Hong Kong Education (Int'l) Investments Limited
香港教育（國際）投資集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1082)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2013:

– The Group recorded revenue of approximately HK$121.70 million, representing a decrease of 5.24% as compared to approximately HK$128.43 million (as restated) for the corresponding period in 2012.

– The Group recorded a loss of approximately HK$11.08 million (2012: profit of approximately HK$4.05 million). The loss was mainly attributable to the equity-settled share-based payment expenses for the share options granted by the Company during the period and the decrease in other income as compared to the corresponding period in 2012 due to the absence of gain on fair value change in convertible notes, which are non-cash in nature.

As at 31 December 2013:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) was 1.55 times and a gearing ratio, expressed as total debts divided by the sum of total equity plus total debts (total debts refer to total liabilities minus the sum of tax payable, deferred tax liabilities and dividend payable (if any)) was 18.95%.

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

INTERIM RESULTS (UNAUDITED)

The board (the "**Board**") of directors (the "**Directors**") of Hong Kong Education (Int'l) Investments Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2013, together with the comparative unaudited figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000* (Restated)
Revenue	*4*	**121,696**	128,431
Other income and expenses	*5*	**914**	21,300
Staff costs	*7*	**(27,563)**	(33,919)
Tutor contractor fee	*7*	**(35,088)**	(41,216)
Operating lease payments	*7*	**(25,516)**	(26,014)
Marketing expenses		**(16,220)**	(18,145)
Printing costs		**(259)**	(445)
Depreciation and amortisation		**(3,464)**	(4,205)
Change in fair value of financial assets designated at fair value through profit or loss		**628**	–
Gain arising on change in fair value of listed held for trading investments		**2,607**	–
Other operating expenses		**(28,174)**	(21,566)
Finance costs	*6*	**(1,444)**	–
Share of results of joint ventures		**888**	–
Share of results of associates		**(188)**	–
(Loss)/Profit before taxation	*7*	**(11,183)**	4,221
Taxation	*8*	**104**	(169)
(Loss)/Profit for the period		**(11,079)**	4,052

	NOTES	For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
			(Restated)
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**14**	4
Fair value loss on listed available-for-sale investment		**(29,035)**	–
		(29,021)	4
Total comprehensive (expense)/income for the period		**(40,100)**	4,056
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(11,208)**	4,340
Non-controlling interests		**129**	(288)
		(11,079)	4,052
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(40,229)**	4,344
Non-controlling interests		**129**	(288)
		(40,100)	4,056
(Loss)/Earnings per share *(HK cents)*	*9*		
– Basic		**(1.79)**	0.99
– Diluted		**(1.79)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**31 December 2013 (Unaudited) *HK$'000***	30 June 2013 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**15,562**	13,182
Investment properties		**60,000**	60,000
Intangible assets		**1,385**	1,484
Interests in joint ventures		**11,745**	10,856
Interests in associates		**46,812**	–
Available-for-sale investment		**59,687**	23,547
Non-current deposits		**2,788**	11,138
		197,979	120,207
Current assets			
Trade and other receivables	*11*	**30,621**	27,108
Amounts due from related parties		**544**	544
Derivative financial instruments		**2,582**	2,582
Held for trading investments		**73**	19,066
Tax recoverable		**349**	–
Fixed deposits held at banks with original maturity over three months		**–**	11,250
Bank balances and cash		**43,403**	28,917
		77,572	89,467
Assets classified as held for sale		**–**	18,430
		77,572	107,897
Current liabilities			
Other payables	*12*	**25,260**	13,567
Deferred income		**11,186**	9,873
Taxation payable		**–**	2,272
Amounts due to related parties		**450**	559
Interest-bearing bank borrowings		**13,000**	–
		49,896	26,271
Net current assets		**27,676**	81,626
Total assets less current liabilities		**225,655**	201,833

	NOTES	31 December 2013 (Unaudited) HK$'000	30 June 2013 (Audited) HK$'000
Non-current liabilities			
Non-current deposits		**300**	197
Deferred tax liabilities		**1,164**	1,286
Provision for long service payments		**1,788**	2,264
		3,252	3,747
Net assets		**222,403**	198,086
Capital and reserves			
Share capital	*13*	**84,880**	57,600
Reserves		**136,452**	139,544
Equity attributable to owners of the Company		**221,332**	197,144
Non-controlling interests		**1,071**	942
Total equity		**222,403**	198,086

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Hong Kong is located at Block C, 17/F, 381 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company acts as an investment holding company while its principal subsidiaries and jointly controlled entities are principally engaged in the provision of private educational services, investment in securities and property investments.

The interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The interim condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2013.

In addition, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA effective for annual periods beginning on or after 1 January 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures

The following HKFRS is not applicable to the Company due to its nature.

HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

The adoption of the above new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited interim condensed consolidated financial statements except as stated below.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

HKFRS 13 also contains extensive disclosure requirements about fair value measurements. Some of the disclosures are specifically required for financial instruments in the interim result announcement. The Group has provided those disclosures in note 14.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014.*

[2] *Effective for annual periods beginning on or after 1 January 2015.*

The Group anticipates that the application of the above new or revised HKFRSs has no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports prepared in accordance with the accounting policies conform to HKFRSs, that are regularly reviewed by the executive Directors, being the chief operating decision maker ("**CODM**") of the Group, in order to allocate resources to segments and to assess their performances.

In the previous periods, the CODM only reviewed the revenue analysis by services provided, including secondary tutoring services, secondary day school education, primary tutoring services, skill courses and test preparation courses, franchising income, English language training and test preparation courses, technical consultation, management and software licensing services, overseas studies consultation services and international foundation year (the "**IFY**") courses. Other than the revenue analysis, no information on segment revenue and results was presented and was provided to the CODM for the assessment of the performance of the respective services provided. Accordingly, no segment disclosure for the six months ended 31 December 2012 was presented in the interim report for that period.

Upon purchase of certain listed investments and investment properties during the year ended 30 June 2013, the Group's operations have been organised based on three operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The operating and reportable segments of the Group are as follows:

- Provision of private educational services – secondary tutoring services, secondary day school education, primary tutoring services, skill courses and test preparation courses, franchising income, English language training and test preparation courses, technical consultation, management and software licensing services, overseas studies consultation services and the IFY courses

- Investment in securities – trading of securities

- Property investments – investments of properties for rental income and capital appreciation

(a) Segment revenues and results

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

For the six months ended 31 December 2013

	Provision of private educational services	Investment in securities	Property investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	120,816	–	880	121,696
Segment results	(1,560)	2,611	1,411	2,462
Change in fair value of financial assets designated at fair value through profit or loss				628
Finance cost				(1,444)
Share of results of joint ventures				888
Share of results of associates				(188)
Unallocated corporate income				95
Unallocated corporate expenses				(13,624)
Loss before taxation				(11,183)

The CODM assesses segment results using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments i.e. change in fair value of financial assets designated at fair value through profit or loss, finance cost, share of results of joint ventures, share of results of associates, unallocated corporate income and unallocated corporate expenses.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

At 31 December 2013

	Provision of private educational services *HK$'000*	Investment in securities *HK$'000*	Property investments *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	**46,191**	**73**	**60,575**	**106,839**
Unallocated assets				
Bank balances and cash				**43,403**
Interests in joint ventures				**11,745**
Interests in associates				**46,812**
Derivative financial instruments				**2,582**
Available-for-sale investment				**59,687**
Other corporate assets				**4,483**
				275,551
Liabilities				
Segment liabilities	**37,497**	**–**	**421**	**37,918**
Unallocated liabilities				
Deferred tax liabilities				**1,164**
Interest-bearing bank borrowings				**13,000**
Other corporate liabilities				**1,066**
				53,148

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to the operating segments other than bank balances and cash, interests in joint ventures, interests in associates, derivative financial instruments, available-for-sale investment and other corporate assets; and

- all liabilities are allocated to the operating segments other than deferred tax liabilities, interest-bearing bank borrowings and other corporate liabilities.

(c) Other information

For the six months ended 31 December 2013

	Provision of private educational services *HK$'000*	**Investment in securities** *HK$'000*	**Property investments** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Capital additions	**5,778**	**–**	**–**	**723**	**6,501**
Depreciation and amortisation	**3,393**	**–**	**–**	**71**	**3,464**
Provision for long service payments	**(120)**	**–**	**–**	**–**	**(120)**

An analysis of the Group's revenue by services is as follows:

	For the six months ended 31 December **2013** **(Unaudited)** ***HK$'000***	2012 (Unaudited) *HK$'000* *(Restated)*
Secondary tutoring services	**97,134**	103,569
Secondary day school education	**(6)**	2,047
Primary tutoring services, skill courses and test preparation courses	**7,294**	8,612
Franchising income	**1,815**	1,501
English language training and test preparation courses	**12,626**	11,085
Technical consultation, management and software licensing services	**1,953**	521
Overseas studies consultation services	**–**	555
IFY courses	**–**	286
Rental income	**880**	255
Total revenue	**121,696**	128,431

The Group's assets, revenue and results for the period derived from activities located outside Hong Kong are less than 10% of the Group's total assets, revenue and profit, respectively.

No individual customer accounted for over 10% of the Group's total revenue during both periods.

5. OTHER INCOME AND EXPENSES

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Gain on fair value change in unlisted convertible notes	**–**	20,053
Interest income	**95**	590
Dividend income	**57**	–
Gain/(Loss) on disposal of		
– assets classified as held for sale	**874**	–
– property, plant and equipment	**(574)**	(517)
Supporting services income	**274**	1,041
Others	**188**	133
	914	21,300

6. FINANCE COSTS

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on bank and other borrowings wholly repayable within five years	**1,444**	–

7. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/Profit before taxation has been arrived at after charging:		
Directors' remuneration	**4,951**	8,965
Other staff costs	**25,952**	27,337
Other staff's retirement benefit scheme contributions	**906**	1,060
	31,809	37,362
Tutor contractor fee to Directors	**(796)**	(3,443)
Share-based payment expenses included in other operating expenses	**(3,450)**	–
Staff costs	**27,563**	33,919

Tutor contractor fee is calculated based on (i) certain percentage of revenue derived from secondary tutoring services and English language training and test preparation courses; and (ii) fixed hourly rate on primary tutoring services, skill courses and test preparation courses.

Operating lease payments represent the minimum lease payments under operating leases paid or payable to lessors which mainly are independent third parties.

8. TAXATION

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The taxation comprises:		
Hong Kong Profits Tax		
Current period	**6**	31
Overprovision in prior periods	**(20)**	–
	(14)	31
PRC Enterprise Income Tax		
Current period	**31**	6
Deferred tax		
Current period	**(121)**	132
Taxation for the period	**(104)**	169

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Subsidiaries established in the People's Republic of China (the "**PRC**") were subject to Enterprise Income Tax at 25%. The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each year.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company for both periods are based on the following data:

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share		
(Loss)/Profit for the period attributable to owners of the Company	**(11,208)**	4,340
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**624,926,087**	436,243,094
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**624,926,087**	436,243,094
Basic (loss)/earnings per share *(HK cents per share)*	**(1.79)**	0.99
Diluted (loss)/earnings per share *(HK cents per share)*	**(1.79)**	N/A

The computation of diluted (loss)/earnings per share for the six months ended 31 December 2013 did not assume the potential ordinary shares as the exercise prices of the Company's outstanding options were higher than the average market prices of the shares of the Company for the relevant period. No diluted earnings per share is presented for the six months ended 31 December 2012 as there are no potential ordinary shares outstanding.

10. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

11. TRADE AND OTHER RECEIVABLES

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	HK$'000	*HK$'000*
Accrued revenue and trade receivables	**934**	786
Rental deposits	**22,004**	25,913
Other deposits	**2,799**	1,046
Prepayments	**6,003**	4,885
Other receivables	**1,169**	2,806
	32,909	35,436
Less: Rental deposits (shown under non-current assets)	**(2,288)**	(8,328)
Trade and other receivables (shown under current assets)	**30,621**	27,108

The following is an aged analysis of accrued revenue and trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	HK$'000	*HK$'000*
Accrued revenue not yet billed	**179**	205
Trade receivables:		
0 – 30 days	**34**	198
31 – 60 days	**177**	104
61 – 90 days	**50**	79
Over 90 days	**494**	200
	934	786

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$493,925 (30 June 2013: HK$200,000) which were past due as at the reporting date for which the Group did not provide for impairment loss. The Group did not hold any collateral over these balances. The aging of these receivables was over 90 days (30 June 2013: over 90 days).

As at 31 December 2013, accrued revenue and trade receivables primarily arose from the continuing franchise income of primary tutoring service to franchisees (30 June 2013: arose from the continuing franchise income of primary tutoring service to franchisees). The accrued revenue is not yet due as it is billed in arrears. The credit periods ranged from 30 days to 90 days. There is no credit period granted for tuition fee as they are normally received in advance.

12. OTHER PAYABLES

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	HK$'000	*HK$'000*
Other payables	**13,286**	4,194
Other accruals	**5,169**	2,929
Accrued tutor contractor fee, salary and bonus	**6,805**	6,444
	25,260	13,567

13. SHARE CAPITAL

The movements of share capital of the Company are as follows:

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 30 June 2013 and 31 December 2013	1,500,000,000	150,000
Issued and fully paid		
At 1 July 2013 (Audited)	576,000,000	57,600
Issue of shares upon placing on 29 November 2013 *(Note)*	272,800,000	27,280
At 31 December 2013 (Unaudited)	848,800,000	84,880

Note: On 29 November 2013, an aggregate of 272,800,000 ordinary shares of HK$0.1 each were issued to not less than six placees, who and whose ultimate beneficial owners are independent third parties, at a price of HK$0.220 per share. The net proceeds were used to finance the acquisition of 47% interest in Seasoned Leader Limited and for repayment of borrowings and as general working capital of the Group. The shares issued rank passu with other shares in issue in all respects.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair values of financial assets (including available-for-sale investments stated in fair value and held for trading investments) are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid price.

- the fair value of the investment fund is determined with reference to the underlying assets of the fund which is provided by the counterparty financial institution.

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the unlisted equity at cost, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investment	**59,687**	**–**	**–**	**59,687**
Held for trading investments	**73**	**–**	**–**	**73**
Derivative financial instruments	**–**	**–**	**2,582**	**2,582**
	59,760	**–**	**2,582**	**62,342**

	At 31 December 2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment in a convertible note	–	40,053	–	40,053
Derivative financial instruments	–	–	4,238	4,238
	–	40,053	4,238	44,291

There were no transfers between Levels 1 and 2 and no transfers into or out of Level 3 in the current and prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The adverse financial impacts to the Group with respect to the transition from the old to the new secondary education system have been fully realized in the past financial year. It is encouraging that the Group has maintained the leading position in the private education services industry in Hong Kong although we have been facing numerous challenges and difficulties in the year. For the six months ended 31 December 2013 (the "**Period**"), the Group recorded revenue of approximately HK$121.70 million, representing a decrease of 5.24% as compared with the corresponding period in 2012.

Provision of Private Educational Services

Secondary Tutoring Services

Facing the challenges of transiting into the new academic structure and the competitive environment in the secondary tutoring services sector, our secondary tutoring services recorded revenue of HK$97.13 million during the Period, representing a decline of 6.21% as compared with previous period. Nonetheless, we commit to provide high quality tutoring services to our students with advanced course study materials and equip them with effective test-taking techniques so as to improve their examination results. Riding on our sound reputation and brand image, we are confident that the secondary tutoring services will still be the stable income stream of the Group.

The following table sets forth the number of course enrolments, the number of tutors and the average course fees of each category of secondary tutoring courses for the Period:

	For the six months ended 31 December	
	2013	2012
Number of course enrolments *(in thousands)*		
Regular courses	**146**	161
Intensive courses	**2**	7
Summer courses	**38**	41
Special courses	**19**	32

	For the six months ended 31 December	
	2013	2012
Number of tutors *(Note 1)*		
Regular courses	**41**	44
Intensive courses	**20**	27
Summer courses	**39**	42
Special courses	**28**	46
Average course fees *(HK$) (Note 2)*		
Regular courses	**493**	477
Intensive courses	**680**	525
Summer courses	**451**	387
Special courses	**189**	115

Note 1: Tutors may provide secondary tutoring services for all or certain categories of courses. Thus, the sum of the number of tutors for the provision of regular courses, intensive courses, summer courses and special courses is not equal to the total number of tutors for the Period.

Note 2: Being revenue divided by course enrolments for the Period.

As of 31 December 2013, the Group had 15 learning centres operated under the brand of "Modern Education"(現代教育).

Secondary Day School Education

In view of the change to the New Senior Secondary System, the Group anticipated the enrolment in the secondary day school would shrink a lot, hence the Group had temporary reallocated its resources to develop other service sectors in the Group during the Period, we had also formulated new business strategies to reposition ourselves to cope with the new market environment perceived in the near future.

The following table illustrates the number of course enrolments and average course fees for the respective school level under our secondary day school education for the current and prior periods for comparison:

	For the six months ended 31 December	
	2013	2012
Number of course enrollments *(in thousands)*		
Secondary/Form 6	**–**	0.7
Average course fees *(HK$) (Note)*		
Secondary/Form 6	**–**	2,958

Note: Being revenue divided by course enrolments for the Period.

English Language Training and Test Preparation Courses

The English language training and test preparation courses are operated under our brand "Modern Education" and are well-known in Hong Kong. Two of our most popular courses – the International English Language Testing System (IELTS) preparation course and Diploma in Workplace English (TOEIC) preparation course, are reimbursable by the Hong Kong Government's Continuing Education Fund Scheme. We also offer intensive courses for Test of English as a Foreign Language (TOEFL) and IELTS examinations to provide continuous academic support to students.

During the Period, we recorded steady growth in revenue and total number of course enrolments in this sector. There were approximately 8,700 course enrolments recorded for the Period, an increase of approximately 15% in enrolments as compared with approximately 7,400 course enrolments in the corresponding previous financial period.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

To expand the primary tutoring service under the brand "Modern Bachelor Education Centre" ("**BEC**") is one of the key sectors that the Group has been working in. Our decision is reinforced by the growing demand on primary school tutoring services as students and parents are keen to take more effort to obtain good grading for admission to renowned secondary schools. The expansion is worked through setting up more BEC either directly owned centres or franchised centres with strategic locations in both Hong Kong and Mainland China.

As of 31 December 2013, there were 10 directly owned learning centres and 27 franchised centres in operation. One franchised centre is under the way and will start operation in early 2014. During the Period, we recorded a total number of approximately 5,000 course enrolments for our primary school tutoring services, skill courses and test preparation courses offered by our directly owned learning centres, as compared with approximately 5,500 course enrolments in the corresponding previous financial period. Total revenue contributed by our franchised centres to the Group was approximately HK$1.82 million (2012: approximately HK$1.50 million).

Early Education

The Group's vertical expansion down to the early education sector was done quickly through the acquisition of Full Profit Hong Kong Development Limited, a consultancy company specialized in early education. The company provides professional services and consultancy on managing and operating early education centres and kindergartens in Hong Kong and in Mainland China. This company has contributed a stable share of income to the Group since the acquisition in April 2013.

Continuing and Tertiary Education

With the rise in number of secondary graduates, demand for continuing vocational and tertiary education is expected to increase. The Group has seen the potential opportunity in the tertiary education sector, therefore we tapped into the vocational training and higher education market through the acquisition of Seasoned Leader Limited ("**Seasoned Leader**") in October 2013. Seasoned Leader is the operator of Compass College and Bridal Academy. Compass College is specialised in providing high-quality vocational oriented academic programmes in Business Management and Hospitality disciplines. Bridal Academy is specialised in providing programmes on wedding planning, styling and professional image design. Both provide quality, flexible and diversified study pathways with multiple entry and exit points for secondary leavers.

PRC Operations

The Group has been undergoing a steady and solid expansion in the market of Mainland China. We have provided educational consultation and management services to the provincial officers, existing and potential partners in running international programmes or test preparation courses on international standardized tests and examinations there. Currently, we provide consultations to the operators of above programmes and courses at top-tier secondary schools in 4 different cities in Guangdong Province, including Zhongshan (Zhongshan Overseas Chinese Middle School), Dongguan (Guangming High School), Jiangmen (Guangming High School) and Shaoguan (Shaoguan No. 1 Middle school), in order to assist local Chinese students for overseas higher education.

Property Investments

Our investment property portfolio is expected to deliver stable income and regarded as valuation gains for the Group. During the Period, the Group recorded rental income generated from the investment properties of approximately HK$0.88 million and a gain on disposal of investment property of approximately HK$0.87 million.

Investment in Securities

The Group maintains a prudent investment strategy in allocating its resources in securities trading business. During the Period, the Group recorded a gain on disposal of listed held for trading investment of approximately HK$2.74 million.

FINANCIAL REVIEW

Revenue

During the Period, the Group recorded revenue of approximately HK$121.70 million, representing a decrease of 5.24% as compared with approximately HK$128.43 million (as restated) recorded for the corresponding period in 2012. Such decrease was primarily due to the decrease in revenue from secondary tutoring services to approximately HK$97.13 million, representing a decrease of 6.21% as compared to approximately HK$103.57 million recorded for the corresponding period in 2012 and no revenue recorded from secondary day school education during the Period. Moreover, there was a decrease in revenue from primary tutoring services (including franchising income) to approximately HK$9.11 million, representing a decrease of 9.93% as compared to the corresponding previous period.

On the other hand, there were growth in revenue from English language training and test preparation courses of approximately HK$12.63 million, representing an increase of 13.90% as compared to approximately HK$11.09 million recorded in the corresponding previous period. For technical consultation, management and software licensing services, there was an increase in revenue to approximately HK$1.95 million as compared to approximately HK$0.52 million in the corresponding period in 2012.

For the Period, rental income generated from the investment properties has been presented as a separate operating and reportable segments of the Group and therefore the revenue and other income of the Group for the six months ended 31 December 2013 have been restated. For the Period, the Group recorded rental income of approximately HK$0.88 million generated from the investment properties (2012: HK$0.26 million, as restated).

Other income and expenses

For the Period, the Group's other income and expenses decrease to approximately HK$0.91 million of net income (2012: approximately HK$21.30 million, as restated). Such decrease was due to the combined effect of, among other things, (i) the absence of gain on fair value change in convertible notes of approximately HK$20.05 million recorded in the previous period; and (ii) a gain on disposal of assets classified as held for sale of approximately HK$0.87 million.

Staff costs

The Group's staff costs decreased by approximately HK$6.36 million or 18.74% compared with the corresponding previous period. Such decrease was primarily attributable to the net decrease in directors' emoluments and other staff salary of approximately HK$6.46 million.

Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK$6.13 million or 14.87% compared with the corresponding previous period. Such decrease was in line with the decline in revenue derived from secondary tutoring services and secondary day school education.

Operating lease payments

The Group's operating lease payments decreased slightly by approximately HK$0.50 million or 1.91% compared with the corresponding previous period. Such decrease was due to the decrease in the adjustment in monthly rental payment of certain learning centres upon renewal of their tenancy contracts.

Marketing expenses

The Group's marketing expenses decreased by approximately HK$1.93 million or 10.61% compared with the corresponding previous period. Such decrease was mainly attributable to the reduction in media placement of approximately HK$1.83 million.

Other operating expenses

The Group's other operating expenses increased by approximately HK$6.61 million or 30.64% compared with the corresponding previous period. Such increase was primarily attributable to the equity-settled share-based payment expenses for the share options granted by the Company of approximately HK$5.90 million during the Period.

Finance costs

The Group has incurred finance costs of approximately HK$1.44 million from bank and other borrowings during the Period (2012: Nil).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Period was approximately HK$11.21 million as compared to a profit of approximately HK$4.34 million for the six months ended 31 December 2012. Loss per share was HK1.79 cents for the Period, as compared to earnings per share of HK0.99 cents for the corresponding previous period.

OUTLOOK

Looking ahead, secondary and primary tutoring services still remain the key line of business of the Group. We expect there will be a steady growth in the enrollments in the secondary and primary tutoring services. The Group is committed to deliver high quality teaching and tutoring services to the students in our education centres. We strive to maintain our leading position in Hong Kong, and to extend our presence in Mainland China to gain a significant market position in the private education services industry there.

The acquired business entities and joint ventures started in the past year should have completed the restructuring and will start to contribute revenue to the Group in the coming twelve months. Nevertheless, the Group will continue to look for opportunities on strategic merger and acquisition with experienced players in education-related industries in Hong Kong and China, to add value or create synergy to our existing services. At the same time, we will explore prudently in co-operation with potential partners with sound background and strong capabilities in Hong Kong, China and overseas markets, to branch out to other new markets and to embrace the new growth opportunities in order to strive for the best interests of the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

We have built an appropriate liquidity risk management framework to manage our short, medium and long-term funding and to satisfy liquidity management requirements.

As at 31 December 2013, the Group's total balance of cash and cash equivalents and unpledged bank deposits amounted to approximately HK$43.40 million (30 June 2013: approximately HK$40.17 million). As at 31 December 2013, the Group has HK$13 million bank borrowings bears 2.51% interest rate (30 June 2013: Nil). Current ratio (defined as total current assets divided by total current liabilities) was 1.55 times (30 June 2013: 4.11 times).

As at 31 December 2013, the gearing ratio of the Group was 18.95% (30 June 2013: 11.78%). Gearing ratio is total debts divided by the sum of total equity plus total debts. Total debts refer to total liabilities minus the sum of tax payable, deferred tax liabilities and dividend payable (if any).

FUND RAISING ACTIVITY

On 18 September 2013, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 272,800,000 placing shares at a price of HK$0.220 per placing share under a specific mandate to be obtained from the shareholders at an extraordinary general meeting of the Company. The placing was completed on 29 November 2013, details of which were disclosed in the announcements of the Company dated 18 September 2013, 10 October 2013 and 29 November 2013 and the circular of the Company dated 22 October 2013.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group consistently employed a prudent treasury policy during its development and generally financed its operations and business development with internally generated resources and equity and/or debt financing activities. The Group also adopted flexible and prudent fiscal policies to effectively manage the Group's assets and liabilities and strengthen the Group's financial position.

EXPOSURE TO FOREIGN EXCHANGE RISK

The income and expenditure of the Group are mainly denominated in Hong Kong dollars and as such the impact of foreign exchange exposure of the Group was considered minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 304 employees (30 June 2013: 300 employees). They receive competitive remuneration packages that are constantly monitored with reference to the market circumstances, with incentives such as discretionary bonuses based on the Group's and individual performance. The Group provides a comprehensive benefits package and career development opportunities.

Pursuant to a share option scheme adopted by the Company on 11 June 2011, the Board may grant options to eligible persons, including employees and Directors, to subscribe for shares of the Company. During the Period, the Company had granted options to subscribe for an aggregate of 97,600,000 shares of the Company pursuant to the share option scheme.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities (30 June 2013: Nil).

CAPITAL COMMITMENTS

As at 31 December 2013, there were respective capital commitments contracted for but not provided in the interim condensed consolidated financial statements amounting to approximately HK$10.43 million (30 June 2013: approximately HK$71.20 million) and authorised but not contracted for amounting to HK$0.50 million (30 June 2013: HK$0.50 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2013, certain of investment properties of the Group with carrying value of HK$60 million (30 June 2013: approximately HK$44.43 million (including assets classified as held for sale)) were pledged to secure general banking facilities granted to the Group.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the Period, saved as disclosed above, the Group had the following material acquisitions and disposals:

(i) On 30 May 2013, the Group entered into the provisional sale and purchase agreements with independent third parties to dispose of Rooms 1001, 1002 and 1003 on 10th Floor, Sino Centre, Nos. 582-592 Nathan Road, Mong Kok, Kowloon, Hong Kong at total cash consideration of HK$19,303,000. The disposal was completed on 31 July 2013.

(ii) On 17 June 2013, the Group entered into an agreement to acquire the convertible notes in the principal amount of HK$60,000,000 issued by M Dream Inworld Limited ("**M Dream**") from an independent third party at a cash consideration of HK$60,000,000. The acquisition was completed on 15 August 2013 and the convertible notes were converted in full on 26 August 2013 into 555,555,555 conversion shares of M Dream. Details of the acquisition were disclosed in the announcement and the circular of the Company dated 17 June 2013 and 26 July 2013 respectively. Details of the conversion were disclosed in the announcement of the Company dated 26 August 2013.

(iii) On 10 July 2013, the Group entered into two conditional sale and purchase agreements with the independent third parties to acquire an aggregate of 47% equity interest in Seasoned Leader, a company incorporated in British Virgin Islands which is principally engaged in the provision of higher education services and vocational skill oriented training in Hong Kong, at total cash consideration of HK$47,000,000. Details were disclosed in the announcement of the Company dated 10 July 2013. The acquisition was completed on 30 September 2013.

(iv) On 4 September 2013, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire approximately 43% equity interest in Link Resources (Asia) Limited, a company incorporated in Hong Kong, which is principally engaged in the provision of various services in relation to corporate management consultation, education consultation (not including overseas studying consultation), market information consultation and other related services in the PRC, at an aggregate cash consideration of HK$9,500,000. Details were disclosed in the announcement of the Company dated 4 September 2013. The acquisition was completed on 11 February 2014.

SIGNIFICANT INVESTMENT HELD

During the Period, the Company exercised the conversion rights attached to convertible notes in the principal amount of HK$60,000,000 issued by M Dream and was allotted and issued 555,555,555 shares of M Dream. On 20 December 2013, the Group entered into an agreement to acquire the convertible notes in the principal amount of HK$7,794,615 issued by M Dream from an independent third party at a cash consideration of HK$4,546,859. The acquisition was completed on 20 December 2013 and the convertible notes were converted in full on 30 December 2013 into 72,172,360 conversion shares of M Dream. As of 31 December 2013, the Company held an aggregate of 828,987,915 shares of M Dream (representing approximately 16.83% of the issued share capital of M Dream).

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2014, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of the entire issued share capital of Achieved Success Company Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company, at a consideration of HK$35,400,000. Details of the disposal were disclosed in the announcement of the Company dated 22 January 2014. As at the date of this announcement, the disposal was not completed.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Company's issue of new shares in the initial public offering (after deducting expenses relating specifically to the issue of new shares in the initial public offering and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$130 million. As at 31 December 2013, the net proceeds from the initial public offering had been utilised as follows:

	Planned amount per Prospectus	**Amount utilised up to 31 December 2013**	**Balance as at 31 December 2013**
	HK$ million	*HK$ million*	*HK$ million*
Repayment of loans	50	50	–
Setting up secondary learning centres	15	11.10	3.90
Setting up primary learning centres	6	3.65	2.35
Setting up kids learning centres *(Note)*	15	11.61	3.39
Provision of overseas studies consultation services *(Note)*	6	6	–
Provision of test preparation and bridging courses	4	4	–
Strategic merger and acquisition *(Note)*	34	34	–

*Note: As disclosed in an announcement of the Company dated 28 March 2013, the Board decided to expand the use of net proceeds for investing into non-educational business, in addition to the original purposes as stated in the Company's prospectus dated 20 June 2011 ("**Prospectus**").*

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles in and adopted the code provisions of the corporate governance code set out in Appendix 14 to the Listing Rules as its own corporate governance code (the "**CG Code**"). During the Period, the Company has complied with all the provisions of the CG Code except for the deviations as disclosed below:

Code Provision of A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman of the Board during the Period was himself an executive Director and as such, compliance with this code provision was infeasible.

AUDIT COMMITTEE

The Board has established the audit committee (the "**Audit Committee**") on 4 July 2011 with specific written terms of reference in compliance with the provisions set out in the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Kwok Shun Tim, Ms. Chan Lai Yee and Mr. Lee Shu Fai. Mr. Kwok Shun Tim is the chairman of the Audit Committee since his appointment on 14 September 2012. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2013.

By order of the Board
Hong Kong Education (Int'l) Investments Limited
Lee Wai Lok, Ignatious
Executive Director

Hong Kong, 21 February 2014

As of the date of this announcement, the executive Directors are Mr. Wong Yuk Tong, Mr. Lee Wai Lok, Ignatious and Ms. Wu Mei Chu; and the independent non-executive Directors are Mr. Kwok Shun Tim, Ms. Chan Lai Yee and Mr. Lee Shu Fai.