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 2017

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2017:

– The Group recorded revenue of approximately HK$53.07 million, representing a decrease of approximately 34.39% as compared to approximately HK$80.89 million for the corresponding period in 2016.

– The Group recorded a profit of approximately HK$5.59 million (2016: loss of approximately HK$222.54 million). Such turnaround was mainly due to (i) the gain arising on change in fair value of financial assets at fair value through profit or loss of approximately HK$31.19 million (2016: loss of approximately HK$135.80 million); and (ii) share of loss from associates of approximately HK$11.31 million (2016: approximately HK$64.69 million).

As at 31 December 2017:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 12.36 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 5.49%.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2017 (2016: 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 2017 ("**Period**"), together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**53,072**	80,892
Other income, gains and losses	*5*	**17,711**	3,617
Staff costs	*7*	**(20,118)**	(23,676)
Tutor contractor fee	*7*	**(12,992)**	(21,835)
Operating lease payments	*7*	**(15,535)**	(19,761)
Marketing expenses		**(8,806)**	(10,974)
Printing costs		**(180)**	(111)
Depreciation and amortisation		**(4,199)**	(3,760)
Change in fair value of investment properties		**–**	2,300
Change in fair value of financial assets at fair value through profit or loss		**31,186**	(135,800)
Loss on disposal of available-for-sale investments		**(3,053)**	–
Other operating expenses		**(17,810)**	(20,138)
Finance costs	*6*	**(3,205)**	(8,097)
Share of results of joint ventures		**(539)**	(519)
Share of results of associates		**(11,314)**	(64,687)
Profit (loss) before tax	*7*	**4,218**	(222,549)
Income tax credit	*8*	**1,374**	14
Profit (loss) for the period		**5,592**	(222,535)

		For the six months ended 31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Other comprehensive income (expense), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**94**	(59)
Fair value loss on revaluation of available-for-sale investment		**(3,154)**	(1,404)
Reclassification adjustment on investment revaluation reserve released upon disposal of available-for-sale investment		**(2,167)**	–
Reclassification adjustment on exchange difference released upon disposal of an associate		**–**	106
Share of other comprehensive income (expense) of an associate		**13,955**	(8,083)
Other comprehensive income (expense) for the period, net of income tax		**8,728**	(9,440)
Total comprehensive income (expense) for the period		**14,320**	(231,975)
Profit (loss) for the period attributable to:			
Owners of the Company		**5,527**	(223,294)
Non-controlling interests		**65**	759
		5,592	(222,535)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**14,255**	(232,734)
Non-controlling interests		**65**	759
		14,320	(231,975)
Earnings (loss) per share	*9*		
– Basic *(HK cents)*		**1.07**	(45.57)
– Diluted *(HK cents)*		**1.07**	(45.57)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**31 December 2017 (Unaudited) *HK$'000***	30 June 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**24,664**	24,851
Goodwill		**619**	60
Other intangible assets		**3,351**	692
Interests in associates		**33,937**	31,297
Interests in joint ventures		**5,961**	7,999
Available-for-sale investments		**56,512**	83,283
Non-current deposits		**8,312**	8,043
		133,356	156,225
Current assets			
Trade and other receivables	*11*	**21,511**	26,198
Loan receivables	*12*	**42,847**	27,089
Promissory note receivable		**50,000**	50,000
Amounts due from an associate		**436**	291
Financial assets at fair value through profit or loss		**63,181**	152,223
Bank balances and cash		**36,024**	16,284
		213,999	272,085
Assets associated with disposal group classified as held for sale		**–**	158,527
		213,999	430,612

	NOTES	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
Current liabilities			
Other payables and accruals	*13*	**10,884**	24,105
Deferred income		**5,877**	4,804
Current tax liabilities		**60**	156
Amounts due to related parties		**495**	495
Bank borrowings	*14*	**–**	14,400
Loan notes	*15*	**–**	150,500
		17,316	194,460
Liabilities associated with disposal group classified as held for sale		**–**	25,703
		17,316	220,163
Net current assets		**196,683**	210,449
Total assets less current liabilities		**330,039**	366,674
Non-current liabilities			
Deferred tax liabilities		**186**	202
Provision for long service payments		**1,785**	1,599
		1,971	1,801
Net assets		**328,068**	364,873
Capital and reserves			
Share capital	*16*	**27,379**	27,379
Reserves		**301,148**	286,893
Equity attributable to owners of the Company		**328,527**	314,272
Non-controlling interests		**(459)**	50,601
Total equity		**328,068**	364,873

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 Rooms 1006-7,10/F., China United Centre, 28 Marble Road, North Point, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The condensed consolidated financial statements have been prepared under the historical cost basis except for 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 2017 ("**2017 Annual Financial Statements**").

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 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to 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 the condensed consolidated financial statements.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between as Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 40	Transfers of Investment Property[1]

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

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

[3] *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 amendments to HKFRSs to the Group and is not in a position to state whether these new and amendments to 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 and overseas studies consultation services
- Investment in securities – trading of securities
- Property investments – investments 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 revenue 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 2017

	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	51,037	–	570	1,465	–	53,072
Segment results	(14,973)	30,410	431	1,397	(2)	17,263
Loss on disposal of available-for-sale investments						(3,053)
Gain on disposal of subsidiaries						13,847
Finance costs						(3,205)
Share of results of joint ventures						(539)
Share of results of an associate						(11,314)
Unallocated corporate income						2,484
Unallocated corporate expenses						(11,265)
Profit before tax						4,218

For the six months ended 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)
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 an associate						(64,687)
Unallocated corporate income						29
Unallocated corporate expenses						(9,107)
Loss before tax						(222,549)

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. loss on disposal of available-for-sale investments, gain on disposal of subsidiaries, gain on disposal of associates, finance costs, share of results of joint ventures, share of results of associate(s), 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 2017

	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	49,705	65,295	–	50,453	2	165,455
Unallocated assets						
Bank balances and cash						28,430
Promissory note receivable						50,000
Interests in associates						33,937
Interests in joint ventures						5,961
Available-for-sale investments						56,512
Other corporate assets						7,060
						347,355
Liabilities						
Segment liabilities	18,001	–	–	1	–	18,002
Unallocated liabilities						
Current tax liabilities						60
Deferred tax liabilities						186
Other corporate liabilities						1,039
						19,287

As at 30 June 2017

	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 (Audited)
Assets						
Segment assets	48,957	152,223	–	27,256	9	228,445
Assets associated with disposal group classified as held for sale	–	–	158,527	–	–	158,527
Unallocated assets						
Bank balances and cash						16,138
Promissory note receivable						50,000
Interests in associates						31,297
Interests in joint ventures						7,999
Available-for-sale investments						83,283
Other corporate assets						11,148
						586,837
Liabilities						
Segment liabilities	16,105	2,629	–	50	6	18,790
Liabilities associated with disposal group classified as held for sale	–	–	25,703	–	–	25,703
Unallocated liabilities						
Current tax liabilities						156
Deferred tax liabilities						202
Bank borrowings						14,400
Loan notes						150,500
Other corporate liabilities						12,213
						221,964

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 (other than those included in the money lending segment), promissory note receivable, interests in associates, interests in joint ventures, available-for-sale investments 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 2017

	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	(3,567)	(15)	–	–	–	(3,582)
Depreciation and amortisation	(3,776)	(423)	–	–	–	(4,199)
Provision for long service payments	(206)	–	–	–	–	(206)
Change in fair value of financial assets at fair value through profit or loss	–	31,186	–	–	–	31,186

For the six months ended 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)
Capital additions	(5,846)	(2,317)	–	–	–	(8,163)
Depreciation and amortisation	(3,461)	(298)	–	–	(1)	(3,760)
Reversal of long service payments	92	–	–	–	–	92
Change in fair value of investment properties	–	–	2,300	–	–	2,300
Change in fair value of financial assets at fair value through profit or loss	–	(135,800)	–	–	–	(135,800)

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	
	2017 **(Unaudited)** ***HK$'000***	2016 (Unaudited) *HK$'000*
Secondary tutoring services	**35,586**	56,055
Secondary day school education	**–**	553
Primary tutoring services, skill courses and test preparation courses	**7,599**	6,652
Franchising income	**2,109**	1,896
English language training and test preparation courses	**5,743**	13,695
Rental income	**570**	396
Loan interest income	**1,465**	1,645
Total revenue	**53,072**	80,892

5. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on		
– bank deposits	**5**	–
– promissory note	**2,479**	29
Gain (loss) on disposal of		
– property, plant and equipment	**(13)**	(16)
– subsidiaries	**13,847**	17
– associates	**–**	1,718
Supporting services income	**198**	1,255
Others	**1,195**	614
	17,711	3,617

6. FINANCE COSTS

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**135**	149
Effective interest expense on loan notes	**3,070**	7,948
	3,205	8,097

7. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' remuneration	**2,134**	2,844
Other staff costs	**17,358**	20,130
Other staff's retirement benefit scheme contributions	**682**	816
	20,174	23,790
Tutor contractor fee to a Director	**(56)**	(114)
Staff costs	**20,118**	23,676

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

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**10**	(2)
Deferred tax	**1,364**	16
Total income tax recognised in profit or loss	**1,374**	14

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

9. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (Profit (loss) for the period attributable to owners of the Company)	**5,527**	(223,294)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**518,568,973**	490,039,923

The computation of diluted earnings per share for the six months ended 31 December 2017 did not assume the exercise of the Company's outstanding share options as the exercise price of those options are higher than the average market prices of Company's share during the relevant period.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2017 (2016: nil).

11. TRADE AND OTHER RECEIVABLES

	31 December 2017	30 June 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Accrued revenue and trade receivables	**870**	917
Rental deposits	**11,065**	11,104
Other deposits	**1,075**	896
Prepayments	**2,224**	5,491
Other receivables	**14,589**	15,833
	29,823	34,241
Less: Rental deposits (shown under non-current assets)	**(8,312)**	(8,043)
Trade and other receivables (shown under current assets)	**21,511**	26,198

The following is an aging 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 2017 (Unaudited) *HK$'000*	30 June 2017 (Audited) *HK$'000*
Accrued revenue not yet billed	**371**	468
Trade receivables:		
0 – 30 days	**283**	271
31 – 60 days	**75**	84
61 – 90 days	**36**	24
Over 90 days	**105**	70
	870	917

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately HK$105,000 (30 June 2017: approximately HK$70,000) 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 2017: over 90 days).

As at 31 December 2017, accrued revenue and trade receivables arose from the continuing franchise income of primary tutoring service to franchisees (30 June 2017: 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. LOAN RECEIVABLES

Loan receivables represent outstanding principal 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 10% (30 June 2017: 8% to 13%) per annum. As at 31 December 2017, all loan receivables were unsecured (30 June 2017: approximately HK$4.11 million was secured by pledged equity shares beneficially owned by the borrower).

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

13. OTHER PAYABLES AND ACCRUALS

	31 December 2017 (Unaudited) ***HK$'000***	30 June 2017 (Audited) *HK$'000*
Other payables	**3,528**	15,077
Accrued tutor contractor fee, salary and bonus and other accruals	**7,356**	9,028
	10,884	24,105

14. BANK BORROWINGS

	31 December 2017 (Unaudited) ***HK$'000***	30 June 2017 (Audited) *HK$'000*
Unsecured:		
Revolving loan	**–**	14,400
The bank borrowings are repayable as follows:		
Within one year	**–**	14,400

As at 30 June 2017, the bank borrowings of the Group carried variable interest rates at Hong Kong Interbank Offered Rate plus 1.5% and 2.3% per annum. All bank borrowings have been settled during the Period.

15. LOAN NOTES

	31 December 2017 (Unaudited) ***HK$'000***	30 June 2017 (Audited) *HK$'000*
Loan notes – unsecured	**–**	150,500

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. During the Period, the Loan Notes have been redeemed for which the Company has paid to the noteholder the principal amount of the Loan Notes plus all accrued interest on the principal amount of the Loan Notes. No balance of the Loan Notes was outstanding as at 31 December 2017.

16. SHARE CAPITAL

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

	Number of shares	Amount
		HK$'000
Authorised		
Ordinary shares of HK$0.05 each		
at 1 July 2016, 30 June 2017 and 31 December 2017	6,000,000,000	300,000
Issued and fully paid		
Ordinary shares of HK$0.05 each:		
At 1 July 2016 (Audited)	456,314,880	22,816
Issue of shares upon placing on 25 October 2016 *(Note)*	91,256,000	4,563
Ordinary shares of HK$0.05 each		
at 30 June 2017 (Audited) and		
31 December 2017 (Unaudited)	547,570,880	27,379

Note: 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 and whose ultimate beneficial owners were independent third parties, at a price of HK$0.663 per share. The net proceeds from placing were approximately HK$58.25 million. 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 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**8,743**	**–**	**38,715**	**47,458**
Financial assets at fair value through profit or loss				
– Equity securities classified as held-for-trading	**20,558**	**–**	**42,100**	**62,658**
– Financial assets designated at fair value through profit or loss	**–**	**523**	**–**	**523**
	29,301	**523**	**80,815**	**110,639**

	As at 30 June 2017			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	35,514	–	38,715	74,229
Financial assets at fair value through profit or loss				
– Equity securities classified as held-for-trading	91,126	–	–	91,126
– Financial assets designated at fair value through profit or loss	–	61,097	–	61,097
	126,640	61,097	38,715	226,452

There were no transfers of fair value measurements between Level 1 and Level 2 in the current period and prior period. Starting from 7 December 2017, there was transfer of fair value measurement on the shares of Convoy Global Holdings Limited ("**Convoy**") (stock code: 1019) from Level 1 to Level 3 due to lack of quoted bid price in an active market resulting from the suspension of trading of the Convoy shares in the Stock Exchange. The details of the movements of Level 3 fair value measurements are as follow:

	31 December 2017 (Unaudited)		31 December 2016 (Unaudited)	
	Financial asset at fair value through profit or loss	**Available-for-sale investments**	Financial asset at fair value through profit or loss	Available-for-sale investments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
At the beginning of the reporting period	**–**	**38,715**	–	–
Transfers from Level 1 into Level 3	**58,267**	**–**	–	–
Change in fair value recognised in profit or loss (included in change in fair value of financial assets at fair value through profit or loss)	**(16,167)**	**–**	–	–
At the end of the reporting period	**42,100**	**38,715**	–	–

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 30 June 2017.

The fair value of Convoy shares is determined based on index return method which adjust the last trading price of Convoy shares by the return of synthetic index that comprises comparable public companies in the corresponding sector since the suspension date. The key unobservable inputs used include the return of synthetic index and discount of liquidity. The higher the return of synthetic index, the higher the fair value and the higher the discount of liquidity, the lower the fair value and vice versa.

Available-for-sale investments (grouped into Level 1) and equity securities classified as held-for-trading (grouped into Level 1) are listed equity securities in Hong Kong, for which the fair values are determined with reference to quoted bid prices in an active market. Financial assets designated at fair value through profit or loss is unlisted investment fund in overseas for which the fair value is determined based on net asset value of the fund. Available-for-sale investments (grouped into Level 3) is unlisted equity investment in overseas, for which the fair value is determined with reference to market approach. The key unobservable inputs used include projected aggregate consolidated earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), ratios of market value of invested capital to EBITDA, market capitalisation to net profits attributable to owners of the selected comparable companies and discount for lack of marketability.

There was no change in valuation techniques during the reporting period. The assumptions of the unobservable inputs used in Level 3 fair value measurements at the end of the reporting period were not significantly different from those used in the 2017 Annual Financial Statements. The Directors consider that the impact of change in key unobservable inputs in Level 3 fair value measurements in the current period was no significant difference as compared to those in the 2017 Annual Financial Statements.

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 broad-based global economic upturn has rendered a solid support to Hong Kong economy. Although challenges continued to weigh on education services, benefitting from the benign external environment, the Group was working closely with dedicated tutors for profession, and has improved its educational service quality. The Group has simultaneously adopted cautious strategies to achieve sustainable development.

BUSINESS REVIEW

Provision of private educational services

Secondary Tutoring Services

The Groups' secondary tutoring service business segment has received impacts from the fierce competition in the tutoring market and the diminishing demand for tutoring services. Due to various socio-political reasons, students nowadays tend to study abroad at an earlier age, resulting in an immense decrease in the number of candidates participating in the Diploma of Secondary Education Examination (DSE) as well as the demand for secondary tutoring services. Consequently, competition from other tutorial centres becomes more and more intense. Nevertheless, the Group has strived to withstand the challenging market environment and optimized teaching quality and operational efficiency. During the Period, the Group recorded revenue of approximately HK$35.59 million, representing a decrease of approximately 36.52% compared to the corresponding period in 2016.

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 following periods:

	For the six months ended 31 December	
	2017	2016
Number of course enrolments *(in thousands)*		
Regular courses	**50**	72
Intensive courses	**1**	2
Summer courses	**15**	25
Special courses	**4**	3
Number of tutors *(Note 1)*		
Regular courses	**38**	43
Intensive courses	**15**	22
Summer courses	**37**	42
Special courses	**16**	21
Average course fees (HK$) *(Note 2)*		
Regular courses	**524**	558
Intensive courses	**518**	515
Summer courses	**454**	487
Special courses	**118**	215

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 periods.

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

As of 31 December 2017, the Group had 8 learning centres operated under the brand of "Modern Education" 現代教育.

English Language Training and Test Preparation Courses

International English language examinations are more commonly taken by students as well as the working population. Over the past nine years, the Group has been providing professional English language training and preparation courses on the International English Language Testing System (IELTS) and Test of English for International Communication (TOEIC). Through such training and courses, our qualified and experienced tutors have not only equipped students with the techniques for the international English language examinations, but also raised their English competence in general. During the Period, the Group recorded revenue of approximately HK$5.74 million, representing a decrease of approximately 58.06% as compared with the previous corresponding period, and there were approximately 3,600 (2016: approximately 8,600) course enrollments during the Period. The significant decrease in number of enrollments was primarily due to the reduction in the number of students referred from external agents. Nevertheless, the Group has endeavored to provide premier education services, with curriculum focusing on English writing, speaking and reading comprehension skills and has maintained good reputation for the services provided.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

The commitment to early education of children is another important strategy of the Group. Since parents are more inclined to the idea that children having a head start during early developmental years have better career prospects, primary tuition is gradually becoming a trend in the society. Concerning the primary tutoring services, the Group has been custom making comprehensive teaching materials to train primary schoolchildren in prime subjects to improve their learning attitudes and results. As of 31 December 2017, there were 7 directly-owned education centres and 37 franchised centres operated under the brand "Modern Bachelor Education" 現代小學士. During the Period, there were approximately 6,200 (2016: approximately 5,400) course enrollments recorded from directly-owned learning centres and total revenue contributed by the franchised centres to the Group was approximately HK$2.11 million (2016: approximately HK$1.90 million). Apart from better grades, children in an early stage of schooling usually benefit in improved social skills and enhanced attention spans; therefore, skill courses and other preparation courses have become one of the mainstreams in the industry. The Group has strived to improve the course contents constantly and delivered all rounded education services to students. The Group will proactively study the market trends and continue to adjust its strategies to capture market opportunities in this business segment.

Investments

Properties Investments

During the Period, the Group has completed the disposal of its interest in two properties.

(1) On 28 August 2017, the Group has completed the disposal of 60% of the issued share capital of Ultimate Elite Investments Limited and its subsidiary ("**UE Group**"), at an aggregate consideration of HK$89,238,000 (subject to adjustment) with an independent third party purchaser and other parties, with its interest in the properties held by the UE Group situated at (i) Offices A–H, J–N & P on 21/F (Whole Floor); and (ii) Car parking space Nos. P47, P48 and P49 on the basement floor of Kings Wing Plaza 1, No. 3 On Kwan Street, Sha Tin, New Territories. The unaudited gain on such disposal of approximately HK$13.75 million was recorded during the Period.

(2) On 29 September 2017, the Group has completed the disposal of the entire interest of a wholly-owned subsidiary of the Group, at an aggregate consideration of HK$30,500,000 (subject to adjustment), with its interest in the property situated at Office No.1303 on 13th Floor of Argyle Centre Phase I, No.688 Nathan Road and No.65 Argyle Street, Mong Kok, Kowloon. The unaudited gain on such disposal of HK$100,000 was recorded during the Period.

Assets Investments

*Financial assets at fair value through profit or loss ("**FVTPL**")*

After reviewing the past investment portfolio, the Group decided to adopt a diversification attitude in the securities investment instead of making significant investment in a particular company. During the Period, the Group had disposed part of its investment in Convoy Global Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with stock code 1019 ("**Convoy**") and all of its investments in Universe International Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 1046 ("**Universe Int'l**"). In addition, the Group had acquired listed securities in 6 listed companies in Hong Kong during the Period. As at 31 December 2017, the Group had financial assets at FVTPL with a fair value of approximately HK$63.18 million.

Details of the significant investments in the portfolio under financial assets at FVTPL as at 31 December 2017 are as follows:

Description of investment	Principal businesses	Number of shares held	Percentage held to the total issued share capital of the listed company/ investment *(approximately)*	Investment cost/cost of acquisition *HK$'000*	Fair value as at 31 December 2017 *HK$'000*	Percentage to the Group's unaudited total assets as at 31 December 2017 *(approximately)*
Significant investments						
Convoy (stock code: 1019)	Independent financial advisory business, money lending business, proprietary investment business, asset management business, corporate finance advisory services and securities dealing.	348,904,000	2.67%	122,116	42,100	12.12%
Other investments						
Other listed shares*	–	–	–	20,276	20,558	5.92%
Heemin Capital Global Enhanced Yield Bond Fund ("**Heemin Bond Fund**")	Invest in low-risk investment grade bonds (above BB-S&P credit rating) worldwide to generate stable but more attractive income than those offered by bond market in the Greater China region.	64 participating shares	–	503	523	0.15%
Grand total for financial assets at FVTPL				142,895	63,181	18.19%

* *Other listed shares included 6 companies whose shares are listed on the Main Board of the Stock Exchange and 4 companies whose shares are listed on GEM of the Stock Exchange.*

During the Period, the Group recorded a gain on the change in fair value of financial assets at FVTPL of approximately HK$31.19 million. Such gain consists of net realised gain of approximately HK$28.33 million and net unrealised gain of approximately HK$2.86 million on fair value changes in securities investments as detailed below.

Description of investments (stock code)	**Realised fair value gain/(loss) for the Period** *HK$'000*	**Unrealised fair value gain/(loss) for the Period** *HK$'000*
Convoy (1019) *(Note 1)*	28,306	1,976
Universe Int'l (1046) *(Note 2)*	(740)	–
Heemin Bond Fund *(Note 3)*	677	22
Other listed shares*	83	862
Grand total	28,326	2,860

* *Other listed shares included 6 companies whose shares are listed on the Main Board and 4 companies whose shares are listed on GEM of the Stock Exchange.*

Notes:

(1) The Group disposed of an aggregate of 351,092,000 shares of Convoy for an aggregate consideration of approximately HK$68,682,000 during the period from August 2017 to October 2017. Please refer to the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement for details.

(2) The Group disposed of an aggregate of 9,000,000 shares of Universe Int'l for an aggregate consideration of HK$7,450,000 during the Period. Please refer to the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement for details.

(3) The Group redeemed of an aggregate of approximately 7,686 participating shares of Heemin Bond Fund in June and July 2017 at an aggregate redemption price of US$7,850,540. Please refer to the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement for details.

Available-for-sale investments

The Group also held significant investments under available-for-sale investments as at 31 December 2017 as below:

Description of investment	Principal businesses	Number of shares held	Percentage held to the total issued share capital of the company/ investment *(approximately)*	Investment cost/cost of acquisition *HK$'000*	Carrying amount as at 31 December 2017 *HK$'000*	Percentage to the Group's unaudited total assets as at 31 December 2017 *(approximately)*
Significant investments						
Unlisted securities of a company ("**Investee**") incorporated outside Hong Kong	Dealing in securities, securities advisory, corporate finance advisory, asset management and wealth management services and money lending in Hong Kong.	–	–	30,831	38,715	11.14%
Other investments						
GET Holdings Limited# ("**GET**") (stock code: 8100)	Research, develop and distribute software, applications and toolbar advertisement; invest in securities; money lending; provide corporate management solutions and IT contract services.	21,858,235	4.92%	51,037	8,743	2.52%
Unlisted investment fund outside Hong Kong	–	–	–	10,000	9,054	2.61%
Grand total for the available-for-sale investments				91,868	56,512	16.27%

The Group disposed of 26,010,000 shares of GET in August 2017 at an aggregate consideration of HK$13,375,500. Please refer to the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement for details.

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 2017 ("**Convoy Interim Report**"), it recorded an unaudited net loss attributable to its owners of approximately HK$140.53 million for the six months ended 30 June 2017. The Directors noted the view of the then board of directors of Convoy, as disclosed in the Convoy Interim Report, that Convoy's investment operation managed to deliver a stable performance although the Hong Kong stock market was going through a monumental period with immense volatility. Convoy was actively allocating resources to the establishment of an online business platform, enhancing trading system and developing other relevant online financial services platforms in order to meet its target of becoming a comprehensive financial platform in Asia.

Recently, the Directors are well noted that the trading of the Convoy shares has been halted since 7 December 2017 and there were a number of changes in the directorship of Convoy and a number of litigations involving Convoy and its subsidiaries, whether as plaintiff or defendant. The Directors would closely monitor the situation of Convoy and formulate appropriate strategies to protect the interest of the Group.

(2) Unlisted securities of the Investee

Based on the available information provided from the management of the Investee and its subsidiaries ("**Investee Group**"), the financial results of the Investee Group for the year ended 31 December 2017 recorded an unaudited profit after tax of approximately HK$31.27 million and recorded a significant increase in both revenue and profit as compared with the financial results of 2016. The booming development of the businesses of dealing in securities, money lending and corporate finance advisory businesses of the Investee Group in 2017 is encouraging. The Directors noted that, in 2018, the Investee Group will keep up and focus on the aforesaid businesses and generate stable revenue and profit. The Group is optimistic on the growth of the businesses of the Investee Group.

Other Investments

(i) Early Education

Crucially taking the ban on "doubly non-permanent resident babies" in 2012 into account, there was a drastic drop in the number of Shenzhen-Hong Kong cross-boundary students who seek education in Hong Kong. Due to the shrinking demand, the results of the early education business was unsatisfactory. Full Profit Hong Kong Development Limited and its subsidiary ("**Full Profit Group**"), being joint ventures of the Group, are specialized in providing management and consultancy services in early education. During the Period, the Full Profit Group recorded a decrease in revenue due to the drop in the number of student enrollments. In the coming year, the Group will step up its effort in its cooperation with joint venture partner and to seek for a new business strategy of Full Profit Group.

(ii) Investment in associate

Interactive Entertainment China Cultural Technology Investments Limited ("**IE China**") is an associate of the Group (owned as to approximately 26.66% by the Group as at 31 December 2017) since 9 September 2016, and its shares are listed on GEM of the Stock Exchange (stock code: 8081). Based on the unaudited third quarterly results of IE China, it recorded an unaudited profit attributable to its shareholders of approximately HK$114.65 million for the three months ended 30 September 2017. The Directors also noted from the announcements of IE China dated 10 January 2018 and 15 February 2018 that IE China expected to record a decrease in the fair value losses on financial assets at fair value through profit or loss, and an increase in the impairment loss on available-for-sale investments and interest in an associate for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016. During the Period, the Group recorded loss in respect of its interest in IE China of approximately HK$11.31 million.

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 a relatively stable performance in loan interest income of approximately HK$1.47 million (2016: approximately HK$1.65 million) from granting loans to both corporate and individual clients. The outstanding principal amount of loan receivables as at 31 December 2017 was approximately HK$41.62 million (2016: 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$53.07 million, representing a decrease of approximately 34.39% as compared with approximately HK$80.89 million recorded for the corresponding period in 2016. Such decrease was primarily due to the decrease in revenue from secondary tutoring services to approximately HK$35.59 million, representing a decrease of approximately 36.52% as compared to approximately HK$56.06 million recorded for the corresponding period in 2016. In addition, there was a drop in the revenue from English language training and test preparation courses to approximately HK$5.74 million (2016: approximately HK$13.70 million) during the Period, representing a decrease of approximately 58.06% as compared to the corresponding period in 2016. Due to the suspension of the secondary day school education, no revenue from secondary day school education was recorded during the Period.

On the other hand, revenue from primary tutoring services, skill courses and test preparation courses (including franchising income) was approximately HK$9.71 million, representing an increase of approximately 13.58 % as compared to approximately HK$8.55 million recorded in the corresponding period in 2016. The Group also recorded rental income of approximately HK$0.57 million (2016: approximately HK$0.40 million) during the Period from investment properties.

During the Period, the Group recorded loan interest income from the money lending business of approximately HK$1.47 million (2016: approximately HK$1.65 million), representing a decrease of approximately 10.94% as compared to the corresponding period in 2016.

Other income, gains and losses

For the Period, the Group's other income, gains and losses recorded net gain of approximately HK$17.71 million (2016: approximately HK$3.62 million). Such increase was mainly due to the net effect of (i) the gain on disposal of subsidiaries of approximately HK$13.85 million and interest income on promissory note of approximately HK$2.48 million; and (ii) the absence of the gain on disposal of associates being recorded during the Period.

Staff costs

The Group's staff costs decreased by approximately HK$3.56 million or approximately 15.03% compared with the corresponding period in 2016. Such decrease was mainly attributable to the decrease in Directors' remuneration and other staff salaries during the Period.

Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK$8.84 million or approximately 40.50% compared with the corresponding period in 2016. 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$4.23 million or approximately 21.39% compared with the corresponding period in 2016. Such decrease was due to the decrease in monthly rental payments of the Group as a result of the reduction in number of learning centres.

Marketing expenses

The Group's marketing expenses decreased by approximately HK$2.17 million or approximately 19.76% compared with the corresponding period in 2016. Such decrease was attributable to the reduction in media placement and various marketing activities during the Period.

Other operating expenses

The Group's other operating expenses decreased by approximately HK$2.33 million or 11.56% compared with the corresponding period in 2016. During the Period, the Group recorded a drop in various operating expenses, in which building management fees, consultancy fee, donation, copier rental fee and sales commission paid to external agents for introducing potential students to the Group, in aggregate, decreased by approximately HK$5.44 million. On the other hand, there was an increase in legal and professional fee by approximately HK$3.52 million as compared with the corresponding period in 2016.

Finance costs

The Group incurred finance costs of approximately HK$3.21 million from loan notes and bank borrowings during the Period (2016: approximately HK$8.10 million).

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was approximately HK$5.53 million (2016: loss of approximately HK$223.29 million). Earnings per share was HK1.07 cents for the Period (2016: loss per share of HK45.57 cents).

OUTLOOK

The Group is committed to enhancing its education business in all aspects. The Group will continue to consolidate its competitive edge and increase investor confidence by continuously maintaining a highly qualified teaching team, good brand image, efficient management and advanced learning system. The Group plans to reinforce its effort in tutoring services in secondary schools, in addition, devoting more resources in the segment of primary tutoring education services for potential expansion.

Besides the above, the Group will also embrace new growth opportunities through diversification. The Group will carefully study the feasibility of potential mergers and acquisitions with the aim of generating more revenue. On 22 December 2017, the Group entered into a memorandum of understanding with an independent third party in relation to a possible acquisition of the entire issued share capital of a company. The target company is principally running a professional dancing college for the provision of a wide range of dancing courses. By proactively collaborating with the target company, if possible, the Group can reach a wider customer and student base in order to enhance profitability. Looking ahead, the Group is keen to identify more business cooperation and business partners with strong capabilities. To ensure the long-term development, the Group will persist to implement prudent investment strategies.

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 2017, the Group's total balance of cash and cash equivalents amounted to approximately HK$36.02 million (30 June 2017: approximately HK$16.28 million), of which 96.17% is held in Hong Kong dollars and 3.83% is held in Renminbi. Current ratio (defined as total current assets divided by total current liabilities) was 12.36 times (30 June 2017: 1.96 times).

As at 31 December 2017, the gearing ratio of the Group was 5.49% (30 June 2017: 37.79%). 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

Previous fund raising activity

The Company has fully utilised the net proceeds from the rights issue of the Company completed on 7 August 2015. During the Period, the remaining balance from the net proceeds of the rights issue in the amount of approximately HK$6.14 million (as disclosed in the annual report of the Company for the year ended 30 June 2017) has been utilised as intended for the payment of interest and/or repayment of principal of the loan notes issued by the Company on 17 December 2015.

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 2017, the Group had a total of 203 employees (30 June 2017: 196 employees). They receive competitive remuneration packages that are 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 2017, the Group had no significant contingent liabilities (30 June 2017: nil).

CAPITAL COMMITMENTS

As at 31 December 2017, there were respective capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to approximately HK$9.75 million (30 June 2017: approximately HK$9.75 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, the Group had no asset pledged to secure general banking facility granted to the Group (30 June 2017: investment properties which was classified as "Assets associated with disposal group classified as held for sale" with carrying value of HK$151.50 million was 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

During the Period, the Group had the following material disposals:

(1) On 1 June 2017, the Group through Rosy Lane Investments Limited (a wholly-owned subsidiary of the Company, as vendor) and the Company (as guarantor) entered into a memorandum of understanding with (among other parties) Keen Elite Developments Limited (as purchaser), an independent third party, to dispose of 60% of the issued share capital of Ultimate Elite Investments Limited, which directly held 100% of the issued share capital of Vision Smart Limited (together as "**UE Group**") at a cash consideration of HK$89,238,000 (subject to adjustment). The conditional sale and purchase agreement was entered amongst the parties on 31 July 2017. Details of the disposal were disclosed in the announcements of the Company dated 1 June 2017, 17 July 2017, 31 July 2017 and 28 August 2017. Completion of the disposal took place on 28 August 2017 and the Group has ceased to hold any interest in the UE Group.

(2) On 27 June 2017 and 28 July 2017, Wise Action Limited, an indirect wholly-owned subsidiary of the Company, served notice to redeem its interest in Heemin Bond Fund respectively in the amount of US$3,875,000 and US$3,975,540, representing approximately 3,794 and 3,892 participating shares in Heemin Bond Fund, both at the redemption price of US$1,021.36 per participating share. Details of the redemptions were set out in the announcement of the Company dated 28 July 2017.

(3) On 24 August 2017 and 25 August 2017, Fastek Investments Limited ("**Fastek**"), an indirect wholly-owned subsidiary of the Company, disposed of an aggregate of 26,010,000 shares of GET for an aggregate consideration of HK$13,375,500 (excluding stamp duty and related expenses). Details of the disposals were set out in the announcement of the Company dated 25 August 2017.

(4) During the period from August 2017 to October 2017, Fastek disposed of an aggregate of 351,092,000 shares of Convoy on the market through the Stock Exchange for an aggregate consideration of approximately HK$68,682,000 (excluding stamp duty and related expenses). Details of the disposals were set out in the announcements of the Company dated 13 September 2017, 20 September 2017, 29 September 2017 and 20 October 2017. Given that a substantial loss in fair value of the shares of Convoy ("**Convoy Shares**") held by the Group was recorded during the year ended 30 June 2017, on 20 October 2017, the Company proposed to seek the approval from shareholders of the Company for the disposal of the Convoy Shares on the market through the Stock Exchange at the minimum selling price of not less than HK$0.19 per Convoy Share. On 23 January 2018, the Board decided not to proceed with the proposed disposal since trading of the Convoy Shares has been suspended since 7 December 2017 and there were a number of changes of directors and management of Convoy and Convoy and its subsidiaries are involved in a number of litigations, and the Company considered that there is inadequate publicly available information for the Company to provide all necessary information to allow the Shareholders to make a properly informed decision. For details, please refer to the announcements of the Company dated 20 October 2017 and 23 January 2018.

(5) During the Period, Fastek disposed of an aggregate of 9,000,000 shares in Universe Int'l on the market through the Stock Exchange for an aggregate consideration of HK$7,450,000 (excluding stamp duty and related expenses). Details of the disposal were set out in the announcement of the Company dated 8 November 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

On 22 December 2017, the Company through Motion King Holdings Limited, an indirect wholly-owned subsidiary of the Company, (as purchaser), entered into a memorandum of understanding with an independent third party in relation to the possible acquisition for a target company which is principally running a professional dancing college for the provision of a wide range of dancing courses. Details of the possible acquisition were disclosed in the announcement of the Company dated 22 December 2017. As at the date of this announcement, the Company is in the course of conducting due diligence on the target company and no definitive sale and purchase agreement has been signed.

Save as disclosed, as at 31 December 2017, the Group did not have any other plans for material investment or capital assets.

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 except the deviations mentioned in the following paragraph.

Following (i) the resignation of Mr. Lee Wai Lok Ignatious on 9 November 2017, the role of the chief executive officer of the Board is outstanding, which constitutes deviation from Code Provision A.2.1 of the CG Code; and (ii) the retirement of Mr. Wong Yuk Tong upon the conclusion the annual general meeting of the Company on 19 December 2017, the role of the chairman of the Board is outstanding, which constitutes deviation from Code Provision A.2 of the CG Code.

As at the date of this announcement, the positions of chairman and chief executive officer of the Company remained vacated as the Company has not been able to identify suitable candidates for the positions.

LITIGATION

On 7 November 2017, the Company received a writ of summons with an indorsement of claim issued in the Court of First Instance of the High Court of Hong Kong ("**CFI**") by the plaintiff against the Company and certain of its then existing Directors to claim for, among other things, a declaration on the validity of his appointment as a Director on 22 October 2017 and damages for breach of contract. The action was discontinued pursuant to the consent order issued by the CFI on 20 December 2017.

On 19 December 2017, Fastek (a wholly-owned subsidiary of the Company) received a writ of summons with Statement of Claim issued in the CFI by Convoy and certain of Convoy's subsidiaries to claim an order against Fastek, as one of the placees under the placing of shares of Convoy conducted in October 2015, that Fastek was wrongly placed the Convoy Shares and wrongly received certain circular financing facilities by one of the plaintiffs.

Subsequent to the Period, on 2 January 2018, Fastek received a petition dated 27 December 2017 made by the petitioner filed with the CFI, whereby the petitioner seeks, among other things, a declaration that the placement of Convoy Shares to Fastek in October 2015 is void *ab initio* and of no legal effect.

Please refer to the announcements of the Company dated 8 November 2017, 19 December 2017, 21 December 2017 and 2 January 2018 for details on the litigations involving the Group during and after the Period.

The Company is currently seeking legal advice in respect of the above legal proceedings and will keep the shareholders of the Company and potential investors informed of any further material development.

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. Fong Chak Kiu, Ms. Jor Stephanie Wing Yee and Mr. Leung Ki Chi James. Ms. Jor Stephanie Wing Yee is the chairman of the Audit Committee since her appointment on 10 November 2017. 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 2017.

By order of the Board
Hong Kong Education (Int'l) Investments Limited
Yip Chung Yin Jeffrey
Executive Director

Hong Kong, 26 February 2018

As of the date of this announcement, the executive Directors are Mr. Yip Chung Yin Jeffrey, Mr. Tsang Ka Wai and Mr. Wong King Hoi; and the independent non-executive Directors are Mr. Fong Chak Kiu, Ms. Jor Stephanie Wing Yee and Mr. Leung Ki Chi James.