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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 2018

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2018:

– The Group recorded revenue of approximately HK$57.07 million, representing an increase of approximately 7.53% as compared to approximately HK$53.07 million for the corresponding period in 2017.

– The Group recorded a loss of approximately HK$45.21 million (2017: profit of approximately HK$5.59 million). The loss was mainly attributable to (i) the loss arising on change in fair value of financial assets at fair value through profit or loss of approximately HK$18.73 million (2017: gain of approximately HK$31.19 million); and (ii) lack of one-off gain on disposal of subsidiaries in the six months ended 31 December 2018 (2017: gain of approximately HK$13.85 million).

As at 31 December 2018:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.77 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 9.61%.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: 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 2018 ("**Period**"), together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2018	2017
	NOTES	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
Revenue	4	**57,068**	53,072
Other income, gains and losses	5	**3,963**	17,711
Staff costs	7	**(25,311)**	(20,118)
Tutor contractor fee	7	**(11,514)**	(12,992)
Operating lease payments	7	**(21,389)**	(15,535)
Marketing expenses		**(3,287)**	(8,806)
Printing costs		**(303)**	(180)
Depreciation and amortisation		**(5,125)**	(4,199)
Change in fair value of financial assets at fair value through profit or loss		**(18,729)**	31,186
Loss on disposal of available-for-sale investments		**–**	(3,053)
Other operating expenses		**(20,281)**	(17,810)
Finance costs	6	**–**	(3,205)
Share of results of joint ventures		**(325)**	(539)
Share of results of associates		**–**	(11,314)
(Loss) profit before tax	7	**(45,233)**	4,218
Income tax credit	8	**25**	1,374
(Loss) profit for the period		**(45,208)**	5,592

	NOTES	For the six months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'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		**(62)**	94
Fair value loss on revaluation of available-for-sale investment		**–**	(3,154)
Reclassification adjustment on investment revaluation reserve released upon disposal of available-for-sale investment		**–**	(2,167)
Share of other comprehensive income of an associate		**–**	13,955
Other comprehensive (expense) income for the period, net of income tax		**(62)**	8,728
Total comprehensive (expense) income for the period		**(45,270)**	14,320
(Loss) profit for the period attributable to:			
Owners of the Company		**(45,248)**	5,527
Non-controlling interests		**40**	65
		(45,208)	5,592
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(45,310)**	14,255
Non-controlling interests		**40**	65
		(45,270)	14,320
			(Restated)
(Loss) earnings per share	9		
– Basic *(HK$)*		**(0.08)**	0.01
– Diluted *(HK$)*		**(0.08)**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**22,141**	25,464
Goodwill		**25,508**	25,508
Other intangible assets		**395**	495
Interest in a joint venture		**5,096**	6,422
Available-for-sale investments		**–**	25,295
Financial assets at fair value through other comprehensive income		**16,114**	–
Non-current deposits		**7,567**	7,954
		76,821	91,138
Current assets			
Trade and other receivables	11	**21,263**	27,197
Promissory note receivable		**43,000**	48,000
Loan receivables	12	**40,958**	31,760
Amounts due from an associate		**795**	612
Financial assets at fair value through profit or loss		**71,758**	74,646
Bank balances and cash		**14,390**	42,709
		192,164	224,924
Current liabilities			
Other payables and accruals	13	**10,248**	9,638
Deferred income		**–**	10,851
Contract liabilities		**8,586**	–
Current tax liabilities		**26**	13
Amounts due to related parties		**5,868**	5,868
		24,728	26,370
Net current assets		**167,436**	198,554
Total assets less current liabilities		**244,257**	289,692

	NOTES	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Non-current liabilities			
Deferred tax liabilities		**153**	169
Provision for long service payments		**1,118**	1,267
		1,271	1,436
Net assets		**242,986**	288,256
Capital and reserves			
Share capital	14	**27,379**	27,379
Reserves		**216,077**	261,387
Equity attributable to owners of the Company		**243,456**	288,766
Non-controlling interests		**(470)**	(510)
Total equity		**242,986**	288,256

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 at the end of each reporting period.

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 2018. In addition, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA effective for annual periods beginning on or after 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transac-tions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the adoption of the above new and amendments to HKFRSs in the current period has had no material impact on the amounts reported and/or on the disclosures set out in the condensed consolidated financial statements.

Adoption of HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and expected credit loss ("**ECL**") for financial assets.

In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated. The reclassification is therefore not reflected as of 30 June 2018, but reflected on 1 July 2018 in the condensed consolidated statement of financial position.

The Group has elected to classify all equity investments of the Group which were previously classified as available-for-sale investments into financial assets at fair value through other comprehensive income ("**FVTOCI**") on 1 July 2018 as these investments are held for long-term strategic investments that are not expected to be sold in the short term.

Cumulative fair value loss of approximately HK$2,332,000 and impairment loss previously recognised in profit or loss of approximately HK$23,771,000 were reclassified from investment revaluation reserve and accumulated losses respectively to financial assets measured at fair value through other comprehensive income reserve upon remeasurement on 1 July 2018. There is no longer any reclassification of accumulated amounts from the reserve to profit or loss upon the disposal of these investments. Other than the change in the classification of available-for-sale investments, the classification of other financial assets and liabilities remains unchanged.

Impairment under ECL model
The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS9 (including trade and other receivables, promissory note receivable and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis. The Group evaluates the financial instruments on a collective basis, taking into account the instrument type, maturity date, and other relevant information with reference to the default rates of the counter parties of the instruments.

For financial assets at amortised cost, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL
The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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

Except for investments in equity instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for other financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 July 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Adoption of HKFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group's accounting policies in relation to its contracts with customers were changed to comply with the requirements of HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. The Group has elected to apply this standard retrospectively only to contracts that are not completed at 1 July 2018.

As at 1 July 2018, deferred income amounting to approximately HK$10,851,000 in respect of sales contracts with customers were reclassified to contract liabilities. The adoption of HKFRS 15 has had no material impact on the Group's accumulated losses as at 1 July 2018.

The Group has not early applied the new and revised standards and amendments to HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of their impact on the Group's results of operations 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, primary tutoring services, skill courses and test preparation courses, franchising income, English language training and test preparation courses and dance tuition 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 2018

	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	**54,911**	**–**	**–**	**2,157**	**–**	**57,068**
Segment results	**(20,748)**	**(19,462)**	**–**	**1,992**	**–**	**(38,218)**
Loss on disposal of financial assets at FVTOCI						**(48)**
Share of results of joint ventures						**(325)**
Unallocated corporate income						**2,596**
Unallocated corporate expenses						**(9,238)**
Loss before tax						**(45,233)**

For the six months ended 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)
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 associates						(11,314)
Unallocated corporate income						2,484
Unallocated corporate expenses						(11,265)
Profit before tax						4,218

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 financial assets at FVTOCI and available-for-sale investments, gain on disposal of subsidiaries, finance costs, share of results of joint ventures and associates and unallocated corporate income and 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 2018

	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	**71,937**	**73,095**	**–**	**41,318**	**–**	**186,350**
Unallocated assets						
Bank balances and cash						**14,029**
Promissory note receivable						**43,000**
Interest in a joint venture						**5,096**
Financial assets at FVTOCI						**16,114**
Other corporate assets						**4,396**
						268,985
Liabilities						
Segment liabilities	**24,828**	**663**	**–**	**1**	**–**	**25,492**
Unallocated liabilities						
Current tax liabilities						**26**
Deferred tax liabilities						**153**
Other corporate liabilities						**328**
						25,999

As at 30 June 2018

	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	77,582	76,516	–	34,261	–	188,359
Unallocated assets						
Bank balances and cash						40,208
Promissory note receivable						48,000
Interest in a joint venture						6,422
Available-for-sale investments						25,295
Other corporate assets						7,778
						316,062
Liabilities						
Segment liabilities	27,149	–	–	50	–	27,199
Unallocated liabilities						
Current tax liabilities						13
Deferred tax liabilities						169
Other corporate liabilities						425
						27,806

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, interest in a joint venture, financial assets at FVTOCI, 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 and other corporate liabilities.

(c) Other segment information

	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)
For the six months ended 31 December 2018						
Capital additions	**(1,575)**	**(37)**	**–**	**–**	**(338)**	**(1,950)**
Depreciation and amortisation	**(4,739)**	**(369)**	**–**	**–**	**(17)**	**(5,125)**
Reversal of provision for long service payments	**149**	**–**	**–**	**–**	**–**	**149**
Change in fair value of financial assets at fair value through profit or loss	**–**	**(18,729)**	**–**	**–**	**–**	**(18,729)**
For the six months ended 31 December 2017						
Capital additions	(3,567)	(15)	–	–	–	(3,582)
Depreciation and amortisation	(3,776)	(423)	–	–	–	(4,199)
Provision of long service payments	(206)	–	–	–	–	(206)
Change in fair value of financial assets at fair value through profit or loss	–	31,186	–	–	–	31,186

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

	For the six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Secondary tutoring services	**28,493**	35,586
Primary tutoring services, skill courses and test preparation courses	**9,489**	7,599
Franchising income	**2,621**	2,109
English language training and test preparation courses	**5,900**	5,743
Dance tuition services	**8,408**	–
Rental income	**–**	570
Loan interest income	**2,157**	1,465
Total revenue	**57,068**	53,072

5. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on		
– promissory note receivable	**2,198**	2,479
– unlisted convertible bonds	**396**	–
– bank deposits	**2**	5
(Loss) gain on disposal of		
– property, plant and equipment	**(248)**	(13)
– subsidiaries	**–**	13,847
– financial assets at FVTOCI	**(48)**	–
Supporting services income	**223**	198
Impairment loss on a loan receivable	**(150)**	–
Others	**1,590**	1,195
	3,963	17,711

6. FINANCE COSTS

	For the six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**–**	135
Effective interest expense on loan notes	**–**	3,070
	–	3,205

7. (LOSS) PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' emoluments	**716**	2,134
Other staff costs	**23,463**	17,358
Other staff's retirement benefit scheme contributions	**1,132**	682
	25,311	20,174
Tutor contractor fee to a Director	**–**	(56)
Staff costs	**25,311**	20,118
Write off of promissory note receivable	**950**	–
Reversal of provision for long service payments	**(149)**	–

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

	For the six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
– Provision for the period	**39**	(10)
– Over-provision in respect of prior years	**(48)**	–
Deferred tax	**(16)**	(1,364)
Total income tax (credit) expense recognised in profit or loss	**(25)**	(1,374)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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	
	2018	2017
	(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)	**(45,248)**	5,527
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**547,570,880**	518,568,973

No adjustment has been made in calculating the diluted loss per share amount presented for the Period as there were no dilutive potential ordinary shares in issue during the Period.

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 shares during the relevant period.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: nil).

11. TRADE AND OTHER RECEIVABLES

	31 December 2018 (Unaudited) *HK$'000*	30 June 2018 (Audited) *HK$'000*
Accrued revenue and trade receivables	**835**	1,004
Rental deposits	**13,992**	14,016
Other deposits	**661**	783
Prepayments	**971**	1,577
Other receivables	**19,997**	25,397
Less: Impairment loss on other receivables	**(7,626)**	(7,626)
	28,830	35,151
Less: Rental deposits (shown under non-current assets)	**(7,567)**	(7,954)
Trade and other receivables (shown under current assets)	**21,263**	27,197

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 2018 (Unaudited) *HK$'000*	30 June 2018 (Audited) *HK$'000*
Accrued revenue not yet billed	**–**	483
Trade receivables:		
0–30 days	**701**	238
31–60 days	**55**	168
61–90 days	**5**	21
Over 90 days	**74**	94
	835	1,004

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately HK$74,000 (30 June 2018: approximately HK$94,000) which were past due as at the end of the reporting period 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 2018: over 90 days).

As at 31 December 2018 and 30 June 2018, accrued revenue and trade receivables primarily 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

	31 December 2018 (Unaudited) *HK$'000*	30 June 2018 (Audited) *HK$'000*
Loan receivables	**48,601**	39,253
Less: Impairment loss	**(7,643)**	(7,493)
	40,958	31,760

Loan receivables represent outstanding principals and interest arising from the money lending business of the Group. As at 31 December 2018 and 30 June 2018, all of the loan receivables are entered with counterparties with a maturity within the next twelve months. Except for a loan receivable with a maturity in February 2018, outstanding principal and interest as at 31 December 2018 in the aggregate amount of approximately HK$7,643,000 (30 June 2018: approximately HK$7,493,000) which has been past due and impaired by the Group during the reporting periods.

As at 31 December 2018, the loan receivables are interest-bearing at fixed rates mutually agreed between the contracting parties, ranging from 8.5% to 10% (30 June 2018: 8% to 10%) per annum. As at 31 December 2018 and 30 June 2018, all of the loan receivables were unsecured.

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.

Except for the said loan receivable impaired, all loan receivables were neither past due nor impaired at the end of both reporting periods. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

13. OTHER PAYABLES AND ACCRUALS

	31 December 2018 (Unaudited) *HK$'000*	30 June 2018 (Audited) *HK$'000*
Other payables	**3,009**	3,811
Accrued tutor contractor fee, salary and bonus and other accruals	**7,239**	5,827
	10,248	9,638

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised		
Ordinary shares of HK$0.05 each		
At 1 July 2017, 30 June 2018 and 31 December 2018	6,000,000,000	300,000
Issued and fully paid		
Ordinary shares of HK$0.05 each		
At 1 July 2017 (Audited), 30 June 2018 (Audited) and 31 December 2018 (Unaudited)	547,570,880	27,379

The issued shares of the Company rank *pari passu* in all respects.

15. 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 2018	**Level 1 (Unaudited)** *HK$'000*	**Level 2 (Unaudited)** *HK$'000*	**Level 3 (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Financial assets at FVTOCI				
– Unlisted equity interest	–	–	16,114	16,114
Financial assets at fair value through profit or loss				
Included in equity securities classified as held-for-trading:				
– Listed equity securities excluding suspended shares	33,700	–	–	33,700
– Suspended shares	–	–	30,200	30,200
Included in financial assets designated at fair value through profit or loss:				
– Unlisted convertible bonds	–	–	7,858	7,858
	33,700	–	54,172	87,872

As at 30 June 2018	Level 1 (Audited) *HK$'000*	Level 2 (Audited) *HK$'000*	Level 3 (Audited) *HK$'000*	Total (Audited) *HK$'000*
Available-for-sale investments				
– Listed equity investments	9,181	–	–	9,181
– Unlisted equity interest	–	–	16,114	16,114
Financial assets at fair value through profit or loss				
Included in equity securities classified as held-for-trading:				
– Listed equity securities excluding suspended shares	27,071	–	–	27,071
– Suspended shares	–	–	38,100	38,100
Included in financial assets designated at fair value through profit or loss:				
– Unlisted investment fund	–	477	–	477
– Unlisted convertible bonds	–	–	8,998	8,998
	36,252	477	63,212	99,941

There were no transfers between Level 1 and 2 and no transfers into or out of Level 3 during the current period. During the year ended 30 June 2018, there was a transfer of fair value measurement from Level 1 into Level 3 for an equity security classified as held-for-trading. The details of movements in fair value measurements in Level 3 are as follows:

Reconciliation of Level 3 fair value measurements

	Financial asset at fair value through profit or loss ***HK$'000***	**Financial assets at FVTOCI** ***HK$'000***	**Available-for-sale investments** ***HK$'000***
At 1 July 2018	47,098	–	16,114
Adjustment on adoption of HKFRS 9	–	16,114	(16,114)
Restated balance at 1 July 2018	47,098	16,114	–
Repayment	(600)	–	–
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)	(8,440)	–	–
At 31 December 2018	**38,058**	**16,114**	**–**

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 30 June 2018.

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

During the Period, the Group continued to face severe market competition with operating environment of the educational services industry under fierce pressure. The number of students attending the Diploma of Secondary Education Examination ("**DSE**") continued to decline following the new 3-3-4 academic structure. Coupled with the intense competition with competitors in the market that poised difficulty to retain quality tutors and professionals, the Group was facing a difficult period over the past six months of 2018.

Under such circumstances, the Group strived to enhance its service quality, as well as to recruit and retain quality tutors. By securing the quality of its services and tutors, the Group managed to focus on its core business and provided better services for existing and newly enrolled students. At the same time, the Group adopted prudent approach to sustain its business development, and hence, maintained its market position as one of the leading private tuition providers in Hong Kong.

BUSINESS REVIEW

Provision of private educational services

Secondary Tutoring Services

During the Period, the declining number of secondary students in Hong Kong, increasing trend of studying abroad, the shift from DSE to other assessment systems, and the intense competition with the competitors in the market, have imposed huge impact to the Group's secondary tutoring service business segment. In view of such negative market sentiment, the Group utilised its existing resources to sustain its business growth. Internally, the Group facilitated effective communication with its tutors in order to enhance teaching quality and secure a long-term relationship with its tutors. Externally, the Group upgraded its service quality to enhance student retention rate. As a result, the Group managed to provide better services, and hence, strengthened its overall market competitiveness. During the Period, the Group recorded revenue of approximately HK$28.49 million, representing a decrease of approximately 19.93% compared to the corresponding period in 2017.

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	
	2018	2017
Number of course enrolments *(in thousands)*		
Regular courses	**41**	50
Intensive courses	**1**	1
Summer courses	**12**	15
Special courses	**2**	4
Number of tutors *(Note 1)*		
Regular courses	**31**	38
Intensive courses	**16**	15
Summer courses	**29**	37
Special courses	**11**	16
Average course fees *(HK$) (Note 2)*		
Regular courses	**525**	524
Intensive courses	**530**	518
Summer courses	**458**	454
Special courses	**253**	118

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 2018, the Group had 8 learning centres operated under the brand of "Modern Education" 現代教育.

English Language Training and Test Preparation Courses

The Group continued to provide professional English language training and test preparation courses for the International English Language Testing System (IELTS) and Test of English for International Communication (TOEIC). During the Period, the Group strengthened the cooperation with its existing agents for referring students to enrol these courses. Coupled with the Group's efforts to improve the course contents and keep abreast of the updated assessment systems, revenue generated from this business segment sustained at approximately HK$5.90 million, representing a slight increase of approximately 2.75% as compared with approximately HK$5.74 million recorded in the corresponding period of last year. In view of the consistent market demand for such quality English courses, the Group will further secure its reputation and expand its English education services which focus on professional English writing, speaking, reading and comprehension skills to target students as well as the professional work force in Hong Kong.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

The Group's decision to devote efforts on primary education has been proven success again during the Period. As of 31 December 2018, there were 7 directly-owned education centres and 33 franchised centres operated under the brand of "Modern Bachelor Education" 現代小學士. Two new franchised centres are underway for operation in the first half of 2019 and five new franchised centers are expected to be operated in the second half of 2019. During the Period, there were approximately 7,100 (2017: approximately 6,200) course enrolments recorded from directly-owned learning centres; and total revenue contributed by the franchised centres to the Group was approximately HK$2.62 million, representing an increase of approximately 24.26% as compared to approximately HK$2.11 million for the same period of previous year. With the constant market needs to train children's competitiveness over peers, the industry evolved from providing traditional homework coaching to sophisticated skill courses. Market competition was keen, and therefore, the Group flexibly developed various kinds of skill courses and preparation courses to expand market segments. Apart from improving the course contents, the Group also looked for talented franchisees to join. The Group is in the best position to grasp any market opportunities and capture a bigger share in the market.

Dance Tuition Services

The Group started to offer dance classes through its newly acquired subsidiary Wind Fly Dragon Int'l Limited from 30 April 2018. During the Period, revenue recorded from this segment was approximately HK$8.41 million. With 7 professional dancing colleges under the brand of Shelly Lo Jazz & Ballet School, the Group provided a wide range of courses including ballet, jazz dance, yoga, Latin dance and belly dance. The Group is committed to provide professional dance courses by its certified and highly-recognised dance coaches. During the Period, the Group looked for cooperation expansion with primary schools and kindergartens. In addition, the Group was working on crossover programs among different business segments, while synergy is yet to realise, the Group is optimistic towards our goal.

Investments

Assets Investments

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

The Group has further diversified its investment portfolio and allocated more resources in securities investment during the Period. The Group acquired listed securities in 9 listed companies in Hong Kong and disposed of several listed securities in its investment portfolio during the Period. However, the stock market in Hong Kong was volatile throughout the past six months, Hang Seng Index dropped significantly from 28,545.57 points on 3 July 2018 to 25,845.70 points on 31 December 2018. As a result, the Group recorded a loss on change in fair value of financial assets at FVTPL during the Period (as detailed below). The Group will closely monitor the movement of the Hong Kong stock market and adopt a prudent investment strategy to structure its investment portfolio. As at 31 December 2018, the Group had financial assets at FVTPL of approximately HK$71.76 million.

Details of the significant investments in the portfolio under financial assets at FVTPL as at 31 December 2018 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$'000*	Fair value as at 31 December 2018 *HK$'000*	Percentage to the Group's unaudited total assets as at 31 December 2018 *(approximately)*
Significant Investments						
Convoy Global Holdings Limited ("**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	30,200	11.23%
Other investments						
EJE (Hong Kong) Holdings Limited ("**EJE Holdings**") (stock code: 8101)	Manufacture of custom-made furniture, design, manufacture and sale of mattress and soft bed products, securities investment, property investment and money lending in Hong Kong.	51,500,000	1.78%	4,740	10,094	3.75%
Other listed shares*	–	–	–	37,660	23,606	8.78%
Unlisted convertible bonds	–	–	–	8,700	7,858	2.92%
Grand total for financial assets at FVTPL				173,216	71,758	26.68%

* Other listed shares included 10 companies whose shares are listed on the Main Board of the Stock Exchange and 2 companies whose shares are listed on GEM of the Stock Exchange.

During the Period, the Group recorded a loss on the change in fair value of financial assets at FVTPL of approximately HK$18.73 million. Such loss consists of realised gain of approximately HK$1.15 million and unrealised loss of approximately HK$19.88 million on fair value changes in financial assets at FVTPL as detailed below.

Description of investments (stock code)	**Realised fair value gain for the Period** *HK$'000*	**Unrealised fair value loss for the Period** *HK$'000*
Convoy (1019)	–	(7,900)
EJE Holdings (8101)	–	(2,224)
Heemin Capital Global Enhanced Yield Bond Fund ("**Heemin Bond Fund**") *(Note)*	12	–
Unlisted convertible bonds	–	(540)
Other listed shares*	1,135	(9,212)
Grand total	1,147	(19,876)

* Other listed shares included 13 companies which are listed on the Main Board of the Stock Exchange and 3 companies which are listed on GEM of the Stock Exchange.

Note: The Group disposed of an aggregate of approximately 64 participating shares of Heemin Bond Fund (representing all of the Group's interest in the Heemin Bond Fund) in September 2018 at an aggregate redemption price of US$62,416.20.

Financial assets at FVTOCI

The Group also held significant investment under financial assets at FVTOCI as at 31 December 2018 as below:

Description of significant investment	**Principal businesses**	**Number of shares held**	**Percentage held in the total issued share capital of the company** *(approximately)*	**Investment cost** *HK$'000*	**Carrying amount as at 31 December 2018** *HK$'000*	**Percentage to the Group's unaudited total assets as at 31 December 2018** *(approximately)*
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.	26	9.49%	30,831	16,114	5.99%

Performance and future prospects of the Company's significant investments

(1) Convoy

Trading in the shares of Convoy ("**Convoy Shares**") has been halted since 7 December 2017 and remain suspended up to the date of this announcement. From the announcement of Convoy dated 1 August 2018, since the Convoy Shares have been suspended from trading on the Stock Exchange for less than 12 months as at 1 August 2018 ("**Effective Date**"), under Rule 6.01A(2)(b)(i) of the Listing Rules, the Stock Exchange may cancel listing of Convoy if the suspension of trading has remained for 18 continuous months from the Effective Date.The Convoy Shares remain suspended from trading as at the date of this announcement.

As disclosed in the announcement of Convoy dated 1 February 2019, as of the date of 1 February 2019, the independent advisors of Convoy were finalising a report of the potential irregularities in relation to Convoy. Convoy expected that the draft report would be available for review by the independent non-executive directors of Convoy by the end of February 2019. Upon reviewing the said report, Convoy and its auditors would continue to complete audit procedures and Convoy targeted to publish the accounts for the years ended 31 December 2017 and 2018 when available.

In addition, according to the announcement of Convoy dated 19 February 2019, the directors of Convoy ("**Convoy Directors**") stated that (i) notwithstanding the suspension of Convoy Shares, the Convoy group is carrying on its businesses as usual and the Convoy Directors consider that the suspension does not have any material adverse effect on the daily business operation of the Convoy group; and (ii) the suspension does not have material adverse effect on the financial position of the Convoy group.

The Group noted from the announcement of Convoy dated 24 August 2018 that Convoy continued to invest in the field of fintech by entering into strategic partnership with CurrencyFair Limited, a leading provider of international money transfer services with customers throughout Europe and Australia. According to the announcements of Convoy dated 20 November 2018 and 19 February 2019, it subscribed for and has been allotted certain shares in Tandem Money Limited, the holding company of Tandem Bank which is a leading virtual bank in the United Kingdom. The Directors further noted from the announcements of Convoy dated 19 February 2019 and 23 January 2019 that the Convoy group would make further investment in Nutmeg Saving and Investment Limited ("**Nutmeg**"), together with other investors, such as Goldman Sachs PSI Global Holdings, LLC, in Nutmeg's new round of fund-raising in January 2019. The Directors would continue to closely monitor the recent situation of Convoy and formulate appropriate strategies to protect the interest of the Group.

(2) Unlisted securities of the Investee

Based on the financial information provided from and explanation given by the management of the Investee ("**Investee Management**"), the Directors noted from the unaudited financial results of the Investee and its subsidiaries ("**Investee Group**") for the year ended 31 December 2018 that the Investee Group recorded a substantial loss as compared to a profit recorded in 2017. Revenue of the Investee Group has dropped significantly as compared to the year of 2017 mainly due to the decrease in commission income from the provision of placing and underwriting services. The impact was mainly due to the fluctuation of the Hong Kong stock market (including the IPO market) in 2018. Given this situation, the Investee Management has modified the business strategies of the Investee Group. In 2018, the Investee Group has entered into agreements with a joint venture partner and set up a joint venture in the People's Republic of China ("**PRC**") in early 2019 to extend the scope of services to pre-IPO stage for building up relationship with potential corporate clients. The Investee Management explained that it is the first step for the Investee Group, through the joint venture, to enter into the PRC market. Such arrangement enables the Investee Group to enlarge its client base and extend its corporate finance advisory services to potential clients in the PRC. Through the new development, the Investee Management is making an effort to derive new income source to improve the financial performance of the Investee Group. The Directors would continue to monitor the business development of the Investee Group and protect the interest of the Group.

Other Investment – Early Education

Our joint venture, Full Profit Hong Kong Development Limited and its subsidiary ("**Full Profit Group**"), continued to provide management and consultancy services in early education and recorded declining revenue during the Period. Due to the continuing decline in the birth rate in Hong Kong, the market size for early education has been shrinking. Despite prevailing market demands, the operating environment of early education was difficult. In view of the challenging situation, the Group has been reviewing the business strategies with the joint venture partner and strive to maintain a stable income to the Full Profit Group.

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 loan interest income of approximately HK$2.16 million (2017: approximately HK$1.47 million) from granting loans to both corporate and individual clients. The money lending business generated stable income to the Group. The outstanding principal amount of loan receivables as at 31 December 2018 was approximately HK$40.30 million (30 June 2018: approximately HK$31.30 million).

FINANCIAL REVIEW

Revenue

During the Period, the Group recorded revenue of approximately HK$57.07 million, representing an increase of approximately 7.53% as compared with approximately HK$53.07 million recorded for the corresponding period in 2017. During the Period, the Group recorded relatively stable revenue from English language training and test preparation courses of approximately HK$5.90 million (2017: approximately HK$5.74 million). However, revenue from secondary tutoring services recorded a decrease to approximately HK$28.49 million, representing a decrease of approximately 19.93% as compared to approximately HK$35.59 million recorded for the corresponding period in 2017.

For primary tutoring services, skill courses and test preparation courses (including franchising income), revenue of approximately HK$12.11 million was recorded, representing an increase of approximately 24.74% as compared to approximately HK$9.71 million recorded in the corresponding period in 2017. In addition, the Group recorded revenue from dance tuition services of approximately HK$8.41 million during the Period.

During the Period, the Group recorded loan interest income from the money lending business of approximately HK$2.16 million (2017: approximately HK$1.47 million), representing an increase of approximately 47.24% as compared to the corresponding period in 2017.

Other income, gains and losses

For the Period, the Group's other income, gains and losses recorded net gain of approximately HK$3.96 million (2017: net gain of approximately HK$17.71 million). Such decrease was mainly due to lack of one-off gain on disposal of subsidiaries in the six months ended 31 December 2018 (2017: gain of approximately HK$13.85 million).

Staff costs

The Group's staff costs increased by approximately HK$5.19 million or approximately 25.81% compared with the corresponding period in 2017. Such increase was mainly attributable to the inclusion of staff salaries of the segment of dance tuition services during the Period.

Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK$1.48 million or approximately 11.38% compared with the corresponding period in 2017. Such decrease was in line with the decline in revenue derived from secondary tutoring services.

Operating lease payments

The Group's operating lease payments increased by approximately HK$5.85 million or approximately 37.68% compared with the corresponding period in 2017. Such increase was due to the inclusion of rental payments of the segment of dance tuition services during the Period.

Marketing expenses

The Group's marketing expenses decreased by approximately HK$5.52 million or approximately 62.67% compared with the corresponding period in 2017. Such decrease was mainly due to the reduction in media placement during the Period.

Other operating expenses

The Group's other operating expenses increased by approximately HK$2.47 million or 13.87% compared with the corresponding period in 2017. Such increase was mainly due to the inclusion of operating expenses of the segment of dance tuition services during the Period.

Finance costs

The Group did not incur any finance costs during the Period (2017: approximately HK$3.21 million from loan notes and bank borrowings).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Period was approximately HK$45.25 million (2017: profit of approximately HK$5.53 million). Loss per share was HK$0.08 for the Period (2017: earnings per share of HK$0.01, as restated).

OUTLOOK

Looking forward, the Group is determined to take prudent approach to sustain our business growth in the competitive education market in Hong Kong. Leveraging on the Group's leading position in the secondary tutorial services market, it will continue to focus on enhancing service quality to retain students. While strengthening tutors' professional images, the Group will also stringently improve course contents in order to consolidate its market competitiveness.

The Group aims at providing quality education to all ages in Hong Kong. The Group will continue to deploy efforts in recruiting certified and recognised coaches in the market to assure that students are receiving the best quality classes. In addition, the Group will work out a sophisticated plan to unearth potential opportunities of different business segments and liaise with its business partners to enrich our existing cooperation and explore new business relationship. Apart from our proactive organic growth strategies, the Group will also seek for merger and acquisition opportunities in this fragmented market in order to expand our market share and broaden our income base.

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 its liquidity management requirements.

As at 31 December 2018, the Group's total balance of cash and cash equivalents amounted to approximately HK$14.39 million (30 June 2018: approximately HK$42.71 million), of which 84.62% is held in Hong Kong dollars and 15.38% is held in Renminbi. Current ratio (defined as total current assets divided by total current liabilities) was 7.77 times (30 June 2018: 8.53 times).

As at 31 December 2018, the gearing ratio of the Group was 9.61% (30 June 2018: 8.74%). 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).

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 2018, the Group had a total of 298 employees (30 June 2018: 309 employees). They receive competitive remuneration packages that are constantly monitored with reference to the market circumstances, with incentives such as discretionary bonuses based on the Group's and individual performance. The Group provides a comprehensive benefits package and career development opportunities.

Pursuant to a share option scheme adopted by the Company on 11 June 2011 ("**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 2018, the Group had no significant contingent liabilities (30 June 2018: nil).

CAPITAL COMMITMENTS

As at 31 December 2018 and 30 June 2018, there was no capital expenditure contracted for but not provided in the condensed consolidated financial statements.

CHARGES ON THE GROUP'S ASSETS

The Group had neither asset pledged nor any general banking facility as at 31 December 2018 and 30 June 2018.

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 7 September 2018, Rosy Lane Investments Limited ("**Rosy Lane**", as vendor), a wholly-owned subsidiary of the Company, entered into a loan disposal agreement with Mr. Wong Kui Shing ("**Mr. Wong**", as purchaser), pursuant to which Rosy Lane has conditionally agreed to sell and assign, and Mr. Wong has conditionally agreed to purchase and be assigned, Rosy Lane's rights, titles, benefits and interests in and to a loan (including the aggregate outstanding principal sum and the interest accrued thereon in the amount of approximately HK$54.48 million owing by Mr. Poon Chun Yin ("**Mr. Poon**") to Rosy Lane as at 7 September 2018, the promissory note issued by Mr. Poon (as debtor) to Rosy Lane dated 30 December 2016 and the share mortgage (executed in favour of Rosy Lane over the shares of Seasoned Leader Limited)) at the consideration of HK$48 million. Completion of the loan disposal took place on 17 September 2018 and the Group has ceased to have any interest in the said loan. Please refer to the announcements of the Company dated 7 September 2018 and 10 September 2018 for further details of the loan disposal.

(2) On 7 September 2018, the Group through Fastek Investments Limited ("**Fastek**"), an indirect wholly-owned subsidiary of the Company, disposed of 9,570,000 shares ("**GET Shares**") of GET Holdings Limited ("**GET**", a company listed on GEM of the Stock Exchange, stock code: 8100) on the market through the Stock Exchange for an aggregate consideration of HK$3,971,550 (excluding stamp duty and related expenses). On 19 September 2018, the Group through Wise Action Limited, an indirect wholly-owned subsidiary of the Company, disposed of 12,288,235 GET Shares under the terms and conditions of the mandatory cash share offer made on 31 August 2018 by Get Nice Securities Limited for and on behalf of Mr. Wong Jing Shong (as offeror) for an aggregate consideration of approximately HK$5,161,000. After the said disposals, the Group ceased to hold any interest in GET. Please refer to the announcement of the Company dated 18 September 2018 for further details of the disposals.

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 2018, the Group did not have any other plans for material investment or capital assets.

COMPLIANCE WITH THE MODEL CODE FOR 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 as a Director and the chief executive officer of the Company ("**CEO**") on 9 November 2017, the role of the CEO was and remains outstanding as at the date of this announcement, which constitutes deviation from Code Provision A.2.1 of the CG Code; and (ii) the retirement of Mr. Wong Yuk Tong as a Director and the chairman of the Board ("**Chairman**") at the annual general meeting of the Company on 19 December 2017, the role of the Chairman was and remains outstanding as at the date of this announcement, which constitutes deviation from Code Provision A.2 of the CG code.

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

LITIGATION

(1) On 19 December 2017, Fastek (an indirect wholly-owned subsidiary of the Company) received a writ of summons ("**Writ**") with Statement of Claim issued in the Court of First Instance of the High Court of Hong Kong ("**CFI**") by Convoy and certain of Convoy's subsidiaries ("**Plaintiffs**") to claim an order against Fastek, as one of the placees under the placing of shares ("**Convoy 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.

On 31 May 2018, the Plaintiffs filed an amended Statement of Claim against, among other defendant, Fastek, as one of the defendants, pursuant to which:

(i) Convoy (the 1st plaintiff) seeks, inter alia, (a) a declaration and order as against the placees that the allotment of the Convoy Shares is null and void or has been rescinded and set aside; (b) an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy, as against, among others, Fastek;

(ii) Convoy Collateral Limited and CSL Securities Limited (the 2nd plaintiff and the 3rd plaintiff) seek, inter alia, an order against, among others, Fastek as one of the direct recipients of funds under the said circular financing arrangement for an account of profits and an order for payment of any sums found to be due, equitable compensation to be assessed, and/or damages to be assessed for breach of fiduciary, common law and/or statutory duties, dishonest assistance, unlawful means conspiracy and/or lawful means conspiracy; and

(iii) the Plaintiffs seek against all the defendants (a) general or special damages; (b) interests; (c) costs; (d) further and/or other reliefs.

On 5 June 2018, the solicitors for Fastek received a letter from the solicitors for the Plaintiffs dated 4 June 2018 which clarified that the amended Statement of Claim (which states "re-filled on 31 May 2018") serves on Fastek on 31 May 2018 has yet to be officially filed in the Court pending the resolutions of the Plaintiffs' applications lodged to Mr. Justice Harris on 4 June 2018 to amend the Statement of Claim and to add new parties by amending the Writ.

On 25 July 2018, Fastek received a sealed order of the hearing for the Plaintiffs' summons held on 28 June 2018 ("**Order**"). Pursuant to the Order, it is ordered, among other matters, that as between the Plaintiffs and Fastek (among certain other defendants), the Plaintiffs do have leave to file and serve the amended Statement of Claim. On 9 July 2018, the Plaintiffs served on Fastek copies of the amended Writ and amended Statement of Claim.

(2) 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 19 December 2017, 2 January 2018, 4 June 2018, 7 June 2018 and 25 July 2018 for details on the litigation involving the Group during the Period.

Given that the litigations are still at a preliminary stage and has not gone into substantive pleading stage, having considered the alleged claims and consulted with the Company's legal advisers, the Directors are of the views that (i) it is premature to assess the possible outcome of any claim which is pending, either individually or on a combined basis; (ii) it is uncertain as to whether there will be any impact, and if so, the quantum, on the financial position of the Group; and (iii) no provision for the claims in these legal proceedings is required to be made based on their current development. The Directors will monitor these litigations against the Group closely and the Company will keep the shareholders of the Company and potential investors informed of any further material development.

EVENT AFTER THE REPORTING PERIOD

There is no important event affecting the Group which have occurred since the end of the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed 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 2018.

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

Hong Kong, 26 February 2019

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 Ms. Jor Stephanie Wing Yee, Mr. Leung Ki Chi James and Mr. Fenn David.