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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 FOR ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

### FINANCIAL HIGHLIGHTS

For the year ended 30 June 2019:

– The Group recorded revenue of approximately HK$108.94 million (2018: approximately HK$109.03 million).

– The Group recorded a loss of approximately HK$76.83 million (2018: loss of approximately HK$8.23 million). Such increase in loss was mainly due to (i) the loss arising on change in fair value of financial assets at FVPL of approximately HK$19.83 million (2018: gain of approximately HK$31.52 million) and (ii) lack of one-off gain on disposal of subsidiaries and associates of approximately HK$69.56 million recorded in the year of 2018.

As at 30 June 2019:

– The Group held bank balances and cash of approximately HK$6.84 million (2018: approximately HK$42.71 million).

– Current ratio (defined as total current assets divided by total current liabilities) was 5.26 times (2018: 8.53 times). Gearing ratio, expressed as total debts divided by the sum of total equity and total debts (total debts refer to total liabilities minus the sum of tax payable, deferred tax liabilities and dividend payable (if any)) was 14.03% (2018: 8.74%).

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: nil).

## FINANCIAL RESULTS

The board ("**Board**") of directors ("**Directors**") of Hong Kong Education (Int'l) Investments Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries ("**Group**") for the year ended 30 June 2019, together with the comparative audited figures for the corresponding year ended 30 June 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2019*

| | *NOTES* | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| Revenue | | | |
| – Provision of private educational services | | **104,934** | 104,994 |
| – Interest income from money lending | | **4,006** | 3,463 |
| – Rental income from property investments | | **–** | 570 |
| | 4 | **108,940** | 109,027 |
| Other income, gains and losses | 5 | **405** | 55,885 |
| Staff costs | 7 | **(51,286)** | (41,140) |
| Tutor contractor fee | 7 | **(22,337)** | (27,708) |
| Operating lease payments | 7 | **(42,004)** | (33,624) |
| Marketing expenses | | **(5,266)** | (11,708) |
| Printing costs | | **(367)** | (294) |
| Depreciation and amortisation | | **(10,202)** | (8,793) |
| Change in fair value of financial assets at fair value through profit or loss | | **(19,826)** | 31,521 |
| Impairment loss on available-for-sale investments | | **–** | (23,771) |
| Other operating expenses | | **(34,341)** | (38,710) |
| Finance costs | 6 | **(40)** | (3,415) |
| Share of results of joint ventures | | **(571)** | (16) |
| Share of results of an associate | | **–** | (16,924) |
| Loss before tax | 7 | **(76,895)** | (9,670) |
| Income tax credit | 8 | **65** | 1,438 |
| **Loss for the year** | | **(76,830)** | (8,232) |
| **Other comprehensive income (expense), net of income tax** | | | |
| ***Items that will not be reclassified to profit or loss:*** | | | |
| Fair value changes on movements in equity instruments at fair value through other comprehensive income | | **6,816** | – |

| | NOTES | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translating foreign operations | | **(85)** | 54 |
| Reclassification adjustment on exchange differences released upon disposal of associates | | **–** | (1,037) |
| Fair value changes on revaluation of available-for-sale investments | | **–** | (2,717) |
| Reclassification adjustment upon disposal of available-for-sale investments | | **–** | (2,168) |
| Reclassification adjustment upon impairment of available-for-sale investments | | **–** | (7,884) |
| Share of other comprehensive expense of an associate | | **–** | (12,978) |
| Reclassification adjustment on investment revaluation reserve released upon disposal of an associate | | **–** | 9,470 |
| | | **(85)** | (17,260) |
| Other comprehensive income (expense) for the year, net of income tax | | **6,731** | (17,260) |
| **Total comprehensive expense for the year** | | **(70,099)** | (25,492) |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(77,438)** | (8,246) |
| Non-controlling interests | | **608** | 14 |
| | | **(76,830)** | (8,232) |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | **(70,707)** | (25,506) |
| Non-controlling interests | | **608** | 14 |
| | | **(70,099)** | (25,492) |
| **Loss per share** | 9 | | |
| – Basic *(HK$)* | | **(0.14)** | (0.02) |
| – Diluted *(HK$)* | | **(0.14)** | (0.02) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2019*

| | NOTES | 2019<br>HK$'000 | 2018<br>HK$'000<br>(Note) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **16,829** | 25,464 |
| Goodwill | | **23,843** | 25,508 |
| Other intangible assets | | **297** | 495 |
| Interest in an associate | | **–** | – |
| Interest in a joint venture | | **4,851** | 6,422 |
| Available-for-sale investments | | **–** | 25,295 |
| Financial assets at fair value through other comprehensive income | | **15,422** | – |
| Non-current deposits | | **9,260** | 7,954 |
| | | **70,502** | 91,138 |
| **Current assets** | | | |
| Trade and other receivables | 11 | **25,908** | 27,197 |
| Other loan receivable/promissory note receivable | | **43,000** | 48,000 |
| Loan receivables | 12 | **40,900** | 31,760 |
| Current tax assets | | **72** | – |
| Amount due from an associate | | **780** | 612 |
| Financial assets at fair value through profit or loss | 13 | **65,984** | 74,646 |
| Bank balances and cash | | **6,839** | 42,709 |
| | | **183,483** | 224,924 |
| **Current liabilities** | | | |
| Contract liabilities | | **10,336** | – |
| Other payables and accruals | 14 | **15,606** | 9,638 |
| Deferred income | | **–** | 10,851 |
| Current tax liabilities | | **74** | 13 |
| Amounts due to related parties | | **5,868** | 5,868 |
| Other borrowing | | **3,001** | – |
| | | **34,885** | 26,370 |
| **Net current assets** | | **148,598** | 198,554 |
| **Total assets less current liabilities** | | **219,100** | 289,692 |

| | NOTES | 2019 HK$'000 | 2018 HK$'000 (Note) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **137** | 169 |
| Provision for long service payments | | **806** | 1,267 |
| | | **943** | 1,436 |
| **Net assets** | | **218,157** | 288,256 |
| **Capital and reserves** | | | |
| Share capital | 15 | **27,379** | 27,379 |
| Reserves | | **190,680** | 261,387 |
| Equity attributable to owners of the Company | | **218,059** | 288,766 |
| Non-controlling interests | | **98** | (510) |
| **Total equity** | | **218,157** | 288,256 |

*Note:* The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the translation methods chosen, comparative information is not restated. (See note 2)

## NOTES TO THE 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 the principal place of business in Hong Kong is located at Rooms 1006-7, 10th Floor, 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 and money lending business.

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| 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 application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**HKFRS 9 "Financial Instruments"**

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 July 2018. Therefore, comparative information continues to be reported under HKAS 39.

The table below summarises the impact of transition to HKFRS 9 on accumulated losses and reserves at 1 July 2018.

| | HK$'000 |
|---|---|
| **Accumulated losses** | |
| Reclassified to fair value reserve (non-recycling) relating to previously recognised impairment loss on available-for sale ("**AFS**") investments | **23,771** |
| **Investment revaluation reserve (recycling)** | |
| Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income ("**FVOCI**") | **2,332** |
| **Fair value reserve (non-recycling)** | |
| Reclassified from accumulated losses relating to previously recognised impairment loss on AFS investments | **(23,771)** |
| Transferred from investment revaluation reserve (recycling) relating to equity securities now measured at FVOCI | **(2,332)** |
| | **(26,103)** |

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

***(i) Classification of financial assets and financial liabilities***

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, AFS financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Group's investments in equity securities were classified as AFS financial assets and financial assets measured at FVPL under HKAS 39. These AFS financial assets are classified as investments at FVOCI upon the adoption of HKFRS 9 on 1 July 2018. The Group's other financial assets measured at FVPL and amortised cost at 30 June 2018 continue with their classifications and measurements upon the adoption of HKFRS 9 at 1 July 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group does not have any financial liabilities designated at FVPL and therefore this new requirement has no impact on the Group's consolidated financial statements.

*(ii) Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, other loan receivable/promissory note receivable, loan receivables and amount due from an associate).

As at 1 July 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL model has not significantly different to that under HKAS 39.

**HKFRS 15 "Revenue from Contracts with Customers"**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method to recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As followed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018. The adoption of HKFRS 15 has no material impact on the opening balance of equity at 1 July 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

*(i)* ***Timing of revenue recognition***

Previously, revenue arising from provision of services was recognised on an utilisation time basis, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services and sale of goods.

*(ii)* ***Presentation of contract liabilities***

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

The Group has adopted HKFRS 15 from 1 July 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in accumulated losses as of 1 July 2018 and that comparatives will not be restated. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (i.e. 1 July 2018) and line items that were not affected by the changes have not been included:

| | **Under HKAS 18 Carrying amount at 30 June 2018** | **Reclassification** | **Under HKFRS 15 Carrying amount at 1 July 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Deferred income | 10,851 | (10,851) | – |
| Contract liabilities | – | 10,851 | 10,851 |

Reclassifications were made as at 1 July 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities relating to tuition fee received in advance which were previously included in deferred income.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 30 June 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to apply to the current year instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

| | **Amounts reported in accordance with HKFRS 15** | **Hypothetical amounts under HKAS 18** | **Difference: Estimated impact of adoption of HKFRS 15 on the current year** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Line items in the consolidated statement of financial position as at 30 June 2019 impacted by the adoption of HKFRS 15:** | | | |
| Deferred income | – | 10,336 | (10,336) |
| Contract liabilities | 10,336 | – | 10,336 |
| **Line items in the reconciliation of profit before tax to net cash generated from operating activities for year ended 30 June 2019 impacted by the adoption of HKFRS 15:** | | | |
| Decrease in deferred income | (10,851) | 515 | (10,336) |
| Increase in contract liabilities | 10,336 | – | 10,336 |

The significant differences arise as a result of the changes in accounting policies described above.

**New and revised HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| HKFRS 16 | Leases [1] |
| HKFRS 17 | Insurance Contracts [3] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments [1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation [1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures [1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle [1] |
| Conceptual framework for financial reporting 2018 | Revised conceptual Framework for Financial Reporting [2] |

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

**HKFRS 16 "Leases"**

HKFRS 16 is not expected to impact significantly on the way that lessors account for their right and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will be required to account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019, and will not restate the comparative information. The Group's future minimum lease payments under non-cancellable operating leases for properties amounted to HK$64,130,000 as at 30 June 2019, a portion of which is payable between 1 and 3 years after the end of the reporting period. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately HK$51,949,000, after taking account the effects of discounting, as at 1 July 2019.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$13,449,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the Directors anticipate that the application of other new and amendments to HKFRSs and Interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

## 3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

## 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 three operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving 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
- Investments in securities – trading of securities
- Money lending – providing loans as money lender

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

During the year ended 30 June 2018, the Group acquired two subsidiaries with businesses which are included in the "Provision of private educational services" segment.

"Property investments" segment was discontinued due to disposal of entire equity interest in Ultimate Elite Investments Limited which held 100% equity interest in Vision Smart Limited and Dignity Choice Limited on 28 August 2017 and 29 September 2017 respectively.

**(a) Segment revenue and results**

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

***For the year ended 30 June 2019***

| | Provision of private educational services<br>*HK$'000* | Investment in securities<br>*HK$'000* | Money lending<br>*HK$'000* | Others<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|---|
| Segment revenue<br>(revenue from external customers) | **104,934** | **–** | **4,006** | **–** | **108,940** |
| Segment results | **(47,838)** | **(20,977)** | **3,939** | **–** | **(64,876)** |
| Finance costs | | | | | **(40)** |
| Share of results of joint ventures | | | | | **(571)** |
| Unallocated corporate income | | | | | **3,866** |
| Unallocated corporate expenses | | | | | **(15,274)** |
| Loss before tax | | | | | **(76,895)** |

*For the year ended 30 June 2018*

| | Provision of private educational services<br>*HK$'000* | Investment in securities<br>*HK$'000* | Property investments<br>*HK$'000* | Money lending<br>*HK$'000* | Others<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|---|---|
| Segment revenue<br>(revenue from external customers) | 104,994 | – | 570 | 3,463 | – | 109,027 |
| Segment results | (40,712) | 34,510 | 431 | (4,175) | (3) | (9,949) |
| Loss on disposal of AFS investments | | | | | | (3,053) |
| Impairment losses on AFS investments | | | | | | (23,771) |
| Gain on disposal of subsidiaries | | | | | | 13,731 |
| Gain on disposal of an associate | | | | | | 55,826 |
| Gain on disposal of a joint venture | | | | | | 1 |
| Finance costs | | | | | | (3,415) |
| Share of results of joint ventures | | | | | | (16) |
| Share of results of an associate | | | | | | (16,924) |
| Unallocated corporate income | | | | | | 5,357 |
| Unallocated corporate expenses | | | | | | (27,457) |
| Loss before tax | | | | | | (9,670) |

The CODM assesses segment results using a measure of operating loss whereby certain items are not included in arriving at the segment results of the operating segments (i.e. loss on disposal of AFS investments, impairment losses on AFS investments, gain on disposal of subsidiaries, an associate and a joint venture, finance costs, share of results of joint ventures and an associate, 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 30 June 2019***

| | **Provision of private educational services** *HK$'000* | **Investment in securities** *HK$'000* | **Money lending** *HK$'000* | **Others** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | **63,201** | **73,367** | **41,636** | **–** | **178,204** |
| Unallocated assets | | | | | |
| Bank balances and cash | | | | | **6,174** |
| Other loan receivable | | | | | **43,000** |
| Interest in a joint venture | | | | | **4,851** |
| Financial assets at FVOCI | | | | | **15,422** |
| Other corporate assets | | | | | **6,334** |
| | | | | | **253,985** |
| **Liabilities** | | | | | |
| Segment liabilities | **30,475** | **911** | **50** | **–** | **31,436** |
| Unallocated liabilities | | | | | |
| Current tax liabilities | | | | | **74** |
| Deferred tax liabilities | | | | | **137** |
| Other borrowing | | | | | **3,001** |
| Other corporate liabilities | | | | | **1,180** |
| | | | | | **35,828** |

*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* |
|---|---|---|---|---|---|---|
| **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 |
| AFS 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), other loan receivable/promissory note receivable, interest in a joint venture, financial assets at FVOCI/AFS investments and other corporate assets; and

- all liabilities are allocated to the operating segments other than current tax liabilities, deferred tax liabilities, other borrowing and other corporate liabilities.

**(c) Other segment information**

| | Provision of private educational services *HK$'000* | Investment in securities *HK$'000* | Money lending *HK$'000* | Others *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| ***For the year ended 30 June 2019*** | | | | | |
| Capital additions | **(1,873)** | **(47)** | **–** | **(352)** | **(2,272)** |
| Depreciation and amortisation | **(9,533)** | **(617)** | **–** | **(52)** | **(10,202)** |
| Reversal of provision for long service payments | **456** | **–** | **–** | **–** | **456** |
| Change in fair value of financial assets at FVPL | **–** | **(19,826)** | **–** | **–** | **(19,826)** |
| Impairment loss on goodwill | **(1,665)** | **–** | **–** | **–** | **(1,665)** |
| Impairment loss on other receivable | **(2,939)** | **(29)** | **–** | **(167)** | **(3,135)** |
| *For the year ended 30 June 2018* | | | | | |
| Capital additions | (4,837) | (141) | – | – | (4,978) |
| Depreciation and amortisation | (7,947) | (845) | – | (1) | (8,793) |
| Reversal of provision for long service payments | 295 | – | – | – | 295 |
| Change in fair value of financial assets at FVPL | – | 31,521 | – | – | 31,521 |
| Impairment loss on goodwill | (559) | – | – | – | (559) |
| Impairment loss on other intangible assets | (2,626) | – | – | – | (2,626) |
| Impairment loss on other receivables | (7,643) | – | – | – | (7,643) |
| Impairment loss on a loan receivable | – | – | (7,493) | – | (7,493) |

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

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

**(d) Revenue from major services**

| | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Secondary tutoring services | **53,879** | 71,640 |
| Primary tutoring services, skill courses and test preparation courses | **18,555** | 15,162 |
| Franchising income | **5,704** | 4,509 |
| English language training and test preparation courses | **9,229** | 11,243 |
| Dance tuition services | **17,567** | 2,440 |
| Rental income | **–** | 570 |
| Loan interest income | **4,006** | 3,463 |
| Total revenue | **108,940** | 109,027 |

## 5. OTHER INCOME, GAINS AND LOSSES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income on | | |
| – other loan receivable/promissory note receivable | **3,216** | 5,035 |
| – unlisted convertible bonds | **635** | 314 |
| – bank deposits | **6** | 4 |
| – other interest income | **9** | 4 |
| Loss on write off of property, plant and equipment | **(903)** | (34) |
| Supporting services income | **139** | 605 |
| Impairment loss on | | |
| – goodwill | **(1,665)** | (559) |
| – other intangible assets | **–** | (2,626) |
| – other receivables | **(3,135)** | (7,643) |
| – a loan receivable | **–** | (7,493) |
| (Loss) gain on disposal of | | |
| – subsidiaries | **–** | 13,731 |
| – associates | **–** | 55,826 |
| – a joint venture | **–** | 1 |
| – AFS investments | **–** | (3,053) |
| Others | **2,103** | 1,773 |
| | **405** | 55,885 |

## 6. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expenses on bank and other borrowings | **40** | 135 |
| Effective interest expense on loan notes | **–** | 3,070 |
| Interest expenses on promissory note payable *(Note)* | **–** | 210 |
| | **40** | 3,415 |

*Note:* The interest expenses on promissory note payable arising from the issuance of promissory note payable for the acquisition of a subsidiary by the Group during the year ended 30 June 2018. The promissory note payable was issued by the Group on 30 April 2018 and subsequently fully repaid by the Group on 22 June 2018.

## 7. LOSS BEFORE TAX

| Loss before tax has been arrived at after charging (crediting): | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Directors' emoluments | **1,432** | 3,554 |
| Other staff costs | **47,602** | 36,212 |
| Other staff's retirement benefit scheme contributions | **2,252** | 1,526 |
| | **51,286** | 41,292 |
| Tutor contractor fee to a Director | **–** | (152) |
| Total Staff costs | **51,286** | 41,140 |
| Auditor's remuneration | **690** | 680 |
| Write off of other receivables | **1** | – |
| Write off of promissory note receivable | **–** | 5,529 |
| Reversal of provision for long service payments | **(456)** | (295) |
| Gross rental income from investment properties | **–** | (570) |
| Less: direct operating expenses incurred for investment properties that generated rental income during the year | **–** | 9 |
| | **–** | (561) |

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong Profits Tax | | |
| – Provision for the year | **45** | – |
| – Over-provision in respect of prior years | **(78)** | (57) |
| The People's Republic of China ("**PRC**") Enterprise Income Tax | **–** | – |
| | **(33)** | (57) |
| Deferred tax | **(32)** | (1,381) |
| Total income tax credit recognised in profit or loss | **(65)** | (1,438) |

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

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each year. A subsidiary established in the PRC were subject to Enterprise Income Tax at 25% for both years.

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company for both years are based on the following data:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purpose of basic and diluted loss per share | | |
| Loss for the year attributable to owners of the Company | **(77,438)** | (8,246) |
| | **Number of shares** | Number of shares |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **547,570,880** | 547,570,880 |

No adjustment has been made in calculating the diluted loss per share amount presented for the years ended 30 June 2019 and 2018 as there were no dilutive potential ordinary shares in issue during the year.

## 10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: nil).

## 11. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accrued revenue and trade receivables | **967** | 1,004 |
| Rental deposits | **13,449** | 14,016 |
| Other deposits | **646** | 783 |
| Prepayments | **1,497** | 1,577 |
| Other receivables | **21,744** | 25,397 |
| Less: Impairment loss on other receivables | **(3,135)** | (7,626) |
| | **35,168** | 35,151 |
| Less: Rental deposits (shown under non-current assets) | **(9,260)** | (7,954) |
| Trade and other receivables (shown under current assets) | **25,908** | 27,197 |

Included in the Group's other receivables, prepayments and deposits were rental deposits and other receivable amounting to approximately HK$9,260,000 (2018: approximately HK$7,954,000) and HK$3,388,000 (2018: nil) respectively, which are expected to be recovered or recognised as expenses after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

**(a) Ageing analysis**

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:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Accrued revenue not yet billed | **443** | 483 |
| Trade receivables: | | |
| 1 to 30 days | **410** | 238 |
| 31 to 60 days | **107** | 168 |
| 61 to 90 days | **–** | 21 |
| More than 90 days | **7** | 94 |
| | **967** | 1,004 |

Trade receivables are usually due within 30 days (2018: within 30 days) from the date of billing.

**(b) Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Neither past due nor impaired | **485** | 592 |
| 1 to 30 days past due | **386** | 189 |
| 31 to 60 days past due | **89** | 146 |
| 61 to 90 days past due | **–** | 15 |
| More than 90 days past due | **7** | 62 |
| Amounts past due | **482** | 412 |
| | **967** | 1,004 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As at 30 June 2019, receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

## 12. LOAN RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loan receivables | **48,393** | 39,253 |
| Less: Impairment loss | **(7,493)** | (7,493) |
| | **40,900** | 31,760 |

Loan receivables represent outstanding principals and interest arising from the money lending business of the Group. As at 30 June 2019 and 2018, all of the loan receivables are entered with counterparties with a maturity within the next twelve months except for a loan receivable with outstanding principal and interest as at 30 June 2018 in the aggregate amount of approximately HK$7,493,000 which has been past due and impaired by the Group during that year which matured in February 2018.

As at 30 June 2019, the loan receivables are interest-bearing at fixed rates mutually agreed between the contracting parties, ranging from 8.5% to 10.5% (2018: 8% to 10%) per annum and all loan receivables were unsecured.

The Group seeks to maintain strict control over its loan receivables in order to minimise credit risk by reviewing borrowers' and their guarantors' financial positions.

Except for the loan receivable of approximately HK$7,493,000 impaired during the year ended 30 June 2018, all other loan receivables were neither past due nor impaired at the end of the reporting period. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | 2019 | 2018 |
|---|---|---|---|
| | *Notes* | *HK$'000* | *HK$'000* |
| Listed equity securities in Hong Kong, at fair value | (i) | **26,379** | 27,071 |
| Suspended listed equity securities in Hong Kong, at fair value | (ii) | **31,808** | 38,100 |
| Unlisted investment fund, at fair value | (iii) | **–** | 477 |
| Unlisted convertible bonds, at fair value | (iv) | **7,797** | 8,998 |
| | | **65,984** | 74,646 |

*Notes:*

(i) The amount represents equity securities listed in Hong Kong. The fair values of the investments are determined with reference to the quoted market bid prices in the Stock Exchange.

(ii) The fair value of the suspended listed equity security represents the shares of Convoy Global Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1019), which was determined by the Directors with reference to valuation carried out by an independent qualified professional valuer.

(iii) On 31 July 2018, the Group served notice to redeem its remaining interests in Heemin Capital Global Enhanced Yield Bond Fund of approximately US$62,000, representing approximately 64 participating shares, at the redemption price of US$980.77 per participating share, resulting in a gain on disposal of approximately HK$13,000 recorded in the profit or loss during the year ended 30 June 2019.

(iv) The unlisted convertible bonds were issued by Larry Jewelry International Company Limited (a company listed on GEM of the Stock Exchange with stock code: 8351). The convertible bonds is unsecured, bears interest at a fixed rate of 7.5% per annum and have matured on the second anniversary of the issue date (i.e. 4 September 2019).

## 14. OTHER PAYABLES AND ACCRUALS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables | **3,724** | 3,811 |
| Accrued tutor contractor fee, salary and bonus and other accruals | **11,882** | 5,827 |
| | **15,606** | 9,638 |

## 15. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| *Authorised* | | |
| Ordinary shares of HK$0.05 each | | |
| At 1 July 2017, 30 June 2018 and 30 June 2019 | 6,000,000,000 | 300,000 |
| *Issued and fully paid* | | |
| Ordinary shares of HK$0.05 each | | |
| At 1 July 2017, 30 June 2018 and 30 June 2019 | 547,570,880 | 27,379 |

The shares issued rank *pari passu* with other shares of the Company in issue in all respects. None of the Company or its subsidiaries repurchased, sold, redeemed or cancelled any of the Company's shares during the years ended 30 June 2019 and 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30 June 2019 ("**Year**"), various factors, including the decreasing enrolment of secondary school students, increasing number of students studying abroad or taking vocational training courses as well as the International Baccalaureate Diploma Programme (IBDP), have all contributed to the overall decline in the number of students attending the Hong Kong Diploma of Secondary Education Examination ("**HKDSE**"). It also has resulted in the lowest number of recorded applications since the HKDSE was first administered in 2012. Coupled with fierce competition among its industry peers to recruit and retain quality tutors and teaching professionals, Hong Kong Education (Int'l) Investments Limited ("**Company**") and its subsidiaries ("**Group**") continued to face a highly competitive operating environment in the educational services sector.

For the Year, the Group recorded revenue of approximately HK$108.94 million (2018: approximately HK$109.03 million), representing a slightly decrease of approximately 0.08% as compared to last year. Loss attributable to owners of the Company for the Year amounted to approximately HK$77.44 million (2018: loss of approximately HK$8.25 million), which was mainly due to the loss arising from the change in fair value of financial assets through profit or loss (2018: gain of approximately HK$31.52 million) and lack of one-off gain on disposal of subsidiaries and an associate of approximately HK$69.56 million recorded last year.

As one of the private educational services providers in Hong Kong, the Group makes good use of its well-known brands – "Modern Education" and "Modern Bachelor Education" to further develop its secondary and primary tutoring services. These two business segments remain the key income drivers of the Group. In order to gain a more competitive edge to outperform its industry peers, the Group constantly seeks feasible ways to boost the performance of its tuition services.

Looking ahead, the business environment for the educational services industry is expected to be tough and full of challenges. For this reason, the Group will make dedicated efforts to maintain experienced teaching teams and improve overall teaching quality. We will also flexibly adjust business strategies to strengthen our core businesses while exploring potential cooperative business relationships in order to capture any emerging growth opportunities and sustain solid business operations.

## BUSINESS REVIEW

### Provision of private educational services

#### *Secondary Tutoring Services*

The secondary tutoring industry in Hong Kong is full of challenges and difficulties. Given the decreasing birth rate in Hong Kong and increasing numbers of local secondary students opting for overseas education or other ways to continue their studies, the number of candidates attending the HKDSE continued to fall, leading to a decrease in the demand for secondary tutoring services. Coupled with keen competition throughout the industry, the Group recorded a decrease in course enrolments for the Year, which adversely impacted the business segment of secondary tutoring services. During the Year, the Group recorded revenue of approximately HK$53.88 million, representing a decrease of approximately 24.79% compared to the previous year. In response to the current unfavorable market conditions, the Group is fostering mutual and effective cooperative relationships with tutors to ensure long-term collaboration and high teaching quality. Furthermore, the Group has proactively adopted new marketing strategies to further enhance its brand image in order to attract and retain more students and thereby increase overall market competitiveness.

The following table shows the number of course enrolments, the number of tutors and the average course fees of each category of secondary tutoring courses for the two years ended 30 June 2019:

| | **Year ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| Number of course enrolments *(in thousands)* | | |
| Regular courses | **65** | 95 |
| Intensive courses | **12** | 10 |
| Summer courses | **12** | 15 |
| T.I.P.S. courses | **6** | 4 |
| Special courses | **5** | 10 |
| Number of tutors *(Note 1)* | | |
| Regular courses | **35** | 37 |
| Intensive courses | **22** | 33 |
| Summer courses | **29** | 37 |
| T.I.P.S. courses | **16** | 23 |
| Special courses | **13** | 23 |
| Average course fees *(HK$) (Note 2)* | | |
| Regular courses | **533** | 538 |
| Intensive courses | **572** | 563 |
| Summer courses | **458** | 454 |
| T.I.P.S. courses | **565** | 596 |
| Special courses | **381** | 261 |

*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, T.I.P.S. courses and special courses is not equal to the total number of tutors for the year.

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

As of 30 June 2019, the Group had 7 learning centres operated under the brand of "Modern Education" 現代教育.

***English Language Training and Test Preparation Courses***

The Group continued to deliver high-quality 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 Year, the Group recorded revenue of approximately HK$9.23 million, representing a decrease of approximately 17.91% compared to approximately HK$11.24 million during the previous year, and there were approximately 5,500 (2018: approximately 6,700) course enrolments during the Year. Given the global recognition of IELTS and TOEIC, the Group believes that market demand for English language training and test preparation courses still existed. The Group will earmark a certain amount of internal resources to explore methods in order to diversify and expand sales channels and strengthen the profitability of this segment.

***Primary Tutoring Services, Skill Courses and Test Preparation Courses***

The Group has put tremendous efforts into adjusting its business strategy to promote primary tutoring services. These and related services have strategically satisfied market demand, either through directly-owned education centres or franchised centres, which have contributed strong revenue to the Group, and has therefore resulted in a substantial increase in revenue for this segment. As of 30 June 2019, there were 7 directly-owned education centres and 36 franchised centres operated under the brand of "Modern Bachelor Education" 現代小學士. 7 new franchised centres are expected to be operational by end of 2019. During the Year, there were approximately 17,000 (2018: approximately 14,400) course enrolments recorded from directly-owned education centres, and total revenue to the Group from franchised centres came to approximately HK$5.70 million, representing an increase of approximately 26.50% compared to approximately HK$4.51 million for the previous year. Given the constant and fierce competition among primary students wishing to enrol in elite secondary schools, the market demand for primary tutoring services is expected to remain positive. The Group will flexibly adjust its skills courses as well as preparation courses, while strengthening its educational content, quality and variety, plus optimise its team composition in order to help boost students' competitiveness for Secondary School Places Allocation (SSPA). The Group will continue to explore more new potential franchisees to help capture greater market share.

### *Dance tuition services*

The Group is firmly committed to offering diverse and comprehensive educational development for learners of all ages. As of 30 June 2019, there were 6 professional dance colleges operating under the brand of Shelly Lo Jazz & Ballet School, providing a wide range of courses including ballet, jazz dance, yoga, Latin dance and belly dance. During the Year, the Group recorded revenue from dance tuition services totalling approximately HK$17.57 million (2018: approximately HK$2.44 million, recorded from 1 May 2018 to 30 June 2018). In order to enlarge its student cohort base and maximise profits, the Group expanded its service offerings by participating in various dance competitions and organising study tours. The Group will also deepen its cooperation with kindergartens and try to create crossover intersegment programmes in order to generate positive synergies.

## Investments

### *Assets Investments*

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

The Group has acted actively and allocated more resources in the segment of securities investment during the Year. By adopting diversification strategy, the Group acquired listed securities in 17 listed companies in Hong Kong and disposed of 12 listed securities in its investment portfolio during the Year. As at 30 June 2019, the Group had financial assets at FVPL with a fair value of approximately HK$65.98 million.

Details of the significant investments in the portfolio under financial assets at FVPL as at 30 June 2019 are as follows:

| 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$'000* | Fair value as at 30 June 2019 *HK$'000* | Percentage to the Group's audited total assets as at 30 June 2019 *(approximately)* |
|---|---|---|---|---|---|---|
| *Significant investments* | | | | | | |
| Convoy Global Holdings Limited ("**Convoy**") (stock code: 1019) | Financial advisory business, money lending business, fintech business, asset management business and securities dealing business. | 348,904,000 | 2.34% | 122,116 | 31,808 | 12.52% |
| *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. | 58,500,000 | 2.02% | 5,713 | 10,823 | 4.26% |
| Other listed shares* | – | – | – | 31,110 | 15,556 | 6.13% |
| Unlisted convertible bonds | – | – | – | 7,900 | 7,797 | 3.07% |
| Grand total for financial assets at FVPL | | | | 166,839 | 65,984 | 25.98% |

* Other listed shares included 7 companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and 2 companies whose shares are listed on GEM of Stock Exchange. Each of the investments included in the other listed shares does not exceed 5% of the Group's audited total assets as at 30 June 2019.

The economic instability and other external factors weaken the stock market in Hong Kong. During the Year, the Group recorded a loss arising on change in fair value of financial assets at FVPL of approximately HK$19.83 million and details as below:

| **Description of investments (stock code)** | **Realised fair value gain/ (loss) for the Year** *HK$'000* | **Unrealised fair value gain/ (loss) for the Year** *HK$'000* | **Dividend received during the Year** *HK$'000* |
|---|---|---|---|
| Convoy (1019) | – | (6,292) | – |
| EJE Holdings (8101) | – | (2,468) | – |
| Other listed shares* | (306) | (10,692) | 20 |
| Heemin Capital Global Enhanced Yield Bond Fund | 13 | – | – |
| Unlisted convertible bonds | – | (101) | – |
| Grand total | (293) | (19,553) | 20 |

* Other listed shares included 17 companies whose shares are listed on the Main Board of the Stock Exchange and 3 companies whose shares are listed on GEM of the Stock Exchange.

*Financial assets at fair value through other comprehensive income (“**FVOCI**”)*

The Group also held significant investment under financial assets at FVOCI as at 30 June 2019 as below:

| **Description of significant investment** | **Principal businesses** | **Number of shares held** | **Percentage held to the total issued share capital of the Investee** *(approximately)* | **Investment cost/cost of acquisition** *HK$'000* | **Carrying amount as at 30 June 2019** *HK$'000* | **Percentage to the Group's audited total assets as at 30 June 2019** *(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 | 15,422 | 6.07% |

*Performance and future prospects of the Company's significant investments*

(1) Convoy

Trading in the shares of Convoy has been halted since 7 December 2017 and remain suspended up to the date of this announcement. As disclosed in the announcement of Convoy dated 23 August 2019, the publication of the 2017 and 2018 annual results and the despatch of the 2017 and 2018 annual reports were still pending, and the publication of the 2019 interim results and the despatch of 2019 interim report would not be ready by 31 August 2019 and 30 September 2019.

The Group noted from the announcements of Convoy dated 1 August 2019 and 15 August 2019 that Convoy has continued to focus on fintech with investments in Tandem Money Limited and Nutmeg Saving and Investment Limited in the United Kingdom as well as CurrencyFair Limited in the Republic of Ireland. In April 2019, a subsidiary of Convoy entered into a consulting agreement with Wilshire Associates Inc, an independent investment adviser registered with the Securities and Exchange Commission based in United States, which would assist Convoy to enhance its existing funds due diligence process, risk classification methodology and model portfolio offering, to upgrade its funds platform and to offer professionally managed, customized and competitively priced portfolio solutions to its client as a whole. Furthermore, Convoy has continued to invest in training and lifelong learning that a Mini-MBA programme was launched in June 2019 for the Convoy group's financial consultants and management team by collaboration with Asia-Pacific Institute of Business, the executive education arm of The Chinese University of Hong Kong Business School.

The Director 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 the management of the Investee ("**Investee Management**"), the Directors noted that the unaudited financial results of the Investee and its subsidiaries ("**Investee Group**") for the six months ended 30 June 2019 still recorded a loss. Revenue of the Investee Group has dropped approximately 17% as compared to the corresponding period in 2018 mainly due to the decrease in brokerage income and interest income from securities dealing services. The Investee Management explained that the business environment remains difficult in the first half of 2019. In addition, due to the uncertainties stemming from US-Mainland trade tensions, the Investee Management foresees that financial services industry would be declined modestly amid less active global financial activities, capital market may be impaired in the second half of 2019. Thus, the Investee Management is going to adjust its business strategies to cope with the downturn. Internally, cost saving policy and discontinue of unprofitable business segment will be carried out to reduce the cost burden of the Investee Group. In addition, corporate governance will be promoted for strengthening the internal control and risk management of the Investee Group to mitigate unanticipated cost. Externally, the Investee Management will work actively with strategic partners to create synergies and derive more values to the Investee Group.

In early 2019, a company was set up in the People's Republic of China ("**PRC**") with a PRC partner, in which the Investee Group has significant control over the PRC company. The Investee Management mentioned that the PRC company had commenced business and entered into certain agreements with some PRC Enterprises for provision of financial services. The Investee Management is making an effort to explore the market in the PRC related to its core business and generate more income for improving the financial performance of the Investee Group. The Directors noted the adverse changes of the latest economic environment, thus, the impact of the financial services industry in Hong Kong. The Directors would continue to monitor the business development of the Investee Group and protect the interest of the Group.

***Other Investment – Early Education***

Full Profit Hong Kong Development Limited and its subsidiary ("**Full Profit Group**"), joint venture of the Group, focus primarily on providing early education management and consultancy services. The current decline in kindergarten admissions and changes in other business factors have led to a drop in revenue and profit of the Full Profit Group during the Year. It is expected, therefore, that the market size for early education will continue to shrink in lockstep with the continuing decline in Hong Kong's overall birth rate. Due to the unfavourable business environment, the Group has compromised with the joint venture partner to carry out measures for minimizing the operating costs and making an effort on maintaining a reasonable return 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 Year, the Group recorded loan interest income of approximately HK$4.01 million (2018: approximately HK$3.46 million) from granting loans to both corporate and individual clients. The outstanding principal amount of loan receivables as at 30 June 2019 was approximately HK$40.30 million (2018: approximately HK$31.30 million).

## FINANCIAL REVIEW

### Revenue

During the Year, the Group recorded revenue of approximately HK$108.94 million, representing a slightly decrease of approximately 0.08% as compared to approximately HK$109.03 million recorded last year. For the Year, revenue generated from secondary tutoring services recorded a drop to approximately HK$53.88 million, representing a decrease of approximately 24.79% as compared to approximately HK$71.64 million recorded last year. In addition, there was a decrease in revenue from English language training and test preparation courses to approximately HK$9.23 million, representing a decrease of approximately 17.91% as compared to approximately HK$11.24 million recorded last year.

On the other hand, revenue from primary tutoring services, skill courses and test preparation courses (including franchising income) was approximately HK$24.26 million, representing an increase of approximately 23.32% as compared to approximately HK$19.67 million recorded last year. During the Year, the Group recorded revenue from dance tuition services of approximately HK$17.57 million (2018: approximately HK$2.44 million, recorded from 1 May 2018 to 30 June 2018).

During the Year, the Group recorded loan interest income from the money lending business of approximately HK$4.01 million (2018: approximately HK$3.46 million), representing an increase of approximately 15.68% as compared to last year.

### Other income, gains and losses

For the Year, the Group's other income, gains and losses recorded net gain of approximately HK$0.41 million (2018: net gain of approximately HK$55.89 million). Such decrease was mainly due to the net effect of (i) decrease in impairment losses on loan and other receivables by approximately HK$12 million as compared to last financial year; (ii) one-off gain on disposal of subsidiaries and associates of approximately HK$69.56 million; and (iii) loss on disposal of AFS investments of approximately HK$3.05 million, both (ii) and (iii) were recorded in the year of 2018 but absence in the current financial year.

### Staff costs

The Group's staff costs increased by approximately HK$10.15 million or approximately 24.66% compared with the last financial year. Such increase was mainly attributable to the inclusion of staff salaries of the segment of dance tuition services during the Year.

### Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK$5.37 million or approximately 19.38% compared with the last financial year. 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$8.38 million or approximately 24.92% compared with the previous year. Such increase was mainly due to the inclusion of rental payments of the segment of dance tuition services during the Year.

**Marketing expenses**

The Group's marketing expenses decreased by approximately HK$6.44 million or approximately 55.02% compared with last financial year. Such decrease was mainly attributable to the reduction in media placement and various marketing activities during the Year.

**Other operating expenses**

The Group's other operating expenses decreased by approximately HK$4.37 million or approximately 11.29% compared with the previous year. Such decrease was mainly due to the net effect of, among other things, the inclusion of operating expenses of the segment of dance tuition services during the Year and the fact that the Group recorded (i) a decrease in legal and professional fee by approximately HK$1.90 million as compared to the last financial year; and (ii) a write off of promissory note receivable of approximately HK$5.53 million was recorded in the year of 2018 but was absence in the current financial year.

**Finance costs**

The Group incurred finance costs of approximately HK$0.04 million from other borrowings during the Year (2018: approximately HK$3.42 million from loan notes and bank borrowings).

As at 30 June 2019, other borrowing of the Group from an independent third party is unsecured, repayable within one year and carried a fixed interest rate at 12% per annum.

**Loss attributable to owners of the Company**

Loss attributable to owners of the Company for the Year was approximately HK$77.44 million (2018: loss of approximately HK$8.25 million). Such increase in loss was mainly due to (i) the loss arising on change in fair value of financial assets at FVPL of approximately HK$19.83 million (2018: gain of approximately HK$31.52 million) and (ii) lack of one-off gain on disposal of subsidiaries and associates of approximately HK$69.56 million recorded in the year of 2018.

## OUTLOOK

Looking ahead, given the fact that competition in tutoring services will remain very fierce, the Group will adhere to a prudent approach in business development and deploy resources cautiously in order to maintain its overall competitiveness while providing high quality education to students. Secondary and primary tutoring services will remain the key focus of the Group's business operations, and the Group will spare no efforts to invest resources in recruiting and retaining an experienced team of teachers with quality. In the meantime, the Group will modify the marketing strategies in a timely manner to bolster the brand name and maintain the dominant position for "Modern Education" and "Modern Bachelor Education" in the tutorial services market and strive to preserve its market position among the peers.

In addition, the Group's management team will look for potential education-related business partners for business collaboration when opportunities arise. In the long run, the Group aims at business diversification within the education sector in order to create a positive synergy and generate greater income for the Group.

## 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 30 June 2019, the Group's total balance of cash and cash equivalents amounted to approximately HK$6.84 million (30 June 2018: approximately HK$42.71 million), of which 94.60% is held in Hong Kong dollars and 5.40% is held in Renminbi. Current ratio (defined as total current assets divided by total current liabilities) was 5.26 times (30 June 2018: 8.53 times).

As at 30 June 2019, the gearing ratio of the Group was 14.03% (30 June 2018: 8.74%). Gearing ratio is total debts divided by the sum of total equity and 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 its 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 30 June 2019, the Group had a total of 216 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 comprehensive benefits packages 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 Year, no share options have been granted by the Company pursuant to the Share Option Scheme.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (30 June 2018: nil).

## CAPITAL COMMITMENTS

As at 30 June 2019 and 2018, there was no capital commitments contracted for but not provided in the consolidated financial statements of the Group.

## CHARGES ON THE GROUP'S ASSETS

The Group had neither pledged any assets nor any general banking facility as at 30 June 2019 and 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 Year.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group had the following material acquisition and disposals:

**(i) Loan disposal**

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 ("**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 interests 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.

*Advance to an entity*

Pursuant to the unsecured promissory note issued by Mr. Wong to Rosy Lane pursuant to the Loan Disposal Agreement, Mr. Wong shall pay the balance of consideration of the Loan Disposal Agreement in the amount of HK$43 million ("**Balance Payment**") to Rosy Lane in accordance with the following schedule:

HK$15 million repayable on or before 17 December 2018
HK$15 million repayable on or before 18 March 2019
HK$13 million repayable on or before 17 June 2019

Such promissory note is unsecured but interest is chargeable on the Balance Payment at the interest rate of 10% per annum, repayable on 17 June 2019.

As at 30 June 2019, the entire Balance Payment and interest accrued was still outstanding and exceeded 8% of the total assets of the Group as at 30 June 2019.

After the end of the Year, Mr. Wong has committed to repay the Balance Payment and the interest accrued in 7 instalments from 31 August 2019 to 29 February 2020. On 31 August 2019, Mr. Wong settled the first instalment in the amount of HK$15 million.

**(ii) Disposal of GET Shares**

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 above, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

## FUTURE PLANS FOR MATERIAL INVESTMENT

As at 30 June 2019, the Group did not have any other plans for material investment or capital assets.

## EVENTS AFTER THE REPORTING PERIOD

### Listed equity securities in Hong Kong

The fair values of listed equity securities are determined based on the quoted market closing price available on the Main Board and GEM of the Stock Exchange at the end of the reporting period.

As at the date of approval of these consolidated financial statements, the realised and unrealised losses on financial assets at FVPL from changes in fair value on financial assets at FVPL held as at 30 June 2019 amounted to approximately HK$57,000 and HK$4,088,000 respectively.

## 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 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 Year.

## 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 Year, the Company has complied with all the provisions of the CG Code and the Listing Rules except the deviations mentioned below.

The positions of the chief executive officer of the Company and the chairman of the Board have been vacated since 9 November 2017 and 19 December 2017 respectively and remain vacated as at the date of this announcement, which constitutes deviation from Code Provision A.2.1 and A.2 of the CG Code respectively, 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 defendants, Fastek as one of the defendants, pursuant to which:

(i) Convoy (the 1st plaintiff) seeks, inter alia, (i) 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; (ii) 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-filed on 31 May 2018") served 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.

Pursuant to the Order of Mr. Justice Harris granted on 12 July 2019, the Plaintiffs have filed and served its re-amended Writ of Summons and the re-amended Statement of Claim on 16 July 2019.

(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 litigations involving the Group.

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.

**REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and reviewed the audited consolidated results of the Group for the Year.

**SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this results announcement have been agreed by the Group's auditors, Baker Tilly Hong Kong Limited. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited in this announcement.

**ACKNOWLEDGEMENT**

The Group would like to express its heartfelt appreciation to its employees for their contributions to the Group. The Group would also like to express its deepest gratitude to the shareholders and investors of the Company for their support. The Group will continue to create value and contribute to the Group to benefit all our stakeholders.

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

Hong Kong, 26 September 2019

*As of the date of this announcement, the executive Directors are Mr. Tsang Ka Wai, Mr. Yip Chung Yin Jeffrey 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.*