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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 2020

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2020:

- The Group recorded revenue of approximately HK\$13.65 million, representing a decrease of approximately 70.63% as compared to approximately HK\$46.49 million for the corresponding period in 2019.
- The Group recorded a profit of approximately HK\$3.72 million (2019: loss of approximately HK\$35.32 million).

As at 31 December 2020:

- 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 13.39%.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2020 (2019: 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 2020 (“**Period**”), together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2020	2019
	NOTES	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Revenue			
– Provision of private educational services		11,316	44,516
– Interest income from money lending		2,335	1,969
		<u>13,651</u>	<u>46,485</u>
Other income, gains and losses, net	4	13,651	46,485
Staff costs	5	17,281	1,577
Tutor contractor fee	7	(12,240)	(24,646)
Lease payments		(1,058)	(8,487)
Marketing expenses		(341)	(7,853)
Printing costs		(392)	(2,071)
Depreciation and amortisation		(486)	(520)
Depreciation and amortisation		(4,423)	(16,150)
Change in fair value of financial assets at fair value through profit or loss		(2,646)	(9,395)
Other operating expenses		(4,527)	(12,599)
Finance costs	6	(586)	(1,383)
Share of results of a joint venture		(527)	(298)
		<u>3,706</u>	<u>(35,340)</u>
Profit (loss) before tax	7	3,706	(35,340)
Income tax credit	8	16	16
		<u>3,722</u>	<u>(35,324)</u>
Profit (loss) for the period		3,722	(35,324)

		For the six months ended 31 December	
		2020	2019
NOTES	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Other comprehensive income (expense), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>2</u>	<u>(6)</u>
Other comprehensive income (expense) for the period, net of income tax		<u>2</u>	<u>(6)</u>
Total comprehensive income (expense) for the period		<u>3,724</u>	<u>(35,330)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		3,732	(35,321)
Non-controlling interests		<u>(10)</u>	<u>(3)</u>
		<u>3,722</u>	<u>(35,324)</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		3,734	(35,327)
Non-controlling interests		<u>(10)</u>	<u>(3)</u>
		<u>3,724</u>	<u>(35,330)</u>
Earnings (loss) per share			
	9		
– Basic (HK\$)		<u>0.01</u>	<u>(0.06)</u>
– Diluted (HK\$)		<u>0.01</u>	<u>(0.06)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020 <i>(Unaudited)</i> <i>HK\$'000</i>	30 June 2020 <i>(Audited)</i> <i>HK\$'000</i>
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		3,322	4,786
Right-of-use assets		8,919	6,886
Goodwill		5,170	5,170
Other intangible assets		–	99
Interest in an associate		–	–
Interest in a joint venture		2,598	3,325
Financial assets at fair value through other comprehensive income		12,429	12,429
Non-current deposits		1,874	1,902
		<u>34,312</u>	<u>34,597</u>
Current assets			
Trade and other receivables	11	5,505	12,779
Other loan receivables		–	12,000
Loan receivables	12	58,355	36,250
Current tax assets		–	72
Amounts due from an associate		794	793
Financial assets at fair value through profit or loss		45,691	48,548
Bank balances and cash		18,327	5,437
		<u>128,672</u>	<u>115,879</u>
Current liabilities			
Other payables and accruals	13	7,083	15,470
Contract liabilities		3,519	5,790
Lease liabilities		4,890	4,247
Current tax liabilities		–	25
Amounts due to related parties		1,068	5,368
Other borrowings	14	–	7,816
		<u>16,560</u>	<u>38,716</u>
Net current assets		<u>112,112</u>	<u>77,163</u>
Total assets less current liabilities		<u>146,424</u>	<u>111,760</u>

		31 December	30 June
		2020	2020
	<i>NOTES</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		88	104
Lease liabilities		4,701	3,044
Provision for long service payments		543	663
		5,332	3,811
Net assets		141,092	107,949
Capital and reserves			
Share capital	15	29,054	27,379
Reserves		111,963	80,485
Equity attributable to owners of the Company		141,017	107,864
Non-controlling interests		75	85
Total equity		141,092	107,949

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 Room 1003A, 10/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, 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 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 Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

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 2020. 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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rent Concession
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Conceptual framework for Financial reporting 2018	Revised conceptual Framework for Financial Reporting

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior period and/or on the disclosures set out in these condensed consolidated financial statements.

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these new standards, interpretations and amendments is expected to be in the period of initial applications. So far, it has concluded that the adoption of them will not have a significant impact on the Group's consolidated financial statements.

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 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
- 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".

(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 2020

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue (revenue from external customers)	<u>11,316</u>	<u>–</u>	<u>2,335</u>	<u>–</u>	<u>13,651</u>
Segment results	<u>(1,817)</u>	<u>(2,006)</u>	<u>2,089</u>	<u>–</u>	<u>(1,734)</u>
Interest on other borrowings					(120)
Share of results of a joint venture					(527)
Unallocated corporate income					10,367
Unallocated corporate expenses					<u>(4,280)</u>
Profit before tax					<u>3,706</u>

For the six months ended 31 December 2019

	Provision of educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue (revenue from external customers)	<u>44,516</u>	<u>–</u>	<u>1,969</u>	<u>–</u>	<u>46,485</u>
Segment results	<u>(21,600)</u>	<u>(9,679)</u>	<u>1,957</u>	<u>(74)</u>	(29,396)
Interest on other borrowings					(310)
Share of results of a joint venture					(298)
Unallocated corporate income					199
Unallocated corporate expenses					<u>(5,535)</u>
Loss before tax					<u>(35,340)</u>

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. interest on other borrowings, share of results of a joint venture 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 2020

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Unaudited)
Assets				
Segment assets	20,692	46,083	59,824	126,599
Unallocated assets				
Bank balances and cash				16,858
Interest in a joint venture				2,598
Financial assets at fair value through other comprehensive income ("FVOCI")				12,429
Other corporate assets				4,500
				162,984
Liabilities				
Segment liabilities	19,908	327	–	20,235
Unallocated liabilities				
Deferred tax liabilities				88
Other corporate liabilities				1,569
				21,892

As at 30 June 2020

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Audited)
Assets				
Segment assets	<u>25,624</u>	<u>49,171</u>	<u>36,940</u>	111,735
Unallocated assets				
Bank balances and cash				4,827
Other loan receivables				12,000
Interest in a joint venture				3,325
Financial assets at FVOCI				12,429
Other corporate assets				<u>6,160</u>
				<u>150,476</u>
Liabilities				
Segment liabilities	<u>31,234</u>	<u>1,177</u>	<u>50</u>	32,461
Unallocated liabilities				
Current tax liabilities				25
Deferred tax liabilities				104
Other borrowings				7,816
Other corporate liabilities				<u>2,121</u>
				<u>42,527</u>

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 receivables, interest in a joint venture, financial assets at FVOCI and other corporate assets; and
- all liabilities are allocated to the operating segments other than current tax liabilities, deferred tax liabilities, other borrowings and other corporate liabilities.

(c) Other segment information

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2020					
Capital additions	(450)	–	–	–	(450)
Amortisation cost of intangible assets	(99)	–	–	–	(99)
Depreciation charge on owned property, plant and equipment	(1,114)	(229)	–	(35)	(1,378)
Depreciation charge on right-of-use assets	(2,258)	–	–	(688)	(2,946)
Reversal of provision for long service payments	120	–	–	–	120
Change in fair value of financial assets at fair value through profit or loss (“FVPL”)	–	(2,646)	–	–	(2,646)
Reversal of impairment loss on other loan receivables	–	980	–	10,000	10,980
For the six months ended 31 December 2019					
Capital additions	(95)	(3)	–	–	(98)
Amortisation cost of intangible assets	(99)	–	–	–	(99)
Depreciation charge on owned property, plant and equipment	(4,230)	(233)	–	(35)	(4,498)
Depreciation charge on right-of-use assets	(10,586)	–	–	(967)	(11,553)
Provision for long service payments	(41)	–	–	–	(41)
Change in fair value of financial assets at FVPL	–	(9,395)	–	–	(9,395)

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Secondary tutoring services	1,017	20,063
Primary tutoring services, skill courses and test preparation courses	7,704	10,394
Franchising income	1,793	3,248
English language training and test preparation courses	63	1,632
Dance tuition services	739	9,179
	<u>11,316</u>	<u>44,516</u>
Revenue from other sources		
Loan interest income	<u>2,335</u>	<u>1,969</u>
Total revenue	<u><u>13,651</u></u>	<u><u>46,485</u></u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	For the six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on		
– unlisted convertible bonds	–	105
– bank deposits	1	1
– other interest income	366	93
Government grants (<i>Note</i>)	5,927	–
Loss on write off of property, plant and equipment	(536)	(8)
Reversal of impairment loss on		
– other loan receivables	10,980	–
– other receivable	–	70
Others	543	1,316
	<u>17,281</u>	<u>1,577</u>

Note:

The Group successfully applied for funding support from the Employment Support Scheme (“ESS”) and One-off Relief Grant for Private Schools Offering Non-formal Curriculum (“Grant for PSNFCs”) under the Anti-epidemic Fund set up by the Hong Kong Special Administrative Region Government.

The purpose of the ESS is to provide financial support to employers to retain employees who may otherwise be made redundant. Under the terms of the grant, the Group is required not to implement redundancies during the subsidy period and to spend all the funding on paying wages to their employees.

The Grant for PSNFCs is provided as a relief measure as the classes of the Group have been suspended due to coronavirus disease 2019. The Group is required to use the Grant for PSNFCs for expenses in school operation and be responsible for ensuring its effective use.

6. FINANCE COSTS

	For the six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other borrowings	120	310
Interest on lease liabilities	466	1,073
	<u>586</u>	<u>1,383</u>

7. PROFIT (LOSS) BEFORE TAX

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

	For the six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' emoluments	407	716
Other staff costs	11,328	22,948
Other staff's retirement benefit scheme contributions	505	982
	<u>12,240</u>	<u>24,646</u>
Total staff costs		
Legal and professional fee	1,480	1,086
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	926	4,546
Related expenses for copiers	10	1,123
Other daily operation related expenses	2,111	5,844
	<u>4,527</u>	<u>12,599</u>
Total other operating expenses		
(Reversal of) provision for long service payments	(120)	41

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.

Lease payments represent the minimum lease payments paid or payable to lessors which are independent third parties.

8. INCOME TAX

	For the six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Provision for the period	–	–
Deferred tax	(16)	(16)
Total income tax credit recognised in profit or loss	<u>(16)</u>	<u>(16)</u>

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

9. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
(Profit (loss) for the period attributable to owners of the Company)	<u>3,732</u>	<u>(35,321)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>573,060,010</u>	<u>547,570,880</u>

No adjustment has been made in calculating the diluted earnings (loss) per share amount presented for the six months ended 31 December 2020 and 2019 as there were no dilutive potential ordinary shares in issue during both periods.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2020 (2019: nil).

11. TRADE AND OTHER RECEIVABLES

	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Accrued revenue and trade receivables	450	665
Rental deposits	3,035	3,293
Other deposits	396	346
Prepayments	454	945
Other receivables	7,439	13,827
Less: Impairment loss on other receivables, net	(4,395)	(4,395)
	7,379	14,681
Less: Rental deposits (shown under non-current assets)	(1,874)	(1,902)
Trade and other receivables (shown under current assets)	<u>5,505</u>	<u>12,779</u>

(a) Ageing analysis

The following is an ageing 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 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Accrued revenue not yet billed	214	473
Trade receivables:		
1 to 30 days	182	144
31 to 60 days	33	37
61 to 90 days	13	3
More than 90 days	8	8
	<u>450</u>	<u>665</u>

Trade receivables are usually due within 30 days (30 June 2020: within 30 days) from the date of billing.

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are not impaired is as follows:

	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Neither past due nor impaired	<u>215</u>	<u>502</u>
1 to 30 days past due	181	123
31 to 60 days past due	33	29
61 to 90 days past due	13	3
More than 90 days past due	<u>8</u>	<u>8</u>
Amounts past due	<u>235</u>	<u>163</u>
	<u>450</u>	<u>665</u>

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 31 December 2020, 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

	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Loan receivables	64,929	42,824
Less: Impairment loss	<u>(6,574)</u>	<u>(6,574)</u>
	<u>58,355</u>	<u>36,250</u>

Loan receivables represent outstanding principals and interest arising from the money lending business of the Group.

As at 31 December 2020, all of the loan receivables are with a maturity date within the next twelve months and interest-bearing at fixed rates mutually agreed between the contracting parties, ranging from 10% to 12% (30 June 2020: 9% to 10.5%) per annum. As at 31 December 2020, a loan receivable of HK\$23.25 million was secured by pledging of certain assets by the borrower (30 June 2020: 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.

Other than a loan receivable with outstanding principal and interest as at 30 June 2020 in an aggregate amount of approximately HK\$6,574,000 which had been past due and impaired during the year ended 30 June 2020 with a maturity date in March 2020, all other loan receivables were neither past due nor impaired as at 30 June 2020.

13. OTHER PAYABLES AND ACCRUALS

	31 December 2020 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Other payables	2,913	8,778
Accrued tutor contractor fee, salary and other accruals	4,170	6,692
	<u>7,083</u>	<u>15,470</u>

14. OTHER BORROWINGS

As at 31 December 2020, the Group had no outstanding other borrowings (30 June 2020: other borrowings from independent third parties were unsecured, repayable within one year and carried a fixed interest rate at 12% per annum).

During the Period, other borrowings from independent third parties in an aggregate principal amount of HK\$7.80 million and accrued interest have been fully repaid by the Group on 17 August 2020.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.05 each		
At 1 July 2019, 30 June 2020 and 31 December 2020	6,000,000,000	300,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.05 each		
At 1 July 2019 (Audited) and 30 June 2020 (Audited)	547,570,880	27,379
Issue of shares upon placing on 14 August 2020	33,500,000	1,675
At 31 December 2020 (Unaudited)	<u>581,070,880</u>	<u>29,054</u>

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

16. 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.

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 31 December 2020				
Financial assets at FVOCI				
– Unlisted equity interest	–	–	12,429	12,429
Financial assets at FVPL				
– Listed equity securities excluding suspended shares	16,295	–	–	16,295
– Suspended shares	–	–	29,396	29,396
	<u>16,295</u>	<u>–</u>	<u>41,825</u>	<u>58,120</u>
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000

As at 30 June 2020				
Financial assets at FVOCI				
– Unlisted equity interest	–	–	12,429	12,429
Financial assets at FVPL				
– Listed equity securities excluding suspended shares	18,227	–	–	18,227
– Suspended shares	–	–	30,321	30,321
	<u>18,227</u>	<u>–</u>	<u>42,750</u>	<u>60,977</u>

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

Reconciliation of Level 3 fair value measurements

	Financial assets at FVPL HK\$'000	Financial assets at FVOCI HK\$'000
At 1 July 2019	39,605	15,422
Redemption	(7,900)	–
Change in fair value recognised in profit or loss (included in change in fair value of financial assets at FVPL)	(1,384)	–
Change in fair value recognised in other comprehensive income (included in fair value reserve (non-recycling))	–	(2,993)
At 1 July 2020	30,321	12,429
Change in fair value recognised in profit or loss (included in change in fair value of financial assets at FVPL)	(925)	–
At 31 December 2020	29,396	12,429

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 30 June 2020.

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 cost or amortised cost in the condensed consolidated financial statements approximate their fair values as at 31 December 2020 and 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Provision of private educational services

Secondary Tutoring Services

With the outbreak of coronavirus disease 2019 (“**COVID-19**”) since late January 2020, all businesses in Hong Kong have been significantly affected and education is one of the business sectors being seriously hit. In the first few months of the academic year of 2020/2021, the resumption of physical class in late September 2020 and re-suspension in early December 2020 imposed by the Education Bureau (“**EDB**”) had negative impact on the scheduling of class. During the Period, there were only 67 days counting from 1 July 2020 available for students to participate in face-to-face lessons due to such class suspension. The implementation of the online learning mode is a measure to assist students to continue learning despite suspension of class. However, the entire economic activities and performance were shrinking, which led to families becoming more cautious in spending on online learning.

During the Period, revenue recorded from secondary tutoring services segment was approximately HK\$1.02 million, representing a substantial decrease of approximately 94.93% compared to the corresponding period in 2019. The ratio of number of course enrolments of online class to physical class was around 80:20 during the Period.

After downsizing of the scale of operation in the first half of 2020, 1 learning centre was operated by the Group under the brand of “Modern Education (現代教育)” as at 31 December 2020. The Group has been making its effort in utilizing the internal resources and collaborating with business operators for expanding the market penetration on including but not limited to more locations for provision of physical class, tutors and upgrading information technology solutions with an objective to improve the quality of learning for students and cater to the market needs.

English Language Training and Test Preparation Courses

The make-up classes of the English language training and test preparation courses for the International English Language Testing System (IELTS) and Test of English for International Communication (TOEIC) were resumed in June 2020 after suspension in January 2020. However, the recurrent outbreak of COVID-19 led to face-to-face teaching classes re-suspension and brought unfavorable effect on course enrolment. It was uncertain when the COVID-19 pandemic would end, the Group considered course suspension during the Period after completion of the remaining classes. During the Period, the Group recorded revenue from the English language training and test preparation courses of approximately HK\$63,000 (2019: approximately HK\$1.63 million).

Primary Tutoring Services, Skill Courses and Test Preparation Courses

Since the outbreak of COVID-19 in early 2020, the EDB announced the suspension of schools in late January 2020, which resumed in June 2020 while the social distancing measures remained in force. During the Period, the Group provided physical classes when the situation allowed and moved some classes online to meet different needs under the impact of COVID-19. The Group has made every endeavour to provide quality services to students and helped students catch up with the study progress in the difficult time where the operation of formal school has been seriously affected. Unfortunately, in early December 2020, the fourth wave of COVID-19 came and face-to-face teaching classes of tutorial centre were disallowed again. The business of the provision of primary tutoring services suffered from negative impact due to the continuous COVID-19 pandemic.

During the Period, the number of course enrolments recorded from directly-owned education centres dropped to approximately 5,500 (2019: approximately 7,400), as a result, revenue of the primary tutoring segment has shrunk. Revenue generated from directly-owned education centres was approximately HK\$7.70 million, representing a decrease of approximately 25.88% as compared with approximately HK\$10.39 million recorded for the corresponding period in 2019. Revenue contributed from franchised centres to the Group decreased to approximately HK\$1.79 million (2019: approximately HK\$3.25 million), representing a decrease of approximately 44.80% as compared to the last corresponding period.

As at 31 December 2020, the Group had 7 directly-owned education centres and 34 franchised centres operating under the brand of “Modern Bachelor Education (現代小學士)”. The Group adopted a prudent view for business development under the persistence of the COVID-19 pandemic and will formulate appropriate strategy for resource allocation in the year of 2021.

Dance Tuition Services

Under the impact of COVID-19 throughout 2020, social distancing measures were imposed by the Hong Kong Government and a significant number of face-to-face dance tutorial classes were temporarily suspended or rescheduled. After downsizing of the scale of operation in the first half of 2020, the Group continued to provide physical dance classes and progressively transformed some classes into an online learning mode together with remote instruction lessons to assist students to overcome the suspension or rescheduling of physical classes. During the Period and as at 31 December 2020, 1 dance college was operated by the Group under the brand of Shelly Lo Jazz and Ballet School. The Group have kept on making the best effort to deliver quality services to students, enlighten them to keep pace with the progress and develop some new courses such as K-pop and rhythmic gymnastics to meet the market needs.

However, the fluctuating number of confirmed COVID-19 cases in the second half of 2020 led to economic downturn, which gave way to families becoming more cautious in their spending pattern and they have been monitoring their spending on the remote mode of learning on a prudent basis. During the Period, the Group recorded revenue from dance tuition services of approximately HK\$0.74 million, representing a decrease of approximately 91.95% as compared to the corresponding period in 2019.

The Group will continue to allocate appropriate level of resources to its online teaching and keep ahead of the dynamic market in delivering various dance services. Moreover, the Group will strive to collaborate with distinct business operators for expanding the market penetration.

Investments

Assets Investments

Financial assets at FVPL

During the Period, the Group adopted a prudent investment strategy since the economic environment in Hong Kong and other external factors led to the Hong Kong stock market becoming unstable. The Group acquired listed securities in 6 listed companies in Hong Kong and disposed of 3 listed securities in its investment portfolio. The Group recorded a loss on change in fair value of financial assets at FVPL of approximately HK\$2.65 million during the Period (as detailed below). As at 31 December 2020, the Group had financial assets at FVPL of approximately HK\$45.69 million.

Details of the significant investments in the portfolio under financial assets at FVPL with a value of 5% or more of the Group's unaudited total assets as at 31 December 2020 are as follows:

Description of investments	Principal businesses	Number of shares held	Percentage held to the total issued share capital of the company (approximately)	Investment cost HK\$'000	Fair value as at 31 December 2020 HK\$'000	Percentage to the Group's unaudited total assets as at 31 December 2020 (approximately)
Significant investment						
Convoy Global Holdings Limited ("Convoy") (stock code: 1019)	Financial advisory business, money lending business, proprietary investment business, asset management business and securities dealing business.	348,904,000	2.34%	122,116	29,396	18.03%
Other investments						
Other listed shares*	–	–	–	38,194	16,295	10.00%
Grand total for financial assets at FVPL				<u>160,310</u>	<u>45,691</u>	<u>28.03%</u>

* Other listed shares included the shares of 6 companies which are listed on the Main Board of the Stock Exchange and the shares of 5 companies which are listed on GEM of the Stock Exchange. Each of the investments included in the other listed shares does not exceed 5% of the Group's unaudited total assets as at 31 December 2020.

Details of the change in fair value of financial assets at FVPL during the Period are as follows:

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)	–	(925)
Other listed shares*	<u>94</u>	<u>(1,815)</u>
Grand total	<u><u>94</u></u>	<u><u>(2,740)</u></u>

* Other listed shares included the shares of 9 companies which are listed on the Main Board of the Stock Exchange and the shares of 5 companies which are listed on GEM of the Stock Exchange.

Financial assets at FVOCI

The Group also held significant investment under financial assets at FVOCI with a value of 5% or more of the Group's unaudited total assets as at 31 December 2020 as below:

Description of investment	Principal businesses	Number of shares held	Percentage held in the total issued share capital of Gransing (approximately)	Investment cost HK\$'000	Carrying amount as at 31 December 2020 HK\$'000	Percentage to the Group's unaudited total assets as at 31 December 2020 (approximately)
Gransing Financial Group Limited ("Gransing"), 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	8.41%	30,831	12,429	7.63%

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. According to the announcement of Convoy dated 1 November 2020, the Listing Committee of the Stock Exchange decided to cancel Convoy's listing under Rule 6.01A of the Listing Rules on 28 May 2020 ("**Delisting Decision**"). Convoy made a written request to the Listing Committee for a review of the Delisting Decision and the date of the review hearing has not been fixed. The announcements of Convoy's financial results for the three years ended 31 December 2017, 2018 and 2019 had been published on 18 February 2021. Pursuant to Convoy's final results announcement for the year ended 31 December 2019, Convoy recorded revenue of approximately HK\$957.71 million and loss before tax of approximately HK\$537.83 million in the year 2019.

During the Period, it was noted that there were a number of changes in the directorship of Convoy and a number of litigations in relation to shareholders' disputes. The Directors would continue to closely monitor the development of the proposed offers, shareholders' disputes and the recent situation of Convoy and would formulate appropriate strategies to protect the interest of the Group.

(2) Gransing

Based on the management account of Gransing and its subsidiaries (“**Gransing Group**”) for the ten months ended 31 October 2020 made available from the management of Gransing (“**Gransing Management**”), the Directors noted that Gransing Group recorded a decrease in revenue in the period of 2020 by around 40% as compared to that in the period of 2019. An explanation given by the Gransing Management is that, under the impact of COVID-19 and the unstable stock market conditions in Hong Kong during the year of 2020, the overall performance of Gransing Group had been negatively affected. However, certain promotion activities had been carried out for securities dealing services to attract more potential clients and to enlarge the client base. In 2021, Gransing Group will continue to focus on its existing businesses by formulating appropriate business strategies to cope with the COVID-19 impacts. The Directors would keep monitoring the business development of Gransing Group to protect the interest of the Group.

Other Investment – Early Education

Full Profit Hong Kong Development Limited (“**Full Profit**”), a joint venture of the Group, continued to provide management and consultancy services in early education sector. In the beginning of the academic year of 2020/2021, all kindergartens in Hong Kong gradually resumed in late September 2020, while the social distancing measures limited the number of students on campus under the impact of COVID-19. The business environment of Full Profit is hard. Due to health concerns, some Shenzhen-Hong Kong cross-boundary students may prefer not to return to school in Hong Kong. Also, the number of students dropped due to the prolonged suspension of school in the academic year of 2019/2020. The drop of the actual number of students enrolled in kindergartens indirectly impacted the income of Full Profit. During the Period, Full Profit recorded a significant decrease in profit by around 90% as compared to the last corresponding period. The Group continued to work closely with the joint venture partner and monitor the situation in order to minimize the potential loss of Full Profit.

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\$2.34 million (2019: approximately HK\$1.97 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 2020 was approximately HK\$55.25 million (30 June 2020: approximately HK\$33.85 million).

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$13.65 million for the Period, representing a decrease of approximately 70.63% as compared with approximately HK\$46.49 million recorded for the corresponding period in 2019.

Revenue generated from the segment of provision of private educational services is as below:

- Secondary tutoring services: a significant drop in revenue to approximately HK\$1.02 million, representing a decrease of approximately 94.93% as compared to approximately HK\$20.06 million recorded in the corresponding period in 2019.
- English language training and test preparation courses: a significant drop in revenue to approximately HK\$63,000, representing a decrease of approximately 96.14% as compared to approximately HK\$1.63 million recorded in the corresponding period in 2019.
- Primary tutoring services, skill courses and test preparation course (including franchising income): a decrease in revenue to approximately HK\$9.50 million, representing a decrease of approximately 30.38% as compared to approximately HK\$13.64 million recorded in the corresponding period in 2019.
- Dance tuition services: a significant drop in revenue to approximately HK\$0.74 million, representing a decrease of approximately 91.95% as compared to approximately HK\$9.18 million recorded in the corresponding period in 2019.

During the Period, the Group recorded loan interest income from money lending business of approximately HK\$2.34 million (2019: approximately HK\$1.97 million), representing an increase of approximately 18.59% as compared to the last corresponding period.

Other income, gains and losses, net

For the Period, the Group's other income, gains and losses recorded net gain of approximately HK\$17.28 million (2019: net gain of approximately HK\$1.58 million). Such increase was mainly due to the reversal of impairment loss on other loan receivables of approximately HK\$10.98 million and the government grants under the Anti-epidemic Fund set up by the Hong Kong Government of approximately HK\$5.93 million recorded for the Period.

Staff costs

The Group's staff costs decreased by approximately HK\$12.41 million or approximately 50.34% compared with the corresponding period in 2019, which was resulted from downsizing of business units in secondary tutoring services and dance tuition services since the first half of 2020.

Tutor contractor fee

The Group's tutor contractor fee decreased by approximately HK\$7.43 million or approximately 87.53% compared with the corresponding period in 2019. Such decrease was in line with the decline in revenue derived from secondary tutoring services.

Marketing expenses

The Group's marketing expenses decreased by approximately HK\$1.68 million or approximately 81.07% compared with the corresponding period in 2019. Such decrease was mainly due to the reduction in various marketing activities during the Period.

Other operating expenses

The Group's other operating expenses ("Other Operating Expenses") were daily operation related and were mainly comprised of the following:

	<i>HK\$'000</i> <i>(approximately)</i>
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	926
Legal and professional fee	1,480
Printing and stationery	302
Other daily operation related expenses*	<u>1,819</u>
Total	<u><u>4,527</u></u>

* *Other daily operation related expenses mainly consisted of consulting fee, postage and courier fees, telephone and fax charges, other interest expenses, business registration and licence fee, cleaning charges, computer charges and sundry expenses.*

For the Period, the Other Operating Expenses decreased by approximately HK\$8.07 million or approximately 64.07% compared with the corresponding period in 2019. Various operating expenses, including but not limited to rental related fees and charges, related expenses for copiers, sales commission, related expenses for dance services, electricity and water charges, other interest charges decreased by approximately HK\$6.95 million in total. On the other hand, legal and professional fee increased by approximately HK\$0.39 million.

Finance costs

The Group recorded finance costs of approximately HK\$0.59 million during the Period (2019: approximately HK\$1.38 million), in which approximately HK\$0.12 million were interest incurred on other borrowings and approximately HK\$0.47 million were the finance costs recognised on lease liabilities.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was approximately HK\$3.73 million (2019: loss of approximately HK\$35.32 million). Earnings per share was HK\$0.01 for the Period (2019: loss per share of HK\$0.06). Such turnaround was mainly attributable to (i) the reversal of impairment loss on other loan receivables of approximately HK\$10.98 million; (ii) the decrease in loss arising on fair value of FVPL to approximately HK\$2.65 million (2019: loss of approximately HK\$9.40 million); and (iii) the decrease in segmental loss from provision of private educational services.

OUTLOOK

Under the impact of COVID-19 throughout 2020, the industry of private education has encountered unprecedented transformation due to suspension of physical classes and economic downturn. To a certain extent, the market could only resume to pre-COVID-19 level when the spread of COVID-19 can be under control.

Prior to the recovery of economy or industry, the Group is determined to exploit its resources and to seek the best endeavours for maintaining business growth in this unprecedented market environment. Given the dynamic change of market, the Group will keep on communicating with tutors in relation to various dimensions of cooperation to facilitate the market demand. Furthermore, there will be more room to identify the areas or opportunities that are yet to be developed. It is possible to work out the solutions that may break through the traditional limitations of teaching and learning including but not limited to geographic, physical presence and time boundary for education business. In addition to the abovementioned potential developments, the Group will review and consider opportunities for merger and acquisition which is education-related in the market so as to increase our market share and enlarge revenue 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 2020, the Group's total balance of cash and cash equivalents amounted to approximately HK\$18.33 million (30 June 2020: approximately HK\$5.44 million), of which 99.59% is held in Hong Kong dollars and 0.41% is held in Renminbi. Current ratio (defined as total current assets divided by total current liabilities) was 7.77 times (30 June 2020: 2.99 times).

As at 31 December 2020, the Group had no outstanding other borrowings from independent third parties.

As at 31 December 2020, the gearing ratio of the Group was 13.39% (30 June 2020: 28.20%). 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).

FUND RAISING ACTIVITIES

On 27 July 2020, in order to strengthen the financial position of the Group and provide working capital to the Group to meet its future development and obligations, the Company and Orient Securities Limited (“**Placing Agent**”) entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavor basis, up to 33,500,000 ordinary shares of the Company to be allotted and issued pursuant to the terms and conditions of the placing agreement at a price of HK\$0.90 per share, which represented a discount of approximately 8.16% to the closing market price of the shares of the Company on 27 July 2020 (i.e. HK\$0.98 per share), under a general mandate granted to the Directors at the annual general meeting (“**AGM**”) of the Company held on 10 December 2019 (“**Placing**”). The Placing was completed on 14 August 2020 and an aggregate of 33,500,000 shares were placed to not less than six placees, being individual(s), corporate(s), institutional investor(s) or other investor(s) procured by or on behalf of the Placing Agent, and who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, at a price of HK\$0.90 per share. The aggregate nominal value of the placed shares was HK\$1,675,000. The net proceeds from the Placing were approximately HK\$29.40 million (representing a net issue price of approximately HK\$0.88 per share, after deduction of commission and other expenses of the Placing). The actual use of the net proceeds from the Placing are as follows:

Intended use of net proceeds	Actual use of net proceeds as at 31 December 2020
(i) approximately HK\$7.80 million for repayment of other borrowings	Fully utilised as intended
(ii) approximately HK\$12.00 million for the operation of the private educational services segment	<p>Approximately HK\$10.71 million was utilised as intended as below:</p> <p>(a) Secondary tutoring services: approximately HK\$6.70 million;</p> <p>(b) Primary tutoring services: approximately HK\$2.94 million; and</p> <p>(c) Dance tuition services: approximately HK\$1.07 million.</p>
(iii) approximately HK\$9.60 million as general working capital of the Group	Approximately HK\$4.28 million was utilised as general working capital for segments other than the educational services of the Group.

As at 31 December 2020, the net proceeds from the Placing of approximately HK\$6.61 million which had not been utilised is expected to be utilised by the Group as planned by end of June 2021.

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 2020, the Group had a total of 127 employees (30 June 2020: 136 employees). They receive competitive remuneration packages that are constantly monitored with reference to the market circumstances, which include incentives such as discretionary bonuses based on the Group's and individual performance. The Group provides a comprehensive benefits package and career development opportunities. In-house and external training programmes are provided as and when required.

Pursuant to the share option scheme adopted by the Company at the AGM held on 4 December 2020 and effective from 8 December 2020 ("**Effective Date**") and the previous share option scheme of the Company adopted pursuant to an ordinary resolution passed on 11 June 2011 and terminated with effect from the Effective Date (collectively as "**Share Option Schemes**"), the Board may grant options to eligible persons under each of the Share Option Schemes, including employees and Directors, to subscribe for shares of the Company. During the Period, no share options have been granted by the Company under each of the Share Option Schemes.

CONTINGENT LIABILITIES

As at 31 December 2020 and 30 June 2020, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2020 and 30 June 2020, there was no capital expenditure contracted for but not provided in the condensed 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 31 December 2020 and 30 June 2020.

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 no material acquisitions or disposals of subsidiaries, associates and joint ventures.

ADVANCE TO AN ENTITY

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.

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 in the amount of HK\$43 million (“**Balance Payment**”) to Rosy Lane in three instalments 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.

On 31 August 2019, Mr. Wong settled the first instalment of the Balance Payment in the amount of HK\$15 million. In September and October 2020, Mr. Wong further settled the remaining instalments of the Balance Payment in the amount of HK\$15 million and HK\$5 million respectively. As at 31 December 2020, the balance of HK\$8 million and interest accrued was still outstanding, which did not exceed 8% of the unaudited total assets of the Group as at 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2020, 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 Listing Rules as the code of conduct regarding securities transactions by the Directors (“**Code of Conduct**”). 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 and the Code of Conduct 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 (“**CG Code**”) as its own corporate governance code. During the Period, the Company has complied with all the provisions of the CG Code and the Listing Rules except the deviations mentioned in the following paragraphs.

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 of the CG Code, as the Company has not been able to identify suitable candidates for the positions.

Code Provision A.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. Currently, the Company does not have insurance cover for legal action against the Directors. However, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices pursuant to the bye-laws of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable and that benefits to be derived from taking out insurance may not outweigh the cost.

LITIGATION

- (1) On 19 December 2017, Fastek Investments Limited ("**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 subsidiaries of Convoy ("**Plaintiffs**") to claim an order against Fastek, as one of the placees under the placing of shares of Convoy ("**Convoy Shares**") 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, (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 had yet to be officially filed in the CFI 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 and the re-amended statement of claim on 16 July 2019.

The Plaintiffs filed and served their reply to Fastek’s defence filed on 18 October 2018 on 13 February 2020.

Thereafter, the Plaintiffs filed their re-re-amended statement of claim on 27 July 2020 pursuant to the order of Mr. Justice Harris granted in the hearing of the striking out application taken out by the 26th defendant on 9 January 2020.

- (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 of the litigation 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.

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 Company has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the Period and discussed internal controls and financial reporting matters of the Group for the Period.

By order of the Board
Hong Kong Education (Int'l) Investments Limited
Tsang Ka Wai
Executive Director

Hong Kong, 24 February 2021

As at the date of this announcement, the executive Directors are 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.