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)

SUPPLEMENTAL ANNOUNCEMENT – ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

Reference is made to the annual report ("**Annual Report**") of the Company in relation to the audited consolidated results of the Company and its subsidiaries for the year ended 30 June 2018. Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

The Company would like to supplement the Annual Report with the following information on an unlisted equity interest in overseas measured at fair value with an impairment loss of approximately HK$14.72 million disclosed under note 20 (available-for-sale investments) to the consolidated financial statements of the Annual Report.

BACKGROUND

The investee company is a company incorporated in the British Virgin Islands with limited liability ("**Investee Company**", together with its subsidiaries, "**Investee Group**") whose principal subsidiaries are principally engaged dealing in securities, securities advisory, corporate finance advisory, asset management and wealth management services and money lending in Hong Kong. The Group held approximately 9.49% equity interest in the Investee Company ("**Investment**") as at 30 June 2017 and 30 June 2018.

The Company has engaged independent valuers to assess the fair value of the Investment as at 30 June 2017 and 30 June 2018. A valuation report was respectively issued (i) for the fair value of the Investment as at 30 June 2018 ("**2018 Valuation Report**") and (ii) for the fair value of the Investment as at 30 June 2017 ("**2017 Valuation Report**").

(i) Basis and assumptions of the valuation

The underlying assumptions in both valuations are substantially the same, which include:

(a) There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Investee Group carries on its business.

(b) There will be no major changes in the current taxation law in the countries where the Investee Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with.

(c) There will be no material changes in the industries in which the Investee Group involves that would materially affect the revenues, profits, cash flows attributable to the Investee Group; the market return, market risk and pricing multiple will not differ materially from those of present.

(d) The Investee Company currently has, or will have, adequate human capital and capacity required for the provision of services, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Investee Company.

(e) Industry trends and market conditions for related industries will not deviate materially from economic forecasts.

(f) The financial and operational information in respect of the Investee Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Investee Company.

(g) The historical financial statements of the Investee Company reflect the true financial performance of the Investee Company.

(ii) Valuation method and reasons for using that method

There is no change in the valuation method adopted in 2017 Valuation Report and 2018 Valuation Report. Market approach has been adopted in both valuations.

For the 2017 Valuation Report, the valuer concluded that the cost approach cannot reflect the fair value of the Investee Company which is driven by future revenue generated, while the income approach relies on explicit forecasts which require many assumptions. With a reasonable number of publicly traded companies engaging in similar businesses of the Investee Group available in the market, the market approach was adopted as the most appropriate method.

For the 2018 Valuation Report, the valuer believed that the cost approach is insufficient in capturing the future economic benefits of the Investee Company's assets given that the Investee Company has a stable stream of income and will likely to continue to grow in the foreseeable future, while the income approach is not appropriate because many assumptions and justifications are involved in the profit forecast. Therefore, the valuer has adopted the market approach as their valuation methodology.

Set out below is a summary of the valuation input of the valuations

	2017 Valuation Report	**2018 Valuation Report**
Valuation methodology	Market approach using GPTC (Guideline Publicly Traded Company) method	Market approach using GPTC (Guideline Publicly-Traded Comparable) method
Ratio used and chosen	(i) MVIC (market value of invested capital) to EBITDA (earnings before interest, tax, depreciation and amortization) ratio; and	Market value/net book value (P/B) ratio
	(ii) MC (market capitalisation) to Net Profit (net profit attributable to owners of the company) ratio	As the Investee Company has not recorded profit for the six months ended 30 June 2018, the P/E (price-to-earnings) ratio and EV (enterprise value)/EBITDA ratio are considered not appropriate for this valuation.
	The Investee Company recorded net profit for the year ended 31 December 2016 and the six months ended 30 June 2017.	
Discount for lack of marketability	30%	20%

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

Hong Kong, 9 October 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.