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 and continued in Bermuda with limited liability)
(Stock Code: 1082)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2016:

– The Group recorded revenue of approximately HK$80.89 million, representing a decrease of approximately 15.93% as compared to approximately HK$96.23 million for the corresponding period in 2015.

– The Group recorded a loss of approximately HK$222.54 million (2015: profit of approximately HK$0.79 million). Such loss was mainly due to (i) the loss arising on change in fair value of listed held-for-trading investments of approximately HK$135.80 million; (ii) share of loss from associates of approximately HK$64.69 million; and (iii) the increase in finance costs as compared to the corresponding period in 2015 principally as a result of the interest expense of approximately HK$7.95 million incurred in the six months ended 31 December 2016 on Loan Notes.

As at 31 December 2016:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 1.84 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)) of 29.79%.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: nil).

INTERIM RESULTS (UNAUDITED)

The board ("**Board**") of directors ("**Directors**") of Hong Kong Education (Int'l) Investments Limited ("**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 December 2016 ("**Period**"), together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**80,892**	96,225
Other income, gains and losses	*5*	**3,617**	6,689
Staff costs	*7*	**(23,676)**	(28,246)
Tutor contractor fee	*7*	**(21,835)**	(26,735)
Operating lease payments	*7*	**(19,761)**	(22,870)
Marketing expenses		**(10,974)**	(16,222)
Printing costs		**(111)**	(232)
Depreciation and amortisation		**(3,760)**	(2,780)
Change in fair value of investment properties		**2,300**	–
(Loss) gain arising on change in fair value of listed held-for-trading investments		**(135,800)**	30,432
Impairment losses on available-for-sale investments		**–**	(11,613)
Other operating expenses		**(20,138)**	(26,865)
Finance costs	*6*	**(8,097)**	(1,182)
Share of results of joint ventures		**(519)**	(380)
Share of results of associates		**(64,687)**	4,650
(Loss) profit before tax	*7*	**(222,549)**	871
Income tax credit (expense)	*8*	**14**	(85)
(Loss) profit for the period		**(222,535)**	786

	NOTES	For the six months ended 31 December **2016** **(Unaudited)** ***HK$'000***	 2015 (Unaudited) *HK$'000*
Other comprehensive (expense) income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(59)**	(71)
Fair value loss on revaluation of available-for-sale investment		**(1,404)**	(38,288)
Reclassification adjustment upon impairment of available-for-sale investment		**–**	11,182
Reclassification adjustment on exchange differences released upon disposal of an associate		**106**	–
Share of other comprehensive expense of an associate		**(8,083)**	–
Other comprehensive expense for the period, net of income tax		**(9,440)**	(27,177)
Total comprehensive expense for the period		**(231,975)**	(26,391)
(Loss) profit for the period attributable to:			
Owners of the Company		**(223,294)**	756
Non-controlling interests		**759**	30
		(222,535)	786
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(232,734)**	(26,421)
Non-controlling interests		**759**	30
		(231,975)	(26,391)
(Loss) earnings per share	*9*		(Restated)
– Basic *(HK cents)*		**(45.57)**	0.20
– Diluted *(HK cents)*		**(45.57)**	0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**31 December 2016 (Unaudited) *HK$'000***	30 June 2016 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**25,328**	20,874
Investment properties		**151,200**	148,900
Goodwill		**60**	60
Other intangible assets		**792**	890
Interests in an associate		**15,616**	48,077
Interests in joint ventures		**8,084**	9,598
Loan receivables	*11*	**12,790**	21,791
Available-for-sale investments		**64,769**	26,122
Non-current deposits		**5,345**	5,640
		283,984	281,952
Current assets			
Trade and other receivables	*12*	**24,494**	36,447
Loan receivables	*11*	**14,023**	19,045
Promissory note receivable		**53,000**	–
Amounts due from related parties		**1,522**	1,342
Held-for-trading investments		**177,825**	359,914
Bank balances and cash		**66,354**	93,366
		337,218	510,114
Asset classified as held for sale		**–**	6,455
		337,218	516,569

	NOTES	31 December 2016 (Unaudited) HK$'000	30 June 2016 (Audited) HK$'000
Current liabilities			
Other payables and accruals	*13*	**12,249**	15,275
Deferred income		**8,721**	8,161
Current tax liabilities		**21**	1,072
Amounts due to related parties		**495**	595
Bank borrowings	*14*	**13,000**	14,800
Loan notes	*15*	**148,444**	146,496
		182,930	186,399
Net current assets		**154,288**	330,170
Total assets less current liabilities		**438,272**	612,122
Non-current liabilities			
Deferred tax liabilities		**1,377**	1,393
Provision for long service payments		**1,715**	1,857
		3,092	3,250
Net assets		**435,180**	608,872
Capital and reserves			
Share capital	*16*	**27,379**	22,816
Reserves		**358,841**	537,886
Equity attributable to owners of the Company		**386,220**	560,702
Non-controlling interests		**48,960**	48,170
Total equity		**435,180**	608,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 January 2011 and continued in Bermuda on 7 May 2015 (Bermuda time). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda 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. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 4 July 2011.

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

The 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 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 ("**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

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

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2016.

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 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new and revised HKFRSs in the current period has 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 the condensed consolidated financial statements.

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

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after 1 January 2018*

[3] *Effective for annual periods beginning on or after 1 January 2019*

[4] *Effective for annual periods beginning on or after a date to be determined*

The Group had already commenced an assessment of the impact of these new and revised HKFRSs to the Group and is not in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results and financial position.

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.

The Group's operations have been organised based on four 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.

Specifically, the Group's reportable and operating segments 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 and overseas studies consultation services

- Investment in securities – trading of securities

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

- Money lending – providing loans as money lender

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "other segments".

(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 2016

	Provision of private educational services	Investment in securities	Property investments	Money lending	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Segment revenue	78,851	–	396	1,645	–	80,892
Segment results	(8,081)	(136,850)	1,423	1,572	50	(141,886)
Gain on disposal of associates						1,718
Finance costs						(8,097)
Share of results of joint ventures						(519)
Share of results of associates						(64,687)
Unallocated corporate income						29
Unallocated corporate expenses						(9,107)
Loss before tax						(222,549)

For the six months ended 31 December 2015

	Provision of private educational services	Investment in securities	Property investments	Money lending	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Segment revenue	92,898	–	372	1,343	1,612	96,225
Segment results	(8,600)	28,277	(624)	551	41	19,645
Impairment losses on available-for-sale investments						(11,613)
Finance costs						(1,182)
Share of results of joint ventures						(380)
Share of results of associates						4,650
Unallocated corporate income						11
Unallocated corporate expenses						(10,260)
Profit before tax						871

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. gain on disposal of associates, impairment losses on available-for-sale investments, finance costs, 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:

As at 31 December 2016

	Provision of private educational services *HK$'000*	Investment in securities *HK$'000*	Property investments *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Consolidated *HK$'000* (Unaudited)
Assets						
Segment assets	**49,244**	**177,825**	**151,754**	**27,462**	**14**	**406,299**
Unallocated assets						
Bank balances and cash						**65,718**
Promissory note receivable						**53,000**
Interests in an associate						**15,616**
Interests in joint ventures						**8,084**
Available-for-sale investments						**64,769**
Other corporate assets						**7,716**
						621,202
Liabilities						
Segment liabilities	**22,569**	**100**	**152**	**–**	**–**	**22,821**
Unallocated liabilities						
Current tax liabilities						**21**
Deferred tax liabilities						**1,377**
Bank borrowings						**13,000**
Loan notes						**148,444**
Other corporate liabilities						**359**
						186,022

As at 30 June 2016

	Provision of private educational services	Investment in securities	Property investments	Money lending	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Audited)
Assets						
Segment assets	61,454	359,914	149,399	41,409	752	612,928
Unallocated assets						
Bank balances and cash						92,814
Interests in an associate						48,077
Interests in joint ventures						9,598
Available-for-sale investments						26,122
Asset classified as held for sale						6,455
Other corporate assets						2,527
						798,521
Liabilities						
Segment liabilities	18,813	3,011	170	52	1,397	23,443
Unallocated liabilities						
Current tax liabilities						1,072
Deferred tax liabilities						1,393
Bank borrowings						14,800
Loan notes						146,496
Other corporate liabilities						2,445
						189,649

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

- all assets are allocated to the operating segments other than bank balances and cash (other than those included in the money lending segment), promissory note receivable, interests in an associate, interests in joint ventures, available-for-sale investments, asset classified as held for sale and other corporate assets; and

- all liabilities are allocated to the operating segments other than current tax liabilities, deferred tax liabilities, bank borrowings, loan notes and other corporate liabilities.

(c) Other segment information

For the six months ended 31 December 2016

	Provision of private educational services	**Investment in securities**	**Property investments**	**Money lending**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
						(Unaudited)
Capital additions	**(5,846)**	**(2,317)**	**–**	**–**	**–**	**(8,163)**
Depreciation and amortisation	**(3,461)**	**(298)**	**–**	**–**	**(1)**	**(3,760)**
Provision for long service payments	**92**	**–**	**–**	**–**	**–**	**92**
Change in fair value of investment properties	**–**	**–**	**2,300**	**–**	**–**	**2,300**
Change in fair value of listed held-for-trading investments	**–**	**(135,800)**	**–**	**–**	**–**	**(135,800)**

For the six months ended 31 December 2015

	Provision of private educational services	Investment in securities	Property investments	Money lending	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Unaudited)
Capital additions	(8,411)	(3)	–	–	(6)	(8,420)
Depreciation and amortisation	(2,571)	(188)	–	(20)	(1)	(2,780)
Provision for long service payments	(129)	–	–	–	–	(129)
Change in fair value of listed held-for-trading investments	–	30,432	–	–	–	30,432

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 results for the period.

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

(d) Revenue from major services

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

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Secondary tutoring services	**56,055**	70,788
Secondary day school education	**553**	955
Primary tutoring services, skill courses and test preparation courses	**6,652**	6,037
Franchising income	**1,896**	2,177
English language training and test preparation courses	**13,695**	12,022
Technical consultation, management and software licensing services	**–**	919
Rental income	**396**	372
Loan interest income	**1,645**	1,343
Advertising income	**–**	1,612
Total revenue	**80,892**	96,225

5. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**29**	11
Dividend income	**–**	31
(Loss) gain on disposal of		
– property, plant and equipment	**(16)**	(938)
– subsidiaries	**17**	–
– associates	**1,718**	–
Change in fair value of loan notes	**–**	(224)
Supporting services income	**1,255**	7,540
Others	**614**	269
	3,617	6,689

6. FINANCE COSTS

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**149**	562
Effective interest expense on loan notes	**7,948**	620
	8,097	1,182

7. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' remuneration	**2,844**	2,909
Other staff costs	**20,130**	24,452
Other staff's retirement benefit scheme contributions	**816**	981
	23,790	28,342
Tutor contractor fee to Director	**(114)**	(96)
Staff costs	**23,676**	28,246

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. INCOME TAX CREDIT (EXPENSE)

	For the six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**(2)**	(97)
PRC Enterprise Income Tax	**–**	(4)
	(2)	(101)
Deferred tax	**16**	16
Total income tax recognised in profit or loss	**14**	(85)

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

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. Subsidiaries established in the PRC were subject to Enterprise Income Tax at 25% for both periods.

9. (LOSS) EARNINGS PER SHARE

The calculations 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	
	2016	2015
	(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)	**(223,294)**	756
	Number of shares	Number of shares (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**490,039,923**	386,907,454

Weighted average number of ordinary shares, potential dilutive ordinary shares, basic and diluted earnings per share for the six months ended 31 December 2015 were stated after taking into account the effects of the share consolidation on the basis of every five shares being consolidated into one consolidated share that took effect in March 2016.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: nil).

11. LOAN RECEIVABLES

	31 December 2016 (Unaudited) ***HK$'000***	30 June 2016 (Audited) *HK$'000*
Loan receivables	**26,813**	40,836
Less: Balances due within one year included in current assets	**(14,023)**	(19,045)
Non-current portion	**12,790**	21,791

Loan receivables represent outstanding principals and interest arising from the money lending business of the Group. All of the loan receivables are entered with contractual maturity within 1 to 2 years. The Group seeks to maintain strict control over its loan receivables in order to minimise credit risk by reviewing the borrowers' and their guarantors' financial positions.

The loan receivables are interest-bearing at rates mutually agreed between the contracting parties, ranging from 8% to 13% (30 June 2016: 8% to 10%) per annum. As at 31 December 2016, loan receivables of approximately HK$4.11 million were secured by pledged equity shares beneficially owned by the borrower (30 June 2016: unsecured).

Loan receivables were neither past due nor impaired at the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES

	31 December 2016 (Unaudited) *HK$'000*	30 June 2016 (Audited) *HK$'000*
Accrued revenue and trade receivables	**976**	1,281
Rental deposits	**12,892**	19,958
Other deposits	**739**	6,342
Prepayments	**2,636**	6,353
Other receivables	**12,596**	8,153
	29,839	42,087
Less: rental deposits (shown under non-current assets)	**(5,345)**	(5,640)
Trade and other receivables (shown under current assets)	**24,494**	36,447

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

	31 December 2016 (Unaudited) *HK$'000*	30 June 2016 (Audited) *HK$'000*
Accrued revenue not yet billed	**317**	563
Trade receivables:		
0 – 30 days	**320**	248
31 – 60 days	**149**	95
61 – 90 days	**6**	18
Over 90 days	**184**	357
	976	1,281

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately HK$184,000 (30 June 2016: approximately HK$357,000) which were past due as at the reporting date and 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 2016: over 90 days).

As at 31 December 2016, accrued revenue and trade receivables arose from the continuing franchise income of primary tutoring service to franchisees (30 June 2016: arose from the continuing franchise income of primary tutoring service to franchisees and advertising income). 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.

13. OTHER PAYABLES AND ACCRUALS

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	HK$'000	*HK$'000*
Other payables	**3,698**	5,728
Accrued tutor contractor fee, salary and bonus and other accruals	**8,551**	9,547
	12,249	15,275

14. BANK BORROWINGS

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	HK$'000	*HK$'000*
Unsecured:		
Revolving loan	**13,000**	14,800
The bank borrowings are repayable as follows:		
Within one year	**13,000**	14,800

As at 31 December 2016, the bank borrowings of the Group carried variable interest rates at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.5% per annum (30 June 2016: HIBOR plus 1.5% per annum).

15. LOAN NOTES

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	HK$'000	*HK$'000*
Loan notes – unsecured	**148,444**	146,496

On 17 December 2015, the Company issued 8% unsubordinated and unsecured notes due on 16 December 2017 ("**Loan Notes**") in the aggregate principal amount of HK$150,000,000. The Loan Notes carried an interest of 8% per annum payable quarterly in arrears.

The Company may at its option redeem the Loan Notes, in whole or any part thereof outstanding on a business day which must be a day after the first anniversary of the date of issue of the Loan Notes and before the maturity date. Also, the noteholder may at its option redeem the Loan Notes, in whole or any part thereof outstanding on a business day after the eighteenth month of the date of issue of the Loan Notes and before the maturity date. On the redemption date, the Company shall pay to such noteholder the principal amount of the Loan Notes to be redeemed plus all accrued and unpaid interest on the principal amount of the Loan Notes to be redeemed. The effective interest rate for the six months ended 31 December 2016 was 11% (30 June 2016: 11%) per annum.

16. SHARE CAPITAL

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

	Notes	**Number of shares**	**Amount** *HK$'000*
Authorised			
Ordinary shares of HK$0.01 each at 1 July 2015		30,000,000,000	300,000
Share consolidation on 11 March 2016	*(ii)*	(24,000,000,000)	–
Ordinary shares of HK$0.05 each at 30 June 2016 and 31 December 2016		6,000,000,000	300,000
Issued and fully paid			
Ordinary shares of HK$0.01 each:			
At 1 July 2015 (Audited)		325,939,200	3,259
Issue of rights shares and bonus shares on 7 August 2015	*(i)*	1,955,635,200	19,557
Share consolidation on 11 March 2016	*(ii)*	(1,825,259,520)	–
Ordinary shares of HK$0.05 each at 30 June 2016 (Audited)		456,314,880	22,816
Issue of shares upon placing on 25 October 2016	*(iii)*	91,256,000	4,563
Ordinary shares of HK$0.05 each at 31 December 2016 (Unaudited)		547,570,880	27,379

Notes:

(i) On 24 April 2015, the Company proposed the implementation of the rights issue on the basis of four rights shares ("**Rights Share(s)**") for every one Share held on 15 July 2015 (i.e. the record date) at the subscription price of HK$0.295 per Rights Share ("**Rights Issue**") with the bonus issue on the basis of one bonus share ("**Bonus Share(s)**") for every two Rights Shares taken up ("**Bonus Issue**"). The Rights Issue with the Bonus Issue was approved by the Company's independent shareholders at the special general meeting of the Company held on 3 July 2015. Completion of the Rights Issue with the Bonus Issue took place on 7 August 2015. An aggregate of 1,303,756,800 Rights Shares and 651,878,400 Bonus Shares were issued to qualifying shareholders of the Company. The net proceeds of the Rights Issue were approximately HK$369.10 million.

(ii) On 27 January 2016, the Company proposed consolidation of every five existing ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.05 each ("**Share Consolidation**"). The Share Consolidation was approved by the Company's shareholders at the special general meeting held on 10 March 2016 and the Share Consolidation became effective on 11 March 2016.

(iii) On 25 October 2016, an aggregate of 91,256,000 ordinary shares of HK$0.05 each were issued to not less than six placees, who were individuals, corporate, institutional or other investors and who and whose ultimate beneficial owners were independent third parties, at a price of HK$0.663 per share representing a discount of 15% to the closing market price of the Company's shares on 30 September 2016 as set out in the announcement of the Company dated 30 September 2016. The placing shares were issued pursuant to a general mandate obtained at the annual general meeting of the Company held on 27 November 2015. The net proceeds were intended to be used as general working capital of the Group and/or for financing the Group's future investment opportunities (including but not limited to property investment and/or securities investment). The placing shares issued rank *pari passu* with other shares of the Company in issue in all respects.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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 inputs are quoted prices (unadjusted) in active market 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.

	As at 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**27,102**	**–**	**–**	**27,102**
Held-for-trading investments	**177,825**	**–**	**–**	**177,825**
	204,927	**–**	**–**	**204,927**

	As at 30 June 2016			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	16,914	–	–	16,914
Held-for-trading investments	359,914	–	–	359,914
	376,828	–	–	376,828

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 30 June 2016.

Available-for-sale investments and held-for-trading investments are listed equity securities in Hong Kong, for which the fair values are determined with reference to quoted bid prices in an active market.

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements for the current reporting period approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

The economy of Hong Kong has been under the influence of the unstable global situation and stagnant. Despite a complicated environment, the Group has actively looked for strategic partners in order to further diversify its business and sustain its leading position in the industry. At the same time, the Group has adopted a prudent attitude to maintain steady growth.

BUSINESS REVIEW

Provision of private education services

Secondary Tutoring Services

Market competition within the industry has been fierce due to the excessive existence of tutorial centres. During the Period, the Group recorded revenue of approximately HK$56.06 million, representing a decrease of approximately 20.81% compared to the corresponding period in 2015. Nevertheless, the Group has endeavoured to enhance teaching quality and operation efficiency.

During the Period, the Group has signed a cooperation agreement with an IT company to customize "iMODE" to provide Asia's first cloud-based intelligent learning system for Modern Education, a tutorial brand under the Group. "iMODE" was initially created by Princeton University in the United States, then further developed and applied by Zoomi Inc. Starting from January 2017, cloud-based "iMODE" courses are available in Asia to all students of Diploma of Secondary Education Examination ("**DSE**") tutorial courses of Modern Education exclusively. "iMODE" has created a new learning style that allows students to review the lectures given by our star-rating tutors anytime and anywhere and conduct self-assessment according to their own learning progress. "iMODE", based on the unique Automated Adaptive Technology of Zoomi Inc, automatically collects relevant big data including students' learning behavioural patterns as well as assessment and test results and conducts in-depth analyses. The new learning style and the information collected by "iMODE" help our tutors to adjust and improve the course content with reference to students' learning strengths and weaknesses so that students can achieve better learning results.

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	
	2016	2015
Number of course enrolments *(in thousands)*		
Regular courses	**72**	95
Intensive courses	**2**	2
Summer courses	**25**	28
Special courses	**3**	6
Number of tutors *(Note 1)*		
Regular courses	**43**	43
Intensive courses	**22**	16
Summer courses	**42**	40
Special courses	**21**	28
Average course fees *(HK$) (Note 2)*		
Regular courses	**558**	543
Intensive courses	**515**	544
Summer courses	**487**	507
Special courses	**215**	286

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 2016, the Group had 12 learning centres operated under the brand of "Modern Education" 現代教育.

Secondary Day School Education

The Group has continued its secondary day school programme under the brand "Modern Day School" 現代日校. During the Period, the number of course enrolments for Secondary 5 and 6 had dropped and the Group recorded revenue of approximately HK$0.55 million from the day school segment, representing a decrease of approximately 42.09% as compared with the previous corresponding period. The Group is closely reviewing the business strategy and will consider resources reallocation within the Group when necessary.

English Language Training and Test Preparation Courses

The Group has been offering professional English language training and preparation courses on the International English Language Testing System (IELTS) and Test of English for International Communication (TOEIC) for over eight years. Our qualified and experienced tutors pay high attention to students' language ability so as to improve their English competence and help them cope with future challenges. During the Period, the Group recorded significant increase in course enrollments to approximately 8,600 as compared to the corresponding period in 2015 of approximately 7,600. The increase of 13.16% of course enrollment has led to a very encouraging result, that the Group recorded revenue of approximately HK$13.70 million, representing an increase of 13.92% as compared with the corresponding period in 2015.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

Tutoring has become an integral part of the education system. Parents spent billions of dollars every year to give their children a push in the education race. In addition to primary tuition, specific skill set and knowledge area are essential in society nowadays. Thus, skill courses and other preparation courses have placed the industry in the mainstream. The Group believes that foundation trainings should be started at an early stage. The Group has developed propriety comprehensive teaching materials to train primary school students in the prime subjects, so as to enhance students' learning attitude and results. As of 31 December 2016, there were 6 directly-owned education centres and 36 franchised centres operated under the brand "Modern Bachelor Education" 現代小學士. One new franchised centre is underway for operation in the first half of 2017. During the Period, there were approximately 5,400 (2015: approximately 4,200) course enrolments recorded from directly-owned learning centres; and total revenue contributed by the franchised centres was approximately HK$1.90 million (2015: approximately HK$2.18 million). The Group strives to deliver comprehensive education services to primary school students to strengthen their confidence and competitiveness. Also, the Group will continue to seek for cooperation with quality education service providers in both Hong Kong and the People's Republic of China ("**PRC**").

Investments

Properties Investments

During the Period, the Group recorded stable rental income of approximately HK$0.40 million from investment properties (2015: approximately HK$0.37 million). The Group has been actively looking for quality tenants so as to lease out the vacant premises owned by the Group. In December 2016, the Group successfully concluded tenancy agreements for renting out several office units in Kings Wing Plaza 1, No.3 On Kwan Street, Shek Mun, Shatin which would contribute rental income to the Group starting from early 2017. The Group will keep on finding quality tenants for the remaining vacant premises in order to generate stable rental return alongside with capital appreciation from the properties investments.

Securities Investments

Held-for-trading investments

During the Period, the Group had acquired listed securities in 3 listed companies and disposed of some shares in the investment portfolio. As at 31 December 2016, the Group had held-for-trading investments in securities in Hong Kong with an investment portfolio of securities in 7 listed companies in Hong Kong of a market value of approximately HK$177.83 million.

Details of the significant investments in the portfolio under the held-for-trading investments as at 31 December 2016 are as follows:

Description of investment	**Principal businesses**	**Number of shares held**	**Percentage held to the total issued share capital of the listed company** *(approximately)*	**Cost of acquisition** *HK$'000*	**Market value as at 31 December 2016** *HK$'000*	**Percentage to the Group's unaudited total assets as at 31 December 2016** *(approximately)*
Significant investments						
Convoy Global Holdings Limited ("**Convoy**") (stock code: 1019)	Independent financial advisory business, money lending business, proprietary investment business, asset management business and corporate finance advisory services.	699,996,000	4.69%	244,999	161,699	26.03%
Other investments						
Universe International Financial Holdings Limited ("**Universal Int'l**") (stock code: 1046)	Film distribution and exhibition video distribution, licensing and sub-licensing of film rights, properties and securities investment, money lending, trade, wholesale and retail of optical, watch and jewellery products, securities brokerage, margin financing and provision of training and coaching services.	19,000,000	3.56%	13,646	13,110	2.11%
Other listed shares*	–	–	–	3,963	3,016	0.49%
Grand total for the held-for-trading investments		–	–	262,608	177,825	28.63%

* *Other listed shares represented the Group's investment in 5 companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").*

On 9 September 2016, the Group had further acquired 492,576,511 shares of Interactive Entertainment China Cultural Technology Investments Limited ("**IE China**"), representing approximately 10% of the then total issued share capital of IE China. Immediately before the acquisition, the Group held approximately 18.88% of the then total issued share capital of IE China, which was classified as "held-for-trading investments". Immediately after the acquisition, the Group held an aggregate of approximately 28.88% of the then total issued share capital of IE China, which became an associate of the Group.

Due to the volatile stock market in Hong Kong, the Group recorded a loss on the change in fair value of listed held-for-trading investments of approximately HK$135.80 million during the Period. Such loss consists of net realised loss of approximately HK$0.20 million and net unrealised loss of approximately HK$135.60 million on fair value changes in securities investments as detailed below.

Name of company listed on the Stock Exchange (stock code)	**Realised fair value loss for the Period**	**Unrealised fair value gain/(loss) for the Period**
	HK$'000	*HK$'000*
Convoy (1019)	–	(86,800)
IE China (8081)	–	(48,360)
Universal Int'l (1046)	–	(535)
Other listed shares*	(201)	96
Grand total	(201)	(135,599)

* *Other listed shares represented the Group's other held-for-trading securities investment which are listed on the Main Board or the Growth Enterprise Market of the Stock Exchange.*

Available-for-sale investments

The Group also held significant investments under available-for-sale investments as at 31 December 2016 as below:

Description of investment	Principal businesses	Number of shares held	Percentage held to the total issued share capital of the stock/ investment *(approximately)*	Investment cost *HK$'000*	Carrying amount as at 31 December 2016 *HK$'000*	Percentage to the Group's unaudited total assets as at 31 December 2016 *(approximately)*
Significant investments						
GET Holdings Limited ("**GET**") (stock code: 8100)	Research, develop and distribute software, applications and toolbar advertisement; website development, e-learning services; invest in securities; money lending; insurance and MPF schemes brokerage; corporate management solutions and IT contract.	31,912,157	10.77%	103,471	17,552	2.83%
Unlisted securities of a company incorporated outside Hong Kong	Dealing in securities, securities advisory, corporate finance advisory, asset management and wealth management services and money lending in Hong Kong.	–	–	28,459	28,459	4.58%
Other investments						
Target Insurance (Holdings) Limited (stock code: 6161)	Insurance group offering motor insurance in Hong Kong.	5,000,000	0.96%	11,593	9,550	1.54%
Unlisted investment fund outside Hong Kong	–	–	–	10,000	9,208	1.48%
Grand total for the available-for-sale investments		–	–	153,523	64,769	10.43%

Performance and future prospects of the Company's significant investments

(1) Convoy

As disclosed in the interim report of Convoy for the six months ended 30 June 2016 ("**Convoy Interim Report**"), it recorded an unaudited net profit attributable to its owners of approximately HK$7.92 million for the six months ended 30 June 2016. With regards to the future prospects of Convoy based on published information, the Directors noted the view of the board of directors of Convoy, as disclosed in the Convoy Interim Report, that the overall finance industry still could not be immune to the impact of global economic sentiments which would contribute to a lackluster economic condition. The Directors also noted (i) Convoy's vision of maintaining the position as the largest independent financial advisory company in Hong Kong and eyeing on global development; and (ii) Convoy's target of becoming a comprehensive financial platform in the Asia region and catering for the cross-border business advancement and diversified development direction in the future, as disclosed in the Convoy Interim Report.

(2) GET

As disclosed in the third quarterly report of GET for the nine months ended 30 September 2016 ("**GET Quarterly Report**"), it recorded an unaudited net profit attributable to its owners of approximately HK$14.98 million for the nine months ended 30 September 2016. With regards to the future prospects of GET based on published information, the Directors noted that, as disclosed in GET Quarterly Report, GET is committed to striving on its diverse business territories including the software business which would continue to be the principal source of income of GET in the future.

(3) Unlisted securities of a company incorporated outside Hong Kong

In November 2016, the Group has invested in unlisted securities of a company incorporated outside Hong Kong by way of subscription of new shares. The subsidiaries of the investee are carrying businesses of dealing in securities, securities advisory, corporate finance advisory, asset management and wealth management services and money lending in Hong Kong. The Directors have been exploring and assessing suitable investment opportunities to diversify the Group's business portfolio and strengthen the business development of the Group. The Directors considered that the subscription offered a good opportunity for the Group to expand its investment portfolio and its business presence into the financial industry. The Group is also optimistic on the growth of the businesses of the investee and the future prospects of its business development in 2017.

Other Investments

(i) Early Education

It has been well aware that 0-6 years is the golden age of learning for children and quality learning in early childhood is the key for success in one's life. Therefore, parents are paying more attention to early education and are keen to plan the learning path for their children at a very early stage. Full Profit Hong Kong Development Limited and its subsidiary, being joint ventures of the Group, are specialized in providing management and consultancy services in early education, and have been growing steadily in the past years. In the coming year, the Group will continue to strengthen the cooperation with joint venture partner and remain open for cooperation opportunities with more kindergartens in order to generate stable income for the Group.

(ii) Continuing and Tertiary Education

Seasoned Leader Limited (together with its subsidiaries, "**Seasoned Leader Group**"), an associate of the Group, is a vocational education and training services provider in Hong Kong. Taking into account that the investment returns and benefits from the Seasoned Leader Group was not as satisfactory as the Group had expected, after careful consideration, the Group had disposed of its entire interest in Seasoned Leader Group on 30 December 2016 to an independent third party. Details of the disposal were disclosed in the announcement of the Company dated 2 January 2017. It is intended that the net proceeds of such disposal would be used to finance the Group's future business development or potential acquisitions and investments.

(iii) IE China

As mentioned in the paragraph headed "Investments – Securities Investment – Held-for-trading investments", IE China has become an associate of the Group with effect from 9 September 2016. During the Period, the Group shared an unaudited consolidated loss of approximately HK$68.33 million incurred by IE China. Nevertheless, the Group is optimistic about IE China's growth potential and its hospitality business in Australia. In the meantime, the Group will explore opportunities for business cooperation with IE China which would create synergies in the future.

Money Lending Business

China Rich Finance Limited, an indirect wholly-owned subsidiary of the Group, is a holder of money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group has adopted money lending policies and procedures for handling and/or monitoring the money lending business in compliance with the Money Lenders Ordinance.

During the Period, the Group recorded steady loan interest income of approximately HK$1.65 million (2015: approximately HK$1.34 million) from granting loans to both corporate and individual clients. The outstanding principal amount of loan receivables as at 31 December 2016 was approximately HK$26.08 million. During the Period, the Group did not record any doubtful or bad debt in its money lending activities.

FINANCIAL REVIEW

Revenue

During the Period, the Group recorded revenue of approximately HK$80.89 million, representing a decrease of approximately 15.93% as compared with approximately HK$96.23 million recorded for the corresponding period in 2015. Such decrease was primarily due to the decrease in revenue from secondary tutoring services to approximately HK$56.06 million, representing a decrease of approximately 20.81% as compared to approximately HK$70.79 million recorded for the corresponding period in 2015. In addition, there was a drop in the revenue from secondary day school education to approximately HK$0.55 million (2015: approximately HK$0.96 million) during the Period, representing a decrease of approximately 42.09% as compared to the corresponding period in 2015.

On the other hand, there were growths in revenue from (i) English language training and test preparation courses of approximately HK$13.70 million (2015: approximately HK$12.02 million) and (ii) loan interest income from the money lending business of approximately HK$1.65 million (2015: approximately HK$1.34 million) during the Period, representing an increase of approximately 13.92% and 22.49% respectively as compared to the corresponding period in 2015. For primary tutoring services, skill courses and test preparation courses (including franchising income), it recorded stable revenue of approximately HK$8.55 million (2015: approximately HK$8.21 million) during the Period. The Group also recorded rental income generated from investment property of approximately HK$0.40 million (2015: approximately HK$0.37 million) during the Period.

Due to the disposal of relevant subsidiaries, no revenue of technical consultation, management and software licensing services and advertising income was recorded during the Period.

Other income, gains and losses

For the Period, the Group's other income, gains and losses recorded net gain of approximately HK$3.62 million (2015: approximately HK$6.69 million). Such decrease was due to the combined effect of, among other things, (i) the decrease in supporting services income by approximately HK$6.29 million and loss on disposal of property, plant and equipment by approximately HK$0.92 million as compared with the corresponding period in 2015; and (ii) a gain on disposal of associates of approximately HK$1.72 million recorded during the Period.

Staff costs

The Group's staff costs decreased by approximately HK$4.57 million or approximately 16.18% compared with the corresponding period in 2015. Such decrease was mainly attributable to the decrease in other staff salaries and other related expenses during the Period.

Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK$4.90 million or approximately 18.33% compared with the corresponding period in 2015. Such decrease was in line with the decline in revenue derived from secondary tutoring services.

Operating lease payments

The Group's operating lease payments decreased by approximately HK$3.11 million or approximately 13.59% compared with the corresponding period in 2015. Such decrease was due to the adjustment in monthly rental payment upon signing of certain new tenancy contracts after tenancy expiry and non-renewal of certain expired lease agreements during the Period.

Marketing expenses

The Group's marketing expenses decreased by approximately HK$5.25 million or approximately 32.35% compared with the corresponding period in 2015. Such decrease was attributable to the decrease in media placement and various marketing activities during the Period.

Other operating expenses

The Group's other operating expenses decreased by approximately HK$6.73 million or 25.04% compared with the corresponding period in 2015. Such decrease was due to the decrease in various operating expenses, in which the operating expense of overseas travelling and repair and maintenance decreased by approximately HK$3.03 million in total during the Period.

Finance costs

The Group incurred finance costs of approximately HK$8.10 million from loan notes and bank borrowings during the Period (2015: approximately HK$1.18 million).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Period was approximately HK$223.29 million (2015: profit of approximately HK$0.76 million). Loss per share was HK45.57 cents for the Period (2015: earnings per share of HK0.20 cents, as restated).

OUTLOOK

Looking ahead, the Group is dedicated to reinforce local educational service to generate higher revenue. In particular, the successful launch of intelligent e-learning system – "iMODE" in January 2017 has created a more intelligent interactive teaching-learning environment to maximize students' learning efficiency within limited time to achieve excellent academic results in the DSE. Such revolutionary effective learning tool is expected to strengthen the Group's competitive edge and its pioneer position in the industry. On the other hand, the Group has meticulously allocated and diversified its resources to achieve a smart business portfolio to sustain a stable and healthy growth. The Group will prudently study the feasibility of potential merger and acquisition opportunities with the aim to bring in more income.

Despite the Group had disposed of its operations in the PRC, the Group has been paying close attention to potential opportunities in such market. With regard to the impacts of the educational reforms under the 13th Five-Year Plan as well as the two-child policy, the Group anticipates a growing demand of quality educational services and tutors in the PRC. In view of this, the Group is considering to re-enter into the PRC market with better planning and structural strategies to address to the business opportunities with diverse channels and business partners in order to secure a strong and long-term foothold in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has established an appropriate liquidity risk management system to manage its short, medium and long-term funding and to satisfy liquidity management requirements.

As at 31 December 2016, the Group's total balance of cash and cash equivalents amounted to approximately HK$66.35 million (30 June 2016: approximately HK$93.37 million), of which 99.99% is held in Hong Kong dollars and 0.01% is held in Renminbi. As at 31 December 2016, the Group had bank borrowings of HK$13 million bearing variable interest rate at HIBOR plus 1.5% per annum (30 June 2016: HIBOR plus 1.5% per annum). Current ratio (defined as total current assets divided by total current liabilities) was 1.84 times (30 June 2016: 2.77 times).

As at 31 December 2016, the gearing ratio of the Group was 29.79% (30 June 2016: 23.51%). 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 ACTIVITIES

Issue of shares under general mandate

On 30 September 2016, the Company and a placing agent entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 91,256,000 placing shares at a price of HK$0.663 per placing share under a general mandate granted to the Directors at the annual general meeting of the Company held on 27 November 2015, to not less than six placees, who were individuals, corporate, institutional or other investors and who and whose ultimate beneficial owners were independent third parties. The placing was completed on 25 October 2016 and the net proceeds were approximately HK$58.22 million, which were intended to be used as general working capital of the Group and/or for financing the Group's future investment opportunities (including but not limited to property investment and/or securities investment). The net proceeds of HK$54.14 million were utilised during the Period as intended, in which approximately HK$42.11 million were used for investment in securities (listed and unlisted) and approximately HK$12.03 million were used as working capital of the Group.

Previous fund raising activity

During the Period, the Company further utilised the net proceeds from the rights issue completed on 7 August 2015, after the disclosure of actual use of proceeds as at 30 June 2016 in the 2016 annual report of the Company, as follows:

Amount of unutilised net proceeds as at 30 June 2016 (approximate)	**Intended use of proceeds**	**Actual use as at 31 December 2016**
HK$9.40 million	property investment of the Group	has not been utilised *(Note)*
HK$2.74 million	infrastructure upgrade and system revamp, potential investments in companies engaging in online education businesses, and development of information technology related company	has not been utilised *(Note)*
HK$6.00 million	payment of interest due under the Loan Notes	fully utilised as intended
HK$26.04 million	general working capital of the Group	fully utilised as intended below: (i) approximately HK$6.04 million has been used for the rental of four education centres in Hong Kong, leasehold improvement for new premises and purchase of additional equipment; and (ii) approximately HK$20.00 million has been used for operating expenses including staff costs, rental and marketing expenses.

Note: On 20 January 2017, the Company announced that, due to reconsideration of the Group's business plan and in order to increase the Group's flexibility in its financial and treasury management, the unused proceeds of approximately HK$12.14 million (being HK$9.40 million originally allocated for property investment and HK$2.74 million originally allocated for infrastructure upgrade and system revamp, potential investments in companies engaging in online education businesses, and development of information technology related company) would be allocated for the payment of interest and/or repayment of principal of the loan notes issued by the Company on 17 December 2015 instead.

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 2016, the Group had a total of 252 employees (30 June 2016: 268 employees). They received competitive remuneration packages that were constantly reviewed 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 ("**Share Option Scheme**"), the Board may grant options to eligible persons, including employees and Directors, to subscribe for shares of the Company. During the Period, no share options have been granted by the Company pursuant to the Share Option Scheme.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities (30 June 2016: nil).

CAPITAL COMMITMENTS

As at 31 December 2016, there were respective capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to approximately HK$9.80 million (30 June 2016: approximately HK$12.04 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, investment properties of the Group with carrying value of HK$146.40 million (30 June 2016: HK$29.10 million) were pledged to secure general banking facilities granted to the Group.

PURCHASE, SALE 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

The Group had the following material acquisition and disposals during the Period:

(i) On 30 June 2016, the Group through Infinity Domain International Limited entered into a sale and purchase agreement with South Right Limited (as purchaser) and Bradley Maclean and Wang Lihe (as guarantors), both independent third parties, to dispose of approximately 43% of the issued share capital of Link Resources (Asia) Limited, an associate of the Group, at a cash consideration of HK$7 million. The disposal was completed on 27 July 2016. Details of the disposal were disclosed in the announcement of the Company dated 30 June 2016.

(ii) On 9 September 2016, the Group through Fastek Investments Limited entered into a sale and purchase agreement with Turbo Pointer Limited, an independent third party, to further acquire approximately 10% of the total issued share capital of IE China, at a cash consideration of approximately HK$32.51 million. The acquisition was completed on 9 September 2016. Immediately before the acquisition, the Group held approximately 18.88% of the then total issued share capital of IE China. Immediately after the acquisition, the Group held an aggregate of approximately 28.88% of the then total issued share capital of IE China, which become an associate of the Group. Details of the acquisition were disclosed in the announcement of the Company dated 9 September 2016.

(iii) On 30 December 2016, the Group through Rosy Lane Investments Limited ("**Rosy Lane**") as vendor entered into a sale and purchase agreement with Mr. Poon Chun Yin ("**Mr. Poon**") as purchaser, an independent third party, to dispose of 47% of the issued share capital of Seasoned Leader Limited, an associate of the Group, at the consideration of HK$53 million, which was settled by the promissory note issued by Mr. Poon to Rosy Lane at completion. The disposal was completed on 30 December 2016 and the Group ceased to hold any interest in Seasoned Leader Limited. Details of the disposal were disclosed in the announcement of the Company dated 2 January 2017.

Save as disclosed, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENT

As at 31 December 2016, the Group did not have any other plans for material investment or capital assets save as disclosed in this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 to the Directors, each of the Directors confirmed his/her compliance with the required standard set out in the Model Code throughout the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 ("**CG Code**"). During the Period, the Company has complied with all the provisions of the CG Code.

AUDIT COMMITTEE

The Board has established the audit committee ("**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. Ong Chi King, Mr. Lee Shu Fai and Mr. Pun Kwok Shan. Mr. Ong Chi King is the chairman of the Audit Committee since his appointment on 28 February 2014. 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 2016.

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

Hong Kong, 24 February 2017

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. Ong Chi King, Mr. Lee Shu Fai and Mr. Pun Kwok Shan.