in) from operating activities	(46,335)	120,693
Net cash flows used in investing activities	(116)	(29,877)
Net cash flows used in from financing activities	(700)	(36,024)
Net cash flows	(47,151)	54,792

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

Discontinued operation and disposal of Shuimuyuan (continued)

Details of the assets and liabilities classified as held for sale in relation to the discontinued operation as at 31 December 2021 are set out below:

	31 December 2021 RMB'000
Assets classified as held for sale	
Property and equipment *(note 16)*	56,291
Right-of-use assets *(note 17)*	217,674
Goodwill *(note 18)*	55,379
Other intangible assets *(note 18)*	160,692
Deferred tax assets *(note 19)*	50,593
Trade and other receivables	10,121
Cash and cash equivalents	62,418
Total assets classified as held for sale	613,168
Liabilities associated with assets classified as held for sale	
Trade and other payables	(62,362)
Amount due to the Founder of Shuimuyuan	(17,980)
Contract liabilities	(25,501)
Tax liabilities	(10,974)
Lease liabilities	(202,608)
Deferred tax liabilities *(note 19)*	(96,743)
Total liabilities associated with assets classified as held for sale	(416,168)

Details of the consideration, assets and liabilities in relation to the discontinued operation disposed of are set out below:

	RMB'000
Consideration received:	
Cash received	100,000
Deferred cash consideration *(Note)*	57,376
Total consideration received	157,376

Note: Pursuant to the unwind agreement, the deferred considerations amounted/amounting to RMB25,000,000, RMB25,000,000, RMB30,000,000 and RMB35,000,000 have been settled in four instalments by 15 August 2022, 15 December 2022, 31 December 2023 and 31 December 2024, respectively. The deferred considerations have been secured by the Purchasers' equity interests of Shuimuyuan, and the deferred considerations have been adjusted for the effects of time value of money using an effective interest rate of 4.75% per annum. In the current year, imputed interest income amounted to RMB3,215,000 was recognised and the remaining consideration receivables (the "Consideration Receivables") are analysed as at 31 December 2022 as follows:

	RMB'000
Consideration Receivables	
– Current	**31,519**
– Non-current	**29,072**
	60,591

12. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

Discontinued operation and disposal of Shuimuyuan (continued)

Details of the consideration, assets and liabilities in relation to the discontinued operation disposed of are set out below: (continued)

	12 April 2022 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property and equipment	54,306
Right-of-use assets	210,385
Other intangible assets	155,487
Deferred tax assets	50,593
Trade and other receivables	17,456
Tax recoverable	2,752
Bank balances and cash	15,267
Trade and other payables	(47,052)
Amount due to the Founder of Shuimuyuan	(17,980)
Amount due to Nanjing Lanchou	(12,675)
Contract liabilities	(19,397)
Lease liabilities	(204,342)
Deferred tax liabilities	(95,422)
Net assets disposed of (excluding goodwill)	109,378
Gain on disposal of Shuimuyuan:	
Consideration received and receivables	157,376
Contingent considerations derecognised in relation to the acquisition of Shuimuyuan	56,000
Net assets disposed of (excluding goodwill)	(109,378)
Attributable goodwill	(55,379)
Non-controlling interests	9,598
Release of translation reserve	5,061
Gain on disposal	63,278
Net cash inflow arising on disposal:	
Cash consideration	100,000
Less: bank balances and cash disposed of	(15,267)
	84,733

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Details of the emoluments paid or payable by the Group to directors and chief executive of the Company for both years are as follows:

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2022				
Executive directors:				
Mr. Pu Shulin	200	1,200	–	1,400
Mr. Sun Haitao (resigned on 27 May 2022)	100	–	–	100
Mr. Wu Ye	200	239	84	523
Mr. Yan Xiang	200	240	–	440
Mr. Lau Chi Hung (appointed on 27 May 2022)	86	1,714	15	1,815
Sub-total	786	3,393	99	4,278
Independent non-executive directors:				
Mr. Zhang Jizhong	200	–	–	200
Mr. Lee Cheuk Yin Dannis	200	–	–	200
Mr. Huang Yu	200	–	–	200
Sub-total	600	–	–	600
Total	1,386	3,393	99	4,878
For the year ended 31 December 2021				
Executive directors:				
Mr. Pu Shulin	200	1,200	–	1,400
Mr. Sun Haitao (resigned on 27 May 2022)	200	500	49	749
Mr. Wu Ye	200	169	49	418
Mr. Yan Xiang	200	253	–	453
Sub-total	800	2,122	98	3,020
Independent non-executive directors:				
Mr. Zhang Jizhong	200	–	–	200
Mr. Lee Cheuk Yin Dannis	200	–	–	200
Mr. Huang Yu	200	–	–	200
Sub-total	600	–	–	600
Total	1,400	2,122	98	3,620

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Pu Shulin is also the chief executive officer of the Company and his emoluments disclosed above also include those for services rendered by him as the chief executive officer.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

The five highest paid employees of the Group during the year included two (2021: three) directors, details of whose emoluments are included in the disclosures above. Details of the emoluments for the year of the remaining three (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	**1,871**	1,262
Retirement benefit scheme contributions	**278**	75
	2,149	1,337

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	Year ended 31 December	
	2022	2021
	No. of employees	No. of employees
Nil to HK$1,000,000	**3**	2

During both years, no emoluments were paid by the Group to any of the executive directors, independent non-executive directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 interim dividend of HK$0.06 (2021: 2021 interim dividend of HK$0.06) per share	**90,049**	82,436
2021 final dividend of HK$0.03 (2021: 2020 final dividend of HK$0.08) per share	**42,283**	110,859
2021 special dividend of HK$0.03 (2021: Nil) per share	**42,284**	–
	174,616	193,295

Subsequent to the end of the reporting period, the board of directors of the Company did not recommend the distribution of a final dividend for the year ended 31 December 2022 (2021: HK$0.03 per share).

15. EARNINGS PER SHARE

From continuing operations

The calculation of basic per share from continuing operations attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company from continuing operations	**51,827**	111,729

	Year ended 31 December	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,629,654**	1,657,821

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	**96,467**	57,527

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation was RMB2.74 cents per share (2021: basic loss per share was RMB3.27 cents per share) based on the profit for the year from the discontinued operation of RMB44,640,000 (2021: loss for the year: RMB54,202,000) and the denominators detailed above for basic earnings/loss per share.

16. PROPERTY AND EQUIPMENT

	Buildings and facilities RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	719,566	86,911	7,028	129,991	–	57,683	1,001,179
Additions	17,788	5,105	775	17,727	9,736	355,401	406,532
Acquisition of subsidiaries *(note 12)*	–	2,224	–	2,662	29,633	–	34,519
Transfer	226,048	–	–	7,068	–	(233,116)	–
Disposals	–	–	(48)	–	–	–	(48)
Reclassified as held for sale *(note 12)*	(13,404)	(4,889)	(1,527)	(3,521)	(39,369)	–	(62,710)
At 31 December 2021	949,998	89,351	6,228	153,927	–	179,968	1,379,472
Additions	–	23,013	2,300	18,277	–	98,343	141,933
Transfer	167,130	–	–	–	5,034	(172,164)	–
At 31 December 2022	**1,117,128**	**112,364**	**8,528**	**172,204**	**5,034**	**106,147**	**1,521,405**
DEPRECIATION							
At 1 January 2021	216,579	73,772	6,020	101,606	–	–	397,977
Provided for the year	19,733	5,361	470	11,924	3,467	–	40,955
Reclassified as held for sale *(note 12)*	(518)	(604)	(1,290)	(540)	(3,467)	–	(6,419)
At 31 December 2021	235,794	78,529	5,200	112,990	–	–	432,513
Provided for the year	28,049	8,125	820	11,752	260	–	49,006
At 31 December 2022	263,843	86,654	6,020	124,742	260	–	481,519
CARRYING VALUES							
At 31 December 2022	**853,285**	**25,710**	**2,508**	**47,462**	**4,774**	**106,147**	**1,039,886**
At 31 December 2021	714,204	10,822	1,028	40,937	–	179,968	946,959

The above items of property and equipment other than construction in progress are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following useful life:

Buildings and facilities	20 – 50 years
Furniture and fixtures	3-5 years
Motor vehicles	4-8 years
Electronic equipment	3-5 years
Leasehold improvements	Shorter of lease term or 5 years

As of 31 December 2022, the Group is in the process of obtaining title deeds of buildings with carrying value of RMB434,976,000 (2021: RMB315,179,000).

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2022			
Carrying amounts	**112,323**	**36,168**	**148,491**
As at 31 December 2021			
Carrying amounts	95,970	3,870	99,840
For the year ended 31 December 2022			
Depreciation charge	**2,693**	**5,976**	**8,669**
Capitalised in construction in progress	**–**	**(843)**	**(843)**
	2,693	**5,133**	**7,826**
For the year ended 31 December 2021			
Depreciation charge	2,519	27,658	30,177

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**1,553**	689
Total cash outflow for leases	**37,137**	39,103
Additions to right-of-use assets from		
– acquisition of subsidiaries *(note 12)*	**–**	241,463
– new leases of lands in the PRC	**19,046**	–
– new leases of properties in the PRC	**38,274**	–
	57,320	241,463
Reclassified as held for sale *(note 12)*	**–**	217,674

The above items of right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

During the current year, the Group entered into two lease agreements with Mr. Pu Shulin for its headquarters with a fixed term of three years and made lump sum upfront payments to Mr. Pushulin. On the lease commencement, the Group recognised RMB12,293,000 of right-of-use assets. In addition, the Group entered into another lease agreement with a third party for its operations with a fixed term of five years and on the lease commencement, recognised RMB25,981,000 of right-of-use assets and RMB24,922,000 of lease liabilities, respectively. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. There are no enforceable extension and termination options in lease contracts.

17. RIGHT-OF-USE ASSETS (continued)

As at 31 December 2022, the carrying values of the leasehold lands of RMB112,323,000 (2021: RMB95,970,000) are allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government. The leasehold lands are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

The Group regularly entered into short-term leases for staff apartments and offices. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

Details of the lease maturity analysis of lease liabilities are set out in notes 26 and 30.

18. GOODWILL AND OTHER INTANGIBLE ASSETS

		Other intangible assets			
	Goodwill	**Brand name**	**Non-compete agreement**	**Software**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2021	–	–	–	2,439	2,439
Additions	–	–	–	1,920	1,920
Acquisition of subsidiaries *(note 12)*	119,354	165,000	10,000	–	294,354
Reclassified as held for sale *(note 12)*	(119,354)	(165,000)	(10,000)	(1,193)	(295,547)
At 31 December 2021	–	–	–	3,166	3,166
Additions	–	–	–	322	322
At 31 December 2022	**–**	**–**	**–**	**3,488**	**3,488**
AMORTISATION AND IMPAIRMENT					
At 1 January 2021	–	–	–	1,340	1,340
Impairment loss recognised in the year	63,975	–	–	–	63,975
Charge for the year	–	12,375	2,500	1,174	16,049
Reclassified as held for sale *(note 12)*	(63,975)	(12,375)	(2,500)	(626)	(79,476)
At 31 December 2021	–	–	–	1,888	1,888
Charge for the year	–	–	–	472	472
At 31 December 2022	**–**	**–**	**–**	**2,360**	**2,360**
CARRYING VALUES					
At 31 December 2022	**–**	**–**	**–**	**1,128**	**1,128**
At 31 December 2021	–	–	–	1,278	1,278

18. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

As at 31 December 2021, goodwill was derived from the acquisition of Shuimuyuan. For the purpose of impairment testing, goodwill was monitored by the management at the level of the art training service business, Shuimuyuan, which constituted a cash-generating unit ("CGU"). The recoverable amount of goodwill is determined based on the higher amount of the fair value less costs of disposal and value-in-use calculation. The management has involved an independent qualified valuer, to perform goodwill impairment assessment to determine the recoverable amounts of the CGU as at 31 December 2021 by using the discounted cash flow model.

For the year ended 31 December 2021, the Group recognised an impairment loss of approximately RMB63,975,000 on goodwill relating to Shuimuyuan.

The above other intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Brand name	10 years
Non-compete agreement	3 years
Software	3 years

19. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**5,664**	17,504
Deferred tax liabilities	**(5,794)**	(969)
	(130)	16,535

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years.

19. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets have not been offset:

	ECL provision RMB'000	Fair value adjustments on FVTPL RMB'000	Accrued expenses RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	1,030	2,541	8,803	–	5,745	18,119
Acquisition of subsidiaries *(note 12)*	–	–	–	58,177	–	58,177
Credit (charge) to profit or loss	6,594	(1,612)	148	(7,584)	(5,745)	(8,199)
Reclassified as held for sale *(note 12)*	–	–	–	(50,593)	–	(50,593)
At 31 December 2021	7,624	929	8,951	–	–	17,504
(Charge) credit to profit or loss	(7,624)	(929)	(8,951)	5,664	–	(11,840)
At 31 December 2022	**–**	**–**	**–**	**5,664**	**–**	**5,664**

Deferred tax liabilities have not been offset:

	Right-of-use assets RMB'000	Fair value adjustments on acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2021	1,936	–	1,936
Acquisition of subsidiaries *(note 12)*	60,366	46,345	106,711
Credit to profit or loss	(6,973)	(3,962)	(10,935)
Reclassified as held for sale *(note 12)*	(54,360)	(42,383)	(96,743)
At 31 December 2021	969	–	969
Charge to profit or loss	4,825	–	4,825
At 31 December 2022	**5,794**	**–**	**5,794**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2022 and 2021, no deferred tax liabilities regarding the withholding tax has been provided as the PRC subsidiaries will not declare any dividend to holding companies outside mainland China in the foreseeable future.

As at 31 December 2022, the Group has unrecognised deductible temporary differences of RMB329,632,000 (2021: RMB73,345,000). In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As at 31 December 2022, the Group has unrecognised tax losses of RMB164,465,000 (2021: RMB153,053,000), among which tax losses amounted to RMB161,831,000 (2021: RMB152,601,000) will expire at various dates up to and including 2028 and tax losses amounted to RMB2,634,000 (2021: RMB452,000) has no expiry date. In the opinion of the directors of the Company, no deferred tax assets in respect of tax losses are recognised due to the unpredictability of future profit streams.

20. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000 (restated)
Scripts	**7,659**	42,295
Finished goods	**101,467**	127,882
	109,126	170,177

Inventories recognised as cost of revenue during the year ended 31 December 2022 amounted to approximately RMB83,019,000 (2021: RMB125,420,000).

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000 (restated)
Trade receivables		
– from television series and film production	**512,303**	500,493
– from higher and vocational education	**4,585**	651
	516,888	501,144
Less: Allowance for credit losses *(Note ii)*	**(171,170)**	(30,532)
	345,718	470,612
Other receivables and prepayments		
Loan Receivables (defined below) *(Note i)*	**420,000**	420,000
Less: Allowance for credit losses *(Notes i and ii)*	**(65,757)**	(61,207)
	354,243	358,793
Consideration Receivables *(note 12) (Note iii)*	**60,591**	–
Advance to suppliers for television series and film production	**63,000**	123,457
Prepayment for services	**7,226**	5,059
Value added tax recoverable	**6,584**	5,422
Receivables from canteen operators	**5,326**	3,782
Deposits for short-term leases	**1,453**	1,078
Others	**3,643**	2,534
	502,066	500,125
	847,784	970,737
Analysed as:		
– Current	**818,712**	970,737
– Non-current	**29,072**	–
	847,784	970,737

21. TRADE AND OTHER RECEIVABLES (continued)

Notes:

i. On 21 June 2021, Nanjing Lanchou entered into the sale and purchase agreement with 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"), pursuant to which Nanjing Lanchou agreed to acquire the entire equity interests of Jiangsu China Red Science and Education and Investment Group Co., Ltd. (江蘇華紅科教投資集團有限公司) (the "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 (南京體育學院奧林匹克學院) (the "Olympic College") cannot be satisfied within 36 months from the date of the sale and purchase agreement.

To facilitate the series of restructuring stated in the sale and purchase agreement, Nanjing Lanchou has also entered into two loan agreements, pursuant to which Nanjing Lanchou shall grant to the Transferor two bridging loans in the principal amounts of RMB250,000,000 ("250M Bridging Loan") and RMB170,000,000 ("170M Bridging Loan"), respectively (collectively referred as the "Loan Receivables"). The Loan Receivables were non-interest bearing with maturity date of six months, among which RMB410,000,000 shall not be used for any purpose other than agreed terms in the loan agreements. Mr. Ye Hua and Ms. Gao Jiehong, the founders of the Transferor, has provided the personal guarantee and pledged their 67% and 33% of equity interests in the Transferor as well as their 9% equity interests in Jiangsu Zijin Science and Education Investment Co., Ltd.(江蘇紫金科教投資有限公司) ("Jiangsu Zijin") to Nanjing Lanchou as collaterals for the Loan Receivables.

As at 31 December 2022 and 2021, the Loan Receivables were not repaid and were overdue by the Transferor.

In view of the directors of the Company, after seeking the legal advice and support from the independent valuer, the market value of the pledged assets held by the Transferor and the founders of the Transferor, including 100% equity interests of the Transferor and 9% equity interests of Jiangsu Zijin, will be approximately RMB354,243,000 (2021: RMB358,793,000) as at the end of the reporting period, and the Group has recognised allowance for credit loss amounting to RMB65,757,000 (2021: RMB61,207,000) as at the end of the reporting period.

ii. Details of impairment assessment of trade and other receivables are set out in note 30.

iii. Consideration Receivables were secured by 40% equity interests of Shuimuyuan. As at the end of the reporting period, the Group has not recognised a loss allowance for Consideration Receivables as a result of these collaterals.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB367,549,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the revenue recognition dates:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	**26,765**	180,972
1 to 2 years	**143,000**	289,640
2 to 3 years	**175,953**	–
	345,718	470,612

The Group allows a credit period ranging from three months to one year to its customers. As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB318,953,000 (2021: Nil) which are past due but not impaired as at the reporting date. Out of the past due balances, RMB175,953,000 (2021: Nil) has been past due 90 days or more and is not considered as in default based on repayment history, the financial conditions and the current credit worthiness of the customer.

22. FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets mandatorily measured at FVTPL *(Note i)*:		
– Financial investment on films *(Note ii)*	**54,974**	56,861
– Structured deposits *(Note iii)*	**456,171**	571,362
– Listed equity investments in the PRC	**3,479**	6,632
	514,624	634,855
Analysed as:		
– Current	**514,624**	577,994
– Non-current	**–**	56,861
	514,624	634,855

Notes:

i. Details of the fair value measurement for financial assets at FVTPL are set out in note 30.

ii. The financial investment on films were two investments that the Group solely provided funding, and were not entitled to the film copyrights. These financial assets were with minimum guaranteed return rates of 3.3% and 30%.

iii. The structured deposits were short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and were not principal protected. These financial assets were with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

23. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSIT

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 4.52% (2021: 0.01% to 1.15%).

As at 31 December 2022, the restricted bank deposit was in relation to a litigation claiming for the variable construction cost of the school campus. Bank balance amounting to RMB42,000,000 were frozen by the court. Details are set out in note 36.

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**63,669**	86,865
Payables for property and equipment	**115,663**	49,899
Payroll payables	**21,568**	21,250
Miscellaneous deposits received from students	**17,034**	16,094
Deposits from construction suppliers	**8,578**	12,414
Discretionary subsidies received on behalf of students	**4,278**	4,784
Value added tax and other taxes payable	**4,751**	1,045
Other payables	**1,255**	7,793
	236,796	200,144

The following is an aged analysis of trade payable presented based on the transaction date.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**17,557**	40,605
1 to 2 years	**1,463**	19,140
Over 2 years	**44,649**	27,120
	63,669	86,865

25. CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
– from television series and film production	**26,631**	19,178
– from higher and vocational education	**273,876**	262,538
	300,507	281,716
Analysed as:		
– Current	**300,507**	281,716

As at 1 January 2021, contract liabilities amounted to RMB204,690,000.

Contract liabilities as at 1 January 2021 and 31 December 2021, amounted to RMB204,690,000 and RMB281,716,000 respectively, were recognised as revenue during the years ended 31 December 2021 and 2022 respectively.

26. LEASE LIABILITIES

	As at 31 December 2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	**3,601**	–
Within a period of more than one year but not more than two years	**4,478**	–
Within a period of more than two years but not more than five years	**14,576**	–
	22,655	–
Less: Amount due for settlement with 12 months shown under current liabilities	**3,601**	–
Amount due for settlement after 12 months shown under non-current liabilities	**19,054**	–

During the year ended 2022, the incremental borrowing rate applied to lease liabilities was 6%.

27. SHARE CAPITAL

	Number of shares	Share Capital HK$	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.00001 each			
Authorised:			
At 1 January 2021, 31 December 2021, and 31 December 2022	**5,000,000,000**	**50,000**	
Issued and fully paid:			
At 1 January 2021 and 31 December 2021	1,660,000,000	16,600	118
Shares repurchased and cancelled	(5,063,000)	(51)	(1)
At 31 December 2022	**1,654,937,000**	**16,549**	**117**

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 the Stock Exchange from time to time at a maximum aggregate amount of HK$100 million.

27. SHARE CAPITAL (continued)

During the year ended 31 December 2022, the Company repurchased and cancelled its own ordinary shares in the Stock Exchange as follows:

Month of Repurchase	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid	Equivalent to
		HK$	HK$	HK$'000	RMB'000
January 2022	2,182,000	1.94	1.68	3,990	3,412
February 2022	2,881,000	2.08	1.87	5,662	4,844
Total	5,063,000			9,652	8,256

The above ordinary shares were cancelled upon repurchase. For the year ended 31 December 2021, there were no shares repurchased and cancelled by the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

28. SHARE AWARD SCHEME

On 24 September 2021, the Company adopted the share award scheme 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 Cathay Media and Education Share Incentive (the "Trust") to administer and hold the Company's shares before they are vested and transferred. The Trust purchased the Company's shares from the open market using cash contributed by the Company, not permitted to exceed 32,000,000 shares without further shareholders' approval.

During the year ended 31 December 2022, 18,259,000 shares (2021: 13,741,000 shares) amounted to HK$20,565,000 (equivalent to approximately RMB17,633,000) (2021: HK$42,537,000 (equivalent to RMB34,778,000) were purchased under the share award scheme. As at 31 December 2022, 32,000,000 shares (2021: 13,741,000 shares) in a total consideration of HK$63,102,000 (equivalent to approximately RMB52,411,000) (2021: HK$42,537,000 (equivalent to RMB34,778,000) were recognised as treasury shares in the consolidated statement of changes in equity.

No shares were granted under the share award scheme by the Company for both years.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 26, net of cash and cash equivalents and equity attributable attributable to owners of the Group, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

A. Categories of financial instruments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
Financial assets		
Financial assets at FVTPL	**514,624**	634,855
Financial assets at amortised cost	**1,334,907**	1,086,752
Financial liabilities		
Financial liabilities at FVTPL	**–**	56,000
Financial liabilities at amortised cost	**231,427**	198,799
Lease liabilities	**22,655**	–

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, rental deposit, restricted bank deposit, cash and cash equivalents, trade and other payables, dividend payable and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) **Currency risk**

Certain of the Group's bank balances and trade and other payables are denominated in HK$, US$ and Great Britain Pound ("GBP"), which expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates of the relevant foreign currencies against the functional currency of the respective group entities.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in foreign currencies are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**4**	4	**1,318**	1,318
US$	**–**	4,729	**–**	–
GBP	**2,195**	221	**–**	–

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) **Currency risk (continued)**

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currencies against RMB.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting date for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where RMB strengthen 5% (2021: 5%) against the relevant currencies. For a 5% (2021: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
HK$ impact	**49**	49
US$ impact	**–**	(177)
GBP impact	**(82)**	(8)

(ii) **Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to fixed-rate deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate should the need arise. In the management's opinion, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, Loan Receivables, Consideration Receivables, restricted bank deposit and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the credit risks associated with Loan Receivables and Consideration Receivables.

Trade receivables

Trade receivables from television series and film production are mainly due from television series stations, online platforms and other third-party distributors. Payment terms are negotiated on an individual contract basis and varies for each customer. The Group has concentration of credit risk as 60.31% (2021: 62.21%) and 98.24% (2021: 98.50%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the television series and film production segment.

Trade receivables from higher and vocational education are mainly due from students and canteen operators, which contributed 0.89% (2021: 0.13%) of the total trade receivables of the Group.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs individual impairment assessment under ECL model on these credit-impaired trade receivables. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit rating, taking into account repayment history, customer-specific conditions and past-due status.

Loan Receivables and Consideration Receivables

The management estimates the estimated loss rates of Loan Receivables and Consideration Receivables based on the payment history of the debtors as well as the fair value of the collateral pledged to the Loan Receivables and Consideration Receivables, respectively. Based on assessment by the management, the allowances are recognised based on the estimated realised amount of ultimate disposal of the collaterals.

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables

For other receivable (other than Loan Receivables and Consideration Receivables), the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognised.

Restricted bank deposit and cash and cash equivalents

Credit risk on restricted bank deposit and cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted bank deposit and cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposit and cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

The following table shows the Group's credit risk grading framework in respect of financial assets:

Internal credit rating	Description	Trade receivables	Other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL - not credit-impaired	12-month ECL
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposit and cash and cash equivalents (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	**2022 Gross carrying amount**		2021 Gross carrying amount	
				RMB'000	**RMB'000**	RMB'000	RMB'000
Financial assets at amortised cost							
Trade receivables *(Note)*	21	Performing	Lifetime ECL (provision matrix)	**90,992**		496,994	
		Doubtful	Lifetime ECL (provision matrix)	**421,746**		–	
		Default	Lifetime ECL - credit impaired (individual assessed)	**4,150**	**516,888**	4,150	501,144
Loan Receivables	21	Doubtful	12-month ECL	**420,000**	**420,000**	420,000	420,000
Consideration Receivables	21	Performing	12-month ECL	**60,591**	**60,591**	–	–
Other receivables (excluding Loan Receivables and Consideration Receivables)	21	Performing	12-month ECL	**10,422**	**10,422**	7,394	7,394
Restricted bank deposit	23	Performing	12-month ECL	**42,000**	**42,000**	–	–
Cash and cash equivalents	23	Performing	12-month ECL	**520,872**	**520,872**	249,953	249,953

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group determines the ECL on these items on a collective basis, grouped by the Group's internal credit rating.

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Credit-impaired debtors, with gross carrying amounts of RMB4,150,000 as at 31 December 2022 (2021: RMB4,150,000) were assessed individually and the loss allowance was measured as the difference between the asset's gross amount and the present value of estimated future cash flows.

Internal credit rating	**2022 Average loss rate**	**Trade receivables RMB'000**	2021 Average loss rate	Trade receivables RMB'000
Performing	**5.74%**	**90,992**	5.31%	496,994
Doubtful	**38.36%**	**421,746**	–	–
		512,738		496,994

During the current year, based on the provision matrix, net impairment loss allowance for trade receivables recognised amounted to RMB140,638,000 (2021: RMB22,128,000). Provision of net impairment loss allowance of nil (2021: RMB3,880,000) were individually made on credit-impaired trade receivables from debtors during the current year.

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposit and cash and cash equivalents (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	4,524	–	4,524
– Transfer to credit-impaired	(270)	270	–
– Impairment losses, net of reversal	22,128	3,880	26,008
As at 31 December 2021	26,382	4,150	30,532
– Transfer to credit-impaired	**–**	**–**	**–**
– Impairment losses, net of reversal	**140,638**	**–**	**140,638**
As at 31 December 2022	**164,620**	**4,150**	**171,170**

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000
As at 1 January 2021	–
– Impairment losses recognised	61,207
As at 31 December 2021	61,207
– Impairment losses recognised	**4,550**
As at 31 December 2022	**65,757**

30. FINANCIAL INSTRUMENTS (continued)

B. Financial risk management objectives and policies (continued)

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	over 5 years	Total undiscounted balances	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	–	210,477	–	–	–	210,477	210,477
Dividend payable	–	20,950	–	–	–	20,950	20,950
Lease liabilities	6	4,826	5,444	15,639	–	25,907	22,655
		237,717	5,444	15,639	–	257,334	254,082
At 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	–	177,849	–	–	–	177,849	177,849
Dividend payable	–	20,950	–	–	–	20,950	20,950
		198,799	–	–	–	198,799	198,799

30. FINANCIAL INSTRUMENTS (continued)

C. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value at 31 December 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at FVTPL:						
– Listed equity investments	**3,479**	6,632	Level 1	Quoted prices in active markets	N/A	N/A
– Structured deposits *(Note i)*	**456,171**	571,362	Level 3	Discounted cash flow method was used/ expected return rate	Expected return rates from 2.2% to 4.28% (2021: 2.48% to 4.28%)	The higher the expected return, the higher the fair value, vice versa
– Film production investment *(Note ii)*	**54,974**	56,861	Level 3	Discounted cash flow method was used/ expected return rate	Expected return rates from 3.3% to 30% (2021: 3.3% to 30%)	The higher the expected return, the higher the fair value, vice versa
Financial liabilities at FVTPL:						
– Contingent consideration in a business combination *(Note iii)*	**–**	56,000	Level 3	Monte Carlo method method was used to capture the present value of the expected future economic benefits that will flow arising from the contingent consideration	Expected discount rate of 15.5% and volatility of 29%	The higher the discount rate and volatility, the lower the fair value, vice versa

Notes:

i. The structured deposits are not traded in an active market and do not have observable market data. The structured deposits of approximately RMB456,171,000 (2021: RMB571,362,000) has been estimated using discounted cash flow method based on the expected rate of return. As at 31 December 2022, if the estimated rate of return had been 10% (2021: 10%) higher/lower and the other variables were held constant, the total carrying amounts of structured deposits would increase/decrease by RMB68,000/RMB68,000 (2021: RMB2,762,000/RMB2,762,000), respectively.

ii. The film production investments measured at fair value do not meet solely payments of principal and interest condition. The film production investments of approximately RMB54,974,000 (2021: RMB56,861,000) are determined based on the discounted cash flows method using the expected rate of return from 3.3% to 30% (2021: 3.3% to 30%). As at 31 December 2022, if the expected rate of return had been 10% (2021: 10%) higher/lower, the total carrying amounts of film production investments would increase/decrease by RMB1,274,000/RMB1,274,000 (2021: RMB1,269,000/RMB1,269,000), respectively.

iii. The fair value of contingent consideration in a business combination was determined by the management of the Group with reference to valuation reports issued by an independent qualified professional valuer. The Company used Monte Carlo method based on the discount rate and volatility covering the relevant forecasted periods to determine the fair value of the contingent consideration. As at 31 December 2021, if the discount rate had been 10% higher/lower, the total carrying amount of contingent consideration would decrease/increase by RMB700,000/RMB700,000, and if the volatility had been 10% higher/lower, the total carrying amount of contingent consideration would decrease/increase by RMB1,000,000/RMB1,000,000.

There were no transfers between Level 1 and 2 during the year.

30. FINANCIAL INSTRUMENTS (continued)

C. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

The following table presents the reconciliation of Level 3 measurements during both years:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2021	810,270	–
Arising from business combination	–	(63,000)
Purchases	2,158,840	–
Redemptions	(2,380,238)	–
Gains in profit or loss	39,351	7,000
At 31 December 2021	628,223	(56,000)
Purchases	**1,355,000**	**–**
Redemptions	**(1,479,450)**	**–**
Gains in profit or loss	**7,372**	**–**
Derecognised of contingent considerations	**–**	**56,000**
At 31 December 2022	**511,145**	**–**

31. CAPITAL COMMITMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of – property and equipment	**193,991**	44,856

32. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during both years are disclosed in notes 11 and 13.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	**Dividend payables** RMB'000	**Total** RMB'000
At 1 January 2021	–	20,950	20,950
Financing cash flows	(38,414)	(193,949)	(232,363)
Acquisition of subsidiaries	227,172	–	227,172
Dividend declared	–	193,949	193,949
New leases entered	5,731	–	5,731
Interest expenses	8,119	–	8,119
Transfer to liabilities associated with assets classified as held for sale	(202,608)	–	(202,608)
At 31 December 2021	–	20,950	20,950
Financing cash flows	**(3,545)**	**(174,616)**	**(178,161)**
Dividend declared	**–**	**174,616**	**174,616**
New leases entered	**24,922**	**–**	**24,922**
Interest expenses	**3,012**	**–**	**3,012**
Transfer from liabilities associated with assets classified as held for sale	**202,608**	**–**	**202,608**
Disposal of a subsidiary	**(204,342)**	**–**	**(204,342)**
At 31 December 2022	**22,655**	**20,950**	**43,605**

34. RELATED PARTY TRANSACTIONS

(i) Save for those disclosed in other notes to the consolidated financial statements, the Group had the following non-trade balance with a related party:

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Dividend payable to a non-controlling shareholder	**20,950**	20,950

(ii) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group is as follows:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**4,779**	4,408
Post-employment benefits	**99**	104
	4,878	4,512

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place/country of incorporation and date of establishment/ kind of legal entity	Issued and fully paid share/ registered capital	Equity interest attributable to the Group as at 31 December 2022 %	2021 %	Principal activities
Directly owned					
Cathay Media Group (BVI) Inc.	BVI 12 January 2017 Limited liability company	USD50,000	100	100	Investment holding
Indirectly owned					
Cathay Media Group (Hong Kong) Limited (華夏視聽傳媒集團(香港)有限公司)	Hong Kong 27 January 2017 Limited liability company	HK$1	100	100	Investment holding
Nanjing Bicheng	PRC 29 July 2019 Limited liability company	RMB500,000,000	100	100	Investment holding and consulting
Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. ("Dongyang Huaxia") (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 and consulting
Indirectly owned and controlled through contractual arrangement					
Nanjing Lanchou	PRC 26 October 2017 Limited liability company	RMB10,000,000	100	100	Investment holding
Nanjing Meiya	PRC 30 January 2003 Limited liability company	RMB150,000,000	91	91	Investment holding
CUCN	PRC 16 June 2014 Limited liability company	RMB150,000,000	91	91	Higher and vocational education
Dongyang Audio-Visual	PRC 18 June 2019 Limited liability company	RMB10,000,000	100	100	Investment holding and television series and film production
Huaxia Audio-Visual	PRC 27 December 2005 Limited liability company	RMB61,023,678	91	91	Television series and film production
Huaxia Huyu	PRC 11 December 2001 Limited liability company	RMB3,000,000	100	100	Television series and film production

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
Nanjing Meiya and its subsidiaries	PRC	**9%**	9%	**26,386**	20,286	**185,024**	158,638

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Nanjing Meiya and its subsidiaries

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current assets	**1,366,036**	1,123,086
Non-current assets	**1,178,581**	1,038,530
Current liabilities	**(489,475)**	(412,201)
Non-current liabilities	**(19,853)**	(965)
Equity attributable to owners of the Company	**1,850,265**	1,589,812
Non-controlling interests of Nanjing Meiya and its subsidiaries	**185,024**	158,638

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**558,801**	471,353
Expenses	**(265,619)**	(245,958)
Profit and total comprehensive income attributable to owners of the Company	**266,796**	205,109
Profit and total comprehensive income attributable to the non-controlling interests of Nanjing Meiya and its subsidiaries	**26,386**	20,286
Profit and total comprehensive income for the year	**293,182**	225,395
Net cash flows from operating activities	**177,669**	403,669
Net cash flows from (used in) investing activities	**24,284**	(426,227)
Net cash flows used in from financing activities	**(2,844)**	–
Net cash flows	**199,109**	(22,558)

36. CONTINGENT LIABILITIES

A plaintiff raised a litigation claim against CUCN in the PRC court on 31 August 2022. The plaintiff claims an amount of approximately RMB41,784,000 plus petition cost and attorneys' fees in relation to variable construction cost of the school campus. In December 2022, the court also approved to freeze one of the bank account with balance of RMB42,000,000, which was disclosed under the restricted bank deposit in the consolidated financial statements as at 31 December 2022. Up to the date of the consolidated financial statements, there was no formal judgment from the PRC court.

After seeking the independent legal advice, the directors of the Company consider that the outcome and the amount of final payment, if any, are uncertain, and no provision has been made for the year ended 31 December 2022.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current Assets		
Investment in subsidiaries	**1,942,675**	1,778,410
Property and equipment	**13**	–
	1,942,688	1,778,410
Current Assets		
Prepayments and other receivables	**354**	324
Amounts due from subsidiaries	**20,328**	17,167
Cash and cash equivalents	**10,337**	201,629
	31,019	219,120
Current Liability		
Other payables	**33**	–
Net current assets	**30,986**	219,120
Net Assets	**1,973,674**	1,997,530
Capital and Reserves		
Share capital *(note 27)*	**117**	118
Reserves	**1,973,557**	1,997,412
Total Equity	**1,973,674**	1,997,530

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Shares held for share award scheme	Share premium	Capital reserve	Translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	–	1,246,184	1,208,202	(178,426)	(2,175)	2,273,785
Loss for the year	–	–	–	–	(9,753)	(9,753)
Other comprehensive expenses for the year	–	–	–	(38,547)	–	(38,547)
Total comprehensive expenses for the year	–	–	–	(38,547)	(9,753)	(48,300)
Purchases of shares under share award scheme *(note 28)*	(34,778)	–	–	–	–	(34,778)
Dividend recognised as distribution *(note 14)* (restated)	–	(193,295)	–	–	–	(193,295)
At 31 December 2021	(34,778)	1,052,889	1,208,202	(216,973)	(11,928)	1,997,412
Loss for the year	**–**	**–**	**–**	**–**	**(8,361)**	**(8,361)**
Other comprehensive income for the year	**–**	**–**	**–**	**185,058**	**–**	**185,058**
Total comprehensive income (expenses) for the year	**–**	**–**	**–**	**185,058**	**(8,361)**	**176,697**
Purchases of shares under share award scheme *(note 28)*	**(17,633)**	**–**	**–**	**–**	**–**	**(17,633)**
Repurchase and cancellation of shares *(note 27)*	**–**	**(8,255)**	**–**	**–**	**–**	**(8,255)**
Transaction costs attributable to repurchase and cancellation of shares	**–**	**(48)**	**–**	**–**	**–**	**(48)**
Dividend recognised as distribution *(note 14)*	**–**	**(174,616)**	**–**	**–**	**–**	**(174,616)**
At 31 December 2022	**(52,411)**	**869,970**	**1,208,202**	**(31,915)**	**(20,289)**	**1,973,557**

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				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	368,318	747,186	789,743	578,051	**656,815**
Cost of revenue	(163,387)	(374,361)	(463,505)	(301,879)	**(339,614)**
Gross profit	204,931	372,825	353,238	276,172	**317,201**
Profit before income tax	153,226	240,331	371,468	140,258	**96,047**
Profit from continuing operations	–	–	–	125,496	**78,213**
Profit (loss) from discontinued operations	–	–	–	(53,674)	**43,710**
Profit for the year	148,825	194,517	337,140	71,822	**121,923**

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Non-current assets	762,865	680,337	728,276	1,121,473	**1,219,638**
Current assets	1,130,567	1,088,419	2,705,885	2,582,029	**2,005,334**
Current liabilities	528,155	358,442	557,714	964,326	**562,699**
Net current assets	602,412	729,977	2,148,171	1,617,703	**1,442,635**
Total assets less current liabilities	1,365,277	1,410,314	2,876,447	2,739,176	**2,662,273**
Non-current liabilities	1,859	33,561	1,263	24,103	**19,853**
Net assets	1,364,418	1,376,753	2,875,184	2,715,073	**2,642,420**
Total equity	1,364,418	1,376,753	2,875,184	2,715,073	**2,642,420**

"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" or "our 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
"Existing Leasing Framework Agreement"	the agreement dated 23 June 2020 entered into between the Company and Mr. Pu in relation to the leasing of the Premises during the period from the Listing Date to 31 December 2022, the summary of the terms are set out in the section headed "Connected Transactions — Summary of Our Continuing Connected Transactions — 1. Leasing Framework Agreement" of the Prospectus
"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 Huyu"	Beijing Huaxia Mutual Entertainment Cultural Communication Co., Ltd. (北京華夏互娛文化傳播有限公司) (formerly named as 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
"Lease Agreements"	two lease agreements both dated 9 December 2022 entered into between the Company (as the tenant) and Mr. Pu (as the landlord) in relation to the Premises
"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
"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
"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
"Premises"	office space at units 2201, 2202, 2203 and 2205, and units 2206, 2207, 2208, and 2209, 22/F, Block 12, Wanda Plaza, No. 93 Jianguo Road, Chaoyang District, Beijing, PRC
"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 2022
"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