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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 2021

FINANCIAL HIGHLIGHTS

For the year ended 30 June 2021:

- The Group recorded revenue of approximately HK\$43.30 million, representing a decrease of approximately 35.61% as compared to approximately HK\$67.24 million for the last financial year.
- The Group recorded a profit attributable to owners of the Company of approximately HK\$3.62 million (2020: loss of approximately HK\$107.19 million).

As at 30 June 2021:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 6.27 times and a 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)) of 13.35%.

The Board does not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: HK\$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 2021, together with the comparative audited figures for the corresponding year ended 30 June 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	<i>NOTES</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue			
– Provision of private educational services		22,886	63,191
– Interest income from money lending		4,924	4,052
– Trading and services income from VR and digital entertainment		15,491	–
		<hr/>	<hr/>
	<i>4</i>	43,301	67,243
Change in inventories of finished goods	<i>7</i>	(14,604)	–
Other income, gains and losses, net	<i>5</i>	2,314	(42,656)
Staff costs	<i>7</i>	(24,233)	(41,097)
Tutor contractor fee	<i>7</i>	(2,043)	(12,608)
Lease payments		(599)	(25,550)
Marketing expenses		(620)	(2,504)
Printing costs		(604)	(733)
Depreciation and amortisation		(8,427)	(13,159)
Change in fair value of financial assets at fair value through profit or loss		20,308	(10,752)
Other operating expenses	<i>7</i>	(8,707)	(23,200)
Finance costs	<i>6</i>	(1,175)	(1,518)
Share of results of a joint venture		(1,086)	(726)
		<hr/>	<hr/>
Profit (loss) before tax	<i>7</i>	3,825	(107,260)
Income tax (expense) credit	<i>8</i>	(65)	53
		<hr/>	<hr/>
Profit (loss) for the year		3,760	(107,207)

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income (expense), net of income tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes on movements in equity instruments at fair value through other comprehensive income		5,814	(2,993)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>2</u>	<u>(8)</u>
Other comprehensive income (expense) for the year, net of income tax		<u>5,816</u>	<u>(3,001)</u>
Total comprehensive income (expense) for the year		<u>9,576</u>	<u>(110,208)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		3,617	(107,194)
Non-controlling interests		<u>143</u>	<u>(13)</u>
		<u>3,760</u>	<u>(107,207)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		9,433	(110,195)
Non-controlling interests		<u>143</u>	<u>(13)</u>
		<u>9,576</u>	<u>(110,208)</u>
Earnings (loss) per share	<i>9</i>		
– Basic (<i>HK\$</i>)		<u>0.01</u>	<u>(0.20)</u>
– Diluted (<i>HK\$</i>)		<u>0.01</u>	<u>(0.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,140	4,786
Right-of-use assets		6,781	6,886
Goodwill		22,671	5,170
Other intangible assets		–	99
Interest in an associate		–	–
Interest in a joint venture		2,039	3,325
Financial assets at fair value through other comprehensive income		18,243	12,429
Non-current deposits		1,854	1,902
		53,728	34,597
Current assets			
Inventories		238	–
Trade and other receivables	11	43,289	12,779
Other loan receivables		–	12,000
Loan receivables	12	23,416	36,250
Current tax assets		–	72
Amount due from an associate		793	793
Financial assets at fair value through profit or loss	13	34,458	48,548
Bank balances and cash		38,100	5,437
		140,294	115,879
Current liabilities			
Trade and other payables	14	10,768	15,470
Contract liabilities		5,992	5,790
Lease liabilities		4,554	4,247
Current tax liabilities		81	25
Amounts due to related parties		977	5,368
Other borrowings		–	7,816
		22,372	38,716

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net current assets		<u>117,922</u>	<u>77,163</u>
Total assets less current liabilities		<u>171,650</u>	<u>111,760</u>
Non-current liabilities			
Deferred tax liabilities		88	104
Lease liabilities		3,049	3,044
Provision for long service payments		<u>533</u>	<u>663</u>
		<u>3,670</u>	<u>3,811</u>
Net assets		<u>167,980</u>	<u>107,949</u>
Capital and reserves			
Share capital	<i>15</i>	29,822	27,379
Reserves		<u>137,774</u>	<u>80,485</u>
Equity attributable to owners of the Company		167,596	107,864
Non-controlling interests		<u>384</u>	<u>85</u>
Total equity		<u>167,980</u>	<u>107,949</u>

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 its principal place of business in Hong Kong is located at Room 1003A, 10th Floor, 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, money lending business and trading of VR and gaming products and provision of related services.

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**”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
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 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.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

Amendments to HKFRS 16 COVID-19-Related Rent Concessions, effective for annual periods beginning on or after 1 June 2020, provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying Amendments to HKFRS 16 for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. During the year, all of the COVID-19-related rent concessions amounted to approximately HK\$133,000 has been credited to profit or loss.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020.

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:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ³
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments ³
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous contracts – Cost of fulfilling a Contract ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
HKFRS 17	Insurance Contract ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

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

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ 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.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the disclosure requirements of Companies Ordinance (Chapter 622 of the laws of Hong Kong).

4. REVENUE AND SEGMENT INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports prepared in accordance with the accounting policies conform to HKFRSs, that are regularly reviewed by the executive Directors, being the chief operating decision maker ("**CODM**") of the Group, in order to allocate resources to segments and to assess their performances.

The Group's operations have been organised based on four operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving 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, dance tuition services and STEAM education services
- Investments in securities – trading of securities
- Money lending – providing loans as money lender
- VR and digital entertainment – trading of VR and gaming products and provision of related services

(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 2021

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	VR and digital entertainment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Disaggregated by timing of revenue recognition					
Over time	22,760	-	4,924	245	27,929
Point in time	126	-	-	15,246	15,372
	<u>22,886</u>	<u>-</u>	<u>4,924</u>	<u>15,491</u>	<u>43,301</u>
Segment revenue (revenue from external customers)	<u>22,886</u>	<u>-</u>	<u>4,924</u>	<u>15,491</u>	<u>43,301</u>
Segment results	<u>(10,580)</u>	<u>19,733</u>	<u>(7,885)</u>	<u>404</u>	1,672
Interest on other borrowings					(120)
Share of results of a joint venture					(1,086)
Reversal of impairment loss on other loan receivable					10,000
Unallocated corporate income					725
Unallocated corporate expenses					<u>(7,366)</u>
Profit before tax					<u>3,825</u>

For the year ended 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>	VR and digital entertainment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Disaggregated by timing of revenue recognition					
Over time	62,765	–	4,052	–	66,817
Point in time	<u>426</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>426</u>
Segment revenue (revenue from external customers)	<u>63,191</u>	<u>–</u>	<u>4,052</u>	<u>–</u>	<u>67,243</u>
Segment results	<u>(61,121)</u>	<u>(10,681)</u>	<u>(2,586)</u>	<u>–</u>	<u>(74,388)</u>
Interest on other borrowings					(626)
Share of results of a joint venture					(726)
Unallocated corporate income					1,117
Unallocated corporate expenses					<u>(32,637)</u>
Loss before tax					<u>(107,260)</u>

The CODM assesses segment results using a measure of operating profit (loss) 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, reversal of impairment loss on other loan receivable, 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 2021

	Provision of private educational services <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	VR and digital entertainment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets					
Segment assets	<u>15,490</u>	<u>34,622</u>	<u>23,883</u>	<u>25,690</u>	99,685
Unallocated assets					
Bank balances and cash					37,642
Interest in a joint venture					2,039
Financial assets at fair value through other comprehensive income ("FVOCI")					18,243
Other corporate assets					<u>36,413</u>
					<u>194,022</u>
Liabilities					
Segment liabilities	<u>19,349</u>	<u>449</u>	<u>64</u>	<u>4,792</u>	24,654
Unallocated liabilities					
Current tax liabilities					81
Deferred tax liabilities					88
Other corporate liabilities					<u>1,219</u>
					<u>26,042</u>

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>	VR and digital entertainment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets					
Segment assets	<u>25,624</u>	<u>49,171</u>	<u>36,940</u>	<u>–</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>	<u>–</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>	VR and digital entertainment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 30 June 2021						
Capital additions	(588)	-	-	-	-	(588)
Amortisation cost of intangible assets	(99)	-	-	-	-	(99)
Depreciation charge on owned						
property, plant and equipment	(2,085)	(456)	-	-	(70)	(2,611)
Depreciation charge on right-of-use assets	(4,762)	-	-	-	(955)	(5,717)
Reversal of provision for						
long service payments	130	-	-	-	-	130
Change in fair value of financial assets						
at fair value through profit or loss ("FVPL")	-	20,308	-	-	-	20,308
Impairment loss on goodwill	(3,154)	-	-	-	-	(3,154)
Reversal of impairment loss on						
other receivables	-	731	-	-	-	731
Reversal of impairment loss on						
other loan receivables	-	249	-	-	10,000	10,249
Impairment loss on loan receivables	-	-	(12,498)	-	-	(12,498)
Write back of other payables	121	-	-	-	-	121
	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121</u>
For the year ended 30 June 2020						
Capital additions	(209)	(3)	-	-	-	(212)
Amortisation cost of intangible assets	(198)	-	-	-	-	(198)
Depreciation charge on owned						
property, plant and equipment	(7,121)	(463)	-	-	(70)	(7,654)
Depreciation charge on right-of-use assets	(3,940)	-	-	-	(1,367)	(5,307)
Reversal of provision for						
long service payments	109	-	-	-	-	109
Change in fair value of financial assets						
at FVPL	-	(10,752)	-	-	-	(10,752)
Impairment loss on goodwill	(18,673)	-	-	-	-	(18,673)
Reversal of impairment loss						
(impairment loss) on other receivables	2,491	(701)	-	-	(3,050)	(1,260)
Impairment loss on other loan receivables	-	(249)	-	-	(18,000)	(18,249)
Impairment loss on a loan receivable	-	-	(6,574)	-	-	(6,574)
Write off of trade receivables	(2)	-	-	-	-	(2)
Write back of other payables	3,251	-	-	-	-	3,251
	<u>3,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,251</u>

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.

Major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue, is set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	7,869	N/A*
Customer B	<u>5,190</u>	<u>N/A</u>

* The corresponding revenue did not contribute 10% or more of the Group's revenue.

(d) Revenue from major services

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Secondary tutoring services	1,790	28,757
Primary tutoring services, skill courses and test preparation courses	15,698	16,507
Franchising income	3,976	4,769
English language training and test preparation courses	63	2,271
Dance tuition services	1,350	10,887
STEAM education services	9	–
Trading of VR and gaming products and provision of related services	<u>15,491</u>	<u>–</u>
	<u>38,377</u>	<u>63,191</u>
Revenue from other sources		
Loan interest income	<u>4,924</u>	<u>4,052</u>
	<u>43,301</u>	<u>67,243</u>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under those revenue contracts that had an original expected duration of one year or less.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on		
– other loan receivables	92	731
– unlisted convertible bonds	–	105
– bank deposits	–	1
– other interest income	633	280
Government grants (<i>Note</i>)	5,751	978
Supporting services income	8	–
Loss on write off/disposal of property, plant and equipment	(618)	(4,601)
(Impairment loss) reversal of impairment loss on		
– goodwill	(3,154)	(18,673)
– other receivables, net	731	(1,260)
– other loan receivables	10,249	(18,249)
– loan receivables	(12,498)	(6,574)
Write off of trade receivables	–	(2)
Write back of other payables	121	3,251
Write back of amounts due to related parties	195	–
COVID-19-related rent concessions	133	–
Others	671	1,357
	<u>2,314</u>	<u>(42,656)</u>

Note:

The Group successfully applied for funding support from the Employment Support Scheme (“ESS”) and the 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 (“HKSAR”) 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 in light of that the classes of the Group have been suspended since end of January 2020 due to coronavirus disease 2019 (“COVID-19”). 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on other borrowings	120	626
Interest on lease liabilities	1,055	882
Interest expenses to securities companies	–	10
	<u>1,175</u>	<u>1,518</u>

7. PROFIT (LOSS) BEFORE TAX

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments	791	1,229
Other staff costs	22,439	38,195
Other staff's retirement benefit scheme contributions	1,003	1,673
	<u>24,233</u>	<u>41,097</u>
Total staff costs	24,233	41,097
Compensation to landlords due to early termination of leases	–	2,496
Legal and professional fee	2,087	1,423
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	1,510	7,147
Related expenses for copiers	10	1,413
Sales commission	–	466
Other daily operation related expenses	5,100	10,255
	<u>8,707</u>	<u>23,200</u>
Total other operating expenses	8,707	23,200
Auditor's remuneration	680	690
Change in inventories of finished goods	14,604	–
Reversal of provision for long service payments	(130)	(109)
Short-term lease payments not included in the measurement of lease liabilities	599	25,550
COVID-19-related rent concessions	(133)	–
	<u>(133)</u>	<u>–</u>

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.

8. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	81	–
– Over-provision in respect of prior years	–	(20)
The People's Republic of China (“PRC”) Enterprise Income Tax	–	–
	<u>81</u>	<u>(20)</u>
Deferred tax	<u>(16)</u>	<u>(33)</u>
Total income tax expense (credit) recognised in profit or loss	<u><u>65</u></u>	<u><u>(53)</u></u>

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

The provision for the 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 was subject to the PRC Enterprise Income Tax at 25% for both years.

9. EARNINGS (LOSS) PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) for the purpose of basic and diluted earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	<u>3,617</u>	<u>(107,194)</u>
Weighted average number of ordinary shares		
	2021	2020
Issued ordinary shares at 1 July	547,570,880	547,570,880
Effect of shares issued under placing on 14 August 2020	29,461,644	–
Effect of shares issued under placing on 26 May 2021	<u>1,514,959</u>	<u>–</u>
Weighted average number of ordinary shares at 30 June	<u>578,547,483</u>	<u>547,570,880</u>

No adjustment has been made in calculating the diluted earnings (loss) per share amount presented for the years ended 30 June 2021 and 2020 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 2021 (2020: HK\$Nil).

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued revenue and trade receivables	5,514	665
Rental deposits	2,941	3,293
Other deposits	265	346
Prepayments	764	945
Other receivables	39,323	13,827
Less: Impairment loss on other receivables, net	<u>(3,664)</u>	<u>(4,395)</u>
	45,143	14,681
Less: Rental deposits (shown under non-current assets)	<u>(1,854)</u>	<u>(1,902)</u>
Trade and other receivables (shown under current assets)	<u>43,289</u>	<u>12,779</u>

Included in the Group's other receivables, prepayments and deposits were rental deposits and other receivables amounting to approximately HK\$1,854,000 (2020: approximately HK\$1,902,000) and HK\$Nil (2020: approximately HK\$1,234,000) 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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets	333	473
Trade receivables:		
1 to 30 days	4,971	144
31 to 60 days	203	37
61 to 90 days	2	3
More than 90 days	5	8
	<u>5,514</u>	<u>665</u>

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

12. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	42,488	42,824
<i>Less: Impairment loss</i>	<u>(19,072)</u>	<u>(6,574)</u>
	<u>23,416</u>	<u>36,250</u>

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

As at 30 June 2021, all of the loan receivables were entered with the counterparties with maturities before the date of this announcement, unsecured and interest-bearing at fixed rates mutually agreed between the contracting parties, ranging from 10% to 10.5% (2020: 9% to 10.5%) per annum.

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.

Loan receivables with outstanding principal and interest as at 30 June 2021 in aggregate amount of approximately HK\$42,488,000 (2020: approximately HK\$6,574,000) which have been past due and impaired before the date of this announcement and additional impairment loss of approximately HK\$12,498,000 (2020: approximately HK\$6,574,000) was recognised for the year ended 30 June 2021.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	<i>(i)</i>	6,601	18,227
Suspended listed equity securities in Hong Kong, at fair value	<i>(ii),(iii)</i>	1,040	30,321
Unlisted equity securities outside Hong Kong, at fair value	<i>(iii)</i>	26,817	–
		34,458	48,548

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) As at 30 June 2021, the fair value of the suspended listed equity securities represents the equity securities of Beijing Gas Blue Sky Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 6828) (“**BG Blue Sky Shares**”), which was determined by the Directors with reference to valuations carried out by an independent qualified professional valuer. During the year ended 30 June 2021, loss on change in fair value in respect of the BG Blue Sky Shares amounting to approximately HK\$316,000 (2020: HK\$Nil) was recognised in profit or loss.
- (iii) As at 30 June 2020, the fair value of the suspended listed equity securities represents the equity securities of Convoy Global Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1019) (“**Convoy Shares**”), which was determined by the Directors with reference to valuations carried out by an independent qualified professional valuer. On 4 May 2021, Convoy Shares was delisted from the Main Board of the Stock Exchange. During the year ended 30 June 2021, loss on change in fair value in respect of the Convoy Shares amounting to approximately HK\$3,504,000 (2020: approximately HK\$1,487,000) was recognised in profit or loss.

14. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade payables	4,451	–
Other payables	1,285	8,778
Accrued tutor contractor fee, salary and other accruals	5,032	6,692
	10,768	15,470

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	<u>4,451</u>	<u>–</u>

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount <i>HK\$'000</i>
<i>Authorised</i>			
Ordinary shares of HK\$0.05 each			
At 1 July 2019, 30 June 2020 and 30 June 2021		<u>6,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid</i>			
Ordinary shares of HK\$0.05 each			
At 1 July 2019 and 30 June 2020		<u>547,570,880</u>	<u>27,379</u>
Issue of shares upon placing on 14 August 2020	<i>(i)</i>	33,500,000	1,675
Issue of shares upon completion of share transaction on 26 May 2021	<i>(ii)</i>	<u>15,360,000</u>	<u>768</u>
Ordinary shares of HK\$0.05 each			
At 30 June 2021		<u>596,430,880</u>	<u>29,822</u>

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 2021 and 2020.

Notes:

- (i) On 14 August 2020, the Company issued 33,500,000 ordinary shares of HK\$0.05 each pursuant to a placing under general mandate at a price of HK\$0.90 per ordinary share. The net proceeds of approximately HK\$29,400,000 were used as repayment of other borrowings and general working capital of the Group.
- (ii) On 26 May 2021, the Company issued 15,360,000 ordinary shares of HK\$0.05 each under general mandate at a price of HK\$1.25 (closing market price on 26 May 2021: HK\$1.36) per ordinary share, equivalent to the purchase consideration of HK\$19,200,000 (adjusted purchase consideration of approximately HK\$20,890,000), by way of share allotment for the acquisition of UFO Interactive Group Limited and its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong Education (Int'l) Investments Limited (“**Company**”) and its subsidiaries (together with the Company, collectively the “**Group**”) had still been operating in a severe and challenging environment during the year ended 30 June 2021 (“**Year**”). The Group had been facing a continuous decreasing enrolment of secondary school students, declining number of candidates participating in the Hong Kong Diploma of Secondary Education Examination, increasing number of students studying abroad, and a fierce competition in the education industry. Also, the ongoing of coronavirus disease 2019 (“**COVID-19**”) pandemic in Hong Kong seriously affected the progress of resumption of face-to-face classes in our education centres and eventually caused a distinct reduction in course enrolments during the Year.

For the Year, the Group recorded revenue of approximately HK\$43.30 million (2020: approximately HK\$67.24 million), representing a decrease of approximately 35.61% as compared to the last financial year. Profit attributable to owners of the Company for the Year amounted to approximately HK\$3.62 million (2020: loss of approximately HK\$107.19 million), such turnaround was mainly due to the net effect of (a) the reversal of impairment loss on other loan receivables and other receivables of approximately HK\$10.98 million in total; (b) gain on change in fair value of financial assets at fair value through profit or loss (“**FVPL**”) of approximately HK\$20.31 million (2020: loss of approximately HK\$10.75 million); (c) impairment loss on loan receivables of approximately HK\$12.50 million; (d) impairment loss on goodwill of approximately HK\$3.15 million; and (e) the decrease in segmental loss from provision of private educational services by approximately HK\$50.54 million with the adjustment in operation scale and the subsidy from the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”).

BUSINESS REVIEW

Provision of Private Educational Services

Secondary Tutoring Services

For the Year, it was another challenging year for the education industry in Hong Kong. After experiencing a hard time due to class suspension in the first half of 2020, face-to-face classes were resumed in late September 2020 as announced by the Education Bureau of the HKSAR Government (“EDB”). However, face-to-face classes were suspended again in late November 2020 and were resumed in late February 2021 with upper population limit of students to return to a school. In the spirit of “suspending classes without suspending learning (停課不停學)”, online class or other online learning mode has been an alternative way to allow students to keep up with the pace of learning. During the Year and as at 30 June 2021, 1 learning centre was operated by the Group under the brand name of “Modern Education (現代教育)” and the Group offered both physical class and online class to students to meet different needs. The ratio of the number of enrolments of online class to physical class was around 76:24 for the Year. Revenue recorded from secondary tutoring services segment was approximately HK\$1.79 million, representing a substantial decrease of approximately 93.78% compared to the last financial year (2020: approximately HK\$28.76 million).

The COVID-19 pandemic has lasted over a year and may persist for a while. The Group has been seeking market opportunities to deploy its resources with an aim to better serve its students and celebrity tutors. The huge change in the course of the COVID-19 pandemic will bring its business of connecting its students and celebrity tutors into a new era.

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 the Test of English for International Communication (TOEIC) were resumed in late June 2020 after the make-up classes were suspended in January 2020. However, the recurrent outbreaks of the COVID-19 led to suspension of face-to-face classes again by the EDB and negatively affected the enrolment of the courses. It was uncertain when the COVID-19 pandemic would end, and after careful consideration, the Group decided to suspend the courses after completion of the make-up classes in July 2020. Since then, the Group had reallocated resources to other educational segments. During the Year, the Group recorded revenue from the English language training and test preparation courses of approximately HK\$63,000 (2020: approximately HK\$2.27 million). The Group continues to pay attention to the situation and will resume the courses as and when appropriate.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

All ordinary schools in Hong Kong were affected by the recurrent outbreaks of the COVID-19 throughout the Year, including several times of face-to-face class suspension and social distancing measures on campus imposed by the EDB which also applied to tutorial classes. To cope with the difficult times, the Group made every endeavor and formulated appropriate strategies to provide quality primary tutoring services, such as providing online learning support and expanding the capacity of physical classes by a short-term rental of premises. The Group constantly helped primary students catch up with their learning progress under the impact of the COVID-19.

Nevertheless, the Group's primary tutoring services segment suffered from an adverse effect. During the Year, the number of course enrolments recorded from directly-owned education centres was approximately 13,600 (2020: approximately 14,000). Revenue generated from directly-owned education centres was approximately HK\$15.70 million, representing a decrease of approximately 4.90% as compared with approximately HK\$16.51 million for the last financial year. At the same time, it was inevitable that the businesses of our franchise partners were struck by the pandemic. Therefore, revenue contributed from franchised centres to the Group during the Year decreased to approximately HK\$3.98 million (2020: approximately HK\$4.77 million), representing a decrease of approximately 16.63% as compared to the last financial year.

As at 30 June 2021, the Group had 7 directly-owned education centres and 31 franchised centres operating under the brand name of "Modern Bachelor Education (現代小學士)". As at 30 June 2021, there were 6 new franchisees joined the franchisee scheme. The Group will monitor the situation of the pandemic and will always provide our immediate support to the franchise partners to set up the franchised centres which are expected to be operational in the coming financial year.

Dance Tuition Services

Due to the COVID-19 pandemic, the dance college operated by the Group were closed for 105 days in order to comply with the social distancing measures during the Year. Some dance events held in the past such as annual show, public performance and theme park performance were cancelled or postponed, and some dance classes were rescheduled or deferred until the conditions turned stable. Nonetheless, the Group continued to provide quality dance tuition services to students. As dance examinations were approaching, online classes were provided to students when physical classes were not available.

During the Year and as at 30 June 2021, 1 dance college was operated by the Group under the brand name of “Shelly Lo Jazz & Ballet School”. During the Year, the Group recorded revenue from dance tuition services of approximately HK\$1.35 million, representing a significant decrease of approximately 87.60% as compared to approximately HK\$10.89 million recorded in the last financial year.

STEAM Education Services, VR and Digital Entertainment

On 26 May 2021, the Group completed the acquisition of 60% issued share capital of UFO Interactive Group Limited (“UFO”, together with its subsidiaries, “UFO Group”), a company incorporated in the British Virgin Islands. The businesses of the UFO Group include (i) providing equipment, service and content specialising in the virtual reality (“VR”) technology; (ii) providing content and solution in the science, technology, engineering, art and math (“STEAM”) education industry; and (iii) are engaged in the digital entertainment industry. The Group is optimistic about the business development of the UFO Group which enables the Group to expand its business portfolio, diversify its income source and create synergy between its operating segments.

After completion of the acquisition, the UFO Group has generated revenue from (i) trading of VR products and provision of related services of approximately HK\$0.79 million; (ii) the STEAM education services of approximately HK\$9,000; and (iii) trading of gaming products of approximately HK\$14.70 million to the Group during the period from 27 May to 30 June 2021.

Money Lending Business

China Rich Finance Limited, an indirect wholly-owned subsidiary of the Group, is a holder of the money lender’s license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (“**Money Lenders Ordinance**”). 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\$4.92 million (2020: approximately HK\$4.05 million) from loans granted to both corporate and individual clients. The outstanding principal amount of loan receivables as at 30 June 2021 before certain impairment was approximately HK\$38.40 million (2020: approximately HK\$40.25 million). Loan receivables of approximately HK\$12.50 million have been impaired during the Year.

Investments

Assets Investments

Financial assets at FVPL

During the Year, the Group continued to participate in the stock market for securities trading, especially in the first half of 2021. The Group acquired listed securities in 9 listed companies in Hong Kong and disposed listed securities in 9 listed companies in its investment portfolio during the Year. The stock market in Hong Kong was soaring and the Heng Seng Index recorded an increase from 25,124.19 points on 2 July 2020 to 28,827.95 points on 30 June 2021. As at 30 June 2021, the Group had financial assets at FVPL with a fair value of approximately HK\$34.46 million and recorded a gain on change in fair value of financial assets at FVPL of approximately HK\$20.31 million for the Year.

Details of the significant investments and other investments in the portfolio under financial assets at FVPL with a value of 5% or more of the Group's audited total assets as at 30 June 2021 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 30 June 2021 HK\$'000	Percentage to the Group's audited total assets as at 30 June 2021 (approximately)
Significant investment						
Convoy Global Holdings Limited ("Convoy"), incorporated in the Cayman Islands	Financial advisory business, money lending business, proprietary investment business, asset management business and securities dealing business.	348,904,000	2.34%	122,116	26,817	13.82%
Other investments						
Listed shares*	-	-	-	26,609	7,641	3.94%
Grand total for financial assets at FVPL				148,725	34,458	17.76%

* Listed shares included the shares of 2 companies which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the shares of 6 companies which are listed on GEM of the Stock Exchange. Each of the investments included in the listed shares does not exceed 5% of the Group's audited total assets as at 30 June 2021.

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

Description of investments (stock code)	Net realised fair value gain for the Year <i>HK\$'000</i>	Net unrealised fair value loss for the Year <i>HK\$'000</i>
Hong Kong Aerospace Technology Group Limited (1725) (formerly known as Eternity Technology Holdings Limited)	24,696	–
Convoy	–	(3,504)
Listed shares*	<u>5,040</u>	<u>(5,924)</u>
Grand total	<u><u>29,736</u></u>	<u><u>(9,428)</u></u>

* *Listed shares included the shares of 8 companies which are listed on the Main Board of the Stock Exchange and the shares of 6 companies which are listed on GEM of the Stock Exchange.*

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

The Group held significant investment under financial assets at FVOCI with a value of 5% or more of the Group’s audited total assets as at 30 June 2021 as below:

Description of investment	Principal businesses	Number of shares held	Percentage held to the total issued share capital of Gransing <i>(approximately)</i>	Investment cost <i>HK\$'000</i>	Carrying amount as at 30 June 2021 <i>HK\$'000</i>	Percentage to the Group’s audited total assets as at 30 June 2021 <i>(approximately)</i>
Gransing Financial Group Limited (“Gransing”), incorporated in the British Virgin Islands	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	18,243	9.40%

Performance and future prospects of the Company's significant investments

(1) Convoy

Trading in the shares of Convoy (“**Convoy Shares**”) has been halted since 7 December 2017, and 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**”). Although Convoy had made a written request for a review of the Delisting Decision on 5 June 2020, the Listing Review Committee of the Stock Exchange upheld the Delisting Decision on 21 April 2021. Accordingly, the Stock Exchange cancelled the listing of Convoy Shares with effect from 9:00 a.m. on 4 May 2021.

From the announcements of Convoy dated 21 and 22 May 2021, both of which were published on Convoy’s website, Convoy has appointed J P Jenkins Ltd in the United Kingdom, an electronic trading platform for non-listed companies, to provide matching services for shareholders of Convoy who wish to sell Convoy Shares with potential investors who wish to acquire Convoy Shares. From the announcement of Convoy dated 29 April 2021, a possible offer (“**Possible Offer**”) in relation to the purchase of all Convoy Shares was made by AGBA Acquisition Limited, a special purpose-acquisition company listed on the National Association of Securities Dealers Automated Quotations exchange of the United States of America. The Possible Offer was later terminated which was disclosed in the announcement of Convoy dated 12 June 2021. The Directors would continue to monitor the situation of Convoy to protect the interest of the Group.

(2) Gransing

Based on the financial information provided by the management of Gransing (“**Gransing Management**”), the Directors noted from the unaudited financial results of Gransing and its subsidiaries (“**Gransing Group**”) for the six months ended 30 June 2021 that a profit was recorded (corresponding period in 2020: a loss). Such turnaround was mainly due to the reduction of selling expenses as a result of certain cost control measures continued to be carried out by the Gransing Management during the period. The Directors also noted that an increase in revenue of around 9% was recorded by the Gransing Group as compared to the corresponding period in 2020. The uptrends in both profit and revenue are encouraging. In the second half of 2021, the Gransing Group will continue to focus on its principal businesses in Hong Kong and the People’s Republic of China and will formulate appropriate business strategies to maximise its return. The Directors would continue to monitor the business development of the Gransing Group and 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 early education management and consultancy services. During the Year, all kindergartens in Hong Kong faced several times of face-to-face classes suspension due to the recurrent outbreaks of the COVID-19 and the outbreak of Acute Upper Respiratory Tract Infection in November 2020. As announced by the EDB in early February 2021, face-to-face classes of all kindergartens in Hong Kong were resumed after Chinese New Year holidays while the social distancing measures remain imposed on all kindergartens and only a limited number of students on campus was allowed.

The prolonged suspension of kindergartens led to a significant drop in the number of students in the academic year of 2020/2021. Due to health concerns, some Shenzhen-Hong Kong cross-boundary students preferred not to return to kindergartens in Hong Kong. Income of Full Profit was adversely affected due to the drop in the number of students enrolled in kindergartens and cancellation of school activities. Total revenue recorded by Full Profit during the Year decreased by 80% as compared to the last financial year and recorded a minimal loss before tax for the Year. Due to the continued unfavourable business environment, the Group will work closely with the joint venture partner of Full Profit to formulate appropriate strategies and/or take necessary steps to minimise the loss to Full Profit and to the Group.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$43.30 million for the Year, representing a decrease of approximately 35.61% as compared to approximately HK\$67.24 million recorded in the last financial year.

During the Year, 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\$1.79 million, representing a decrease of approximately 93.78% as compared to approximately HK\$28.76 million recorded in the last financial year.
- English language training and test preparation courses: a significant drop in revenue to approximately HK\$63,000, representing a decrease of approximately 97.23% as compared to approximately HK\$2.27 million recorded in the last financial year.
- Primary tutoring services, skill courses and test preparation courses, and franchising: a decrease in revenue to approximately HK\$19.67 million, representing a decrease of approximately 7.53% as compared to approximately HK\$21.28 million recorded in the last financial year.
- Dance tuition services: a decrease in revenue to approximately HK\$1.35 million, representing a decrease of approximately 87.60% as compared to approximately HK\$10.89 million recorded in the last financial year.

During the period from 27 May to 30 June 2021, the Group recorded revenue from the segment of STEAM education services, VR and digital entertainment: (i) trading of VR products and provision of related services of approximately HK\$0.79 million; (ii) the STEAM education services of approximately HK\$9,000; and (iii) trading of gaming products of approximately HK\$14.70 million, all such revenues were generated from the UFO Group which was acquired by the Group on 26 May 2021.

During the Year, the Group recorded loan interest income from the segment of money lending business of approximately HK\$4.92 million (2020: approximately HK\$4.05 million).

Other income, gains and losses, net

For the Year, the Group's other income, gains and losses recorded a net gain of approximately HK\$2.31 million (2020: net loss of approximately HK\$42.66 million). Such gain was mainly due to the net effect of (i) reversal of impairment loss on other loan receivables and other receivables of approximately HK\$10.98 million in total; (ii) government grants under the Anti-epidemic Fund of approximately HK\$5.75 million; (iii) impairment loss on loan receivables of approximately HK\$12.50 million; and (iv) impairment loss on goodwill of approximately HK\$3.15 million recorded during the Year.

Staff costs

The Group's staff costs decreased by approximately HK\$16.86 million or approximately 41.03% compared with the last financial year, which was the result of the closing down 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\$10.57 million or approximately 83.80% compared with the last financial year. 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\$1.88 million or approximately 75.24% compared with the last financial year. Such decrease was mainly attributable to the reduction in marketing activities during the Year.

Other operating expenses

The Group's other operating expenses ("Other Operating Expenses") 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)	1,510
Legal and professional fee	2,087
Auditor's remuneration	680
Printing and stationery	433
Repair and maintenance fee	431
Other daily operation related expenses*	<u>3,566</u>
Total	<u><u>8,707</u></u>

* *Other daily operation related expenses mainly include but not limited to consulting fee, electricity and water charges, cleaning charges, telephone and fax charges, postage and courier fees, computer expenses, cartage, licence fee, insurance fee and other interest charges.*

For the Year, the Other Operating Expenses decreased by approximately HK\$14.49 million or approximately 62.47% compared with the last financial year. Various operating expenses, including but not limited to rental related fees and charges, rent for copiers, sales commission, electricity and charges, repair and maintenance fee, sundry expenses and other interest charges decreased by approximately HK\$13.15 million in total. On the other hand, legal and professional fee increased by approximately HK\$0.66 million during the Year.

Finance costs

The Group recorded finance costs of approximately HK\$1.17 million during the Year (2020: approximately HK\$1.52 million), in which approximately HK\$0.12 million were interest incurred on other borrowings and approximately HK\$1.05 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 Year was approximately HK\$3.62 million (2020: loss of approximately HK\$107.19 million), such turnaround was mainly due to the net effect of (i) the reversal of impairment loss on other loan receivables and other receivables of approximately HK\$10.98 million in total; (ii) gain on change in fair value of financial assets at FVPL of approximately HK\$20.31 million; (iii) impairment loss on loan receivables of approximately HK\$12.50 million; (iv) impairment loss on goodwill of approximately HK\$3.15 million; and (v) the decrease in segmental loss from provision of private educational services by approximately HK\$50.54 million with the adjustment in operation scale and the subsidy from the Anti-epidemic Fund of the HKSAR Government recorded during the Year. Earnings per share was HK\$0.01 for the Year (2020: loss per share of HK\$0.20).

OUTLOOK

The overall market has entered into a new era with the advent of COVID-19. The pandemic has revolutionised human activities due to social distancing. It is not difficult to understand that control measures arising from the COVID-19 hindered business development. In order to reduce the adverse effect on the Group's businesses due to geographical and travelling barriers, the Group acquired the UFO Group to meet the unprecedented challenges.

With the introduction of VR, augmented reality and artificial intelligence from the UFO Group, it can break through the existing obstacles and may be applied to our distinct businesses under the brand names of "Modern Education (現代教育)" and "Modern Bachelor Education (現代小學士)". The aforesaid technologies can allow students to allocate their study schedules effectively without geographical and time boundaries, and at the same time, allow the Group to expand its business to international markets. The mixture of traditional learning and technology-based learning will help our students and the Group to improve their efficiencies as a whole.

With the help from the UFO Group, which is also a content and solution provider in the STEAM education industry, the Group became a more complete education services provider by diversifying its business in the education industry and being more agile in response to market dynamics and opportunities.

Looking forward, the Group foresees the complementary effect brought by the UFO Group, in particular, the new approach of learning and a more diversified business of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has established an adequate liquidity risk management system to manage its short, medium and long-term funding and to satisfy its liquidity management requirements.

As at 30 June 2021, the Group's total balance of cash and cash equivalents amounted to approximately HK\$38.10 million (30 June 2020: approximately HK\$5.44 million), of which 99.78% is held in Hong Kong dollars, 0.20% is held in Renminbi and 0.02% is held in United States dollars. Current ratio (defined as total current assets divided by total current liabilities) was 6.27 times (30 June 2020: 2.99 times).

As at 30 June 2021, the gearing ratio of the Group was 13.35% (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 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 (as defined in the Listing Rules), 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). Details of the Placing were disclosed in the announcements of the Company dated 27 July 2020 and 14 August 2020. 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 30 June 2021
(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	Fully utilised as intended as below: <ul style="list-style-type: none"> (a) Secondary tutoring services: approximately HK\$7.99 million; (b) Primary tutoring services, skill courses and test preparation courses: approximately HK\$2.94 million; and (c) Dance tuition services: approximately HK\$1.07 million.
(iii) approximately HK\$9.60 million as general working capital of the Group	Fully utilised as intended as below: <ul style="list-style-type: none"> (a) approximately HK\$2.00 million was utilised as general working capital for the segment of secondary tutoring services; and (b) approximately HK\$7.60 million was utilised as general working capital for segments other than the educational services of the Group.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group consistently employed prudent treasury policies 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 risks on the Group was considered minimal. Hence, no hedging or other arrangements have been implemented to reduce the foreign exchange risks.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 124 employees (30 June 2020: 136 employees). They received competitive remuneration packages that were constantly monitored against the market pay rate, and with incentives such as discretionary bonuses or employee share options based on the Group's and individual's performance. The Group provided comprehensive benefits packages and career development opportunities. In-house and external training programmes were provided as and when required.

CONTINGENT LIABILITIES

As at 30 June 2021 and 2020, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2021 and 2020, there were 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 facilities as at 30 June 2021 and 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 Year.

MATERIAL ACQUISITIONS AND DISPOSALS

On 30 April 2021, Noble Heartland Limited (“**Purchaser**”) (as purchaser, a wholly-owned subsidiary of the Company), entered into a conditional sale and purchase agreement (“**SP Agreement**”) with Full Creative Limited (“**Vendor**”) (as vendor) and Mr. Leung Wing Lun Alan (“**Warrantor**”) (as warrantor), both the Vendor and the Warrantor are third parties independent of the Company and its connected persons (as defined in the Listing Rules), to acquire 60% of the issued share capital of UFO Interactive Group Limited, a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK\$19,200,000. The consideration was fully settled by way of allotment of 15,360,000 ordinary shares as consideration shares issued by the Company to the Warrantor at the issue price of HK\$1.25 per consideration share at completion of the acquisition in accordance with the terms and conditions of the SP Agreement. Details of the acquisition were disclosed in the announcement of the Company dated 30 April 2021. The acquisition was completed on 26 May 2021.

Pursuant to the SP Agreement, the Vendor has undertaken to the Purchaser that the aggregate of the profit/(loss) before tax of the UFO Group for financial period from 1 April 2021 to 30 June 2024 shall not be less than HK\$16,000,000. The Group will closely monitor the profit guarantee requirements and will comply with the Listing Rules requirements as and when appropriate.

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

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 and a third party independent of the Company and its connected persons (as defined in the Listing Rules)), 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 (“**Loan Disposal**”). 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 and 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 second instalment of the Balance Payment in the amount of HK\$15 million and part of the third instalment of the Balance Payment in the amount of HK\$5 million respectively. As at 30 June 2021, the balance of HK\$8 million of the third instalment and interest accrued were still outstanding, the total of which did not exceed 8% of the audited total assets of the Group as at 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 30 June 2021, the Group did not have any other plans for material investment or capital assets.

EVENTS AFTER THE REPORTING PERIOD

Litigation update

In 2017, Modern Education (Hong Kong) Limited (“**MEHK**”), one of the subsidiaries of the Group, commenced a legal action in the High Court of Hong Kong (“**Court**”) against one of its former tutors, Chan Chi Yung Patrick (“**Tutor**”) (“**2017 Case**”) to claim for, inter alia, repayment of gratuity; indemnity arising from HKEAA copyright infringement claim; and damages for the Tutor’s breach of the agreements.

In 2018, MEHK commenced another legal action in the Court against the Tutor and Beacon College Limited (trading as Beacon College) (“**Beacon College**”) (“**2018 Case**”) to claim for, inter alia, loss and damages caused by the Tutor’s breaches of a restrictive covenant in his contract for services with MEHK and Beacon College’s role in inducing, procuring or facilitating the Tutor’s breaches.

The 2017 Case and the 2018 Case are still ongoing. As per the Court’s order dated 6 July 2021, the parties shall schedule a mediation around the end of October 2021 to explore the possibility of settling the 2018 Case before going to trial. The 2017 Case will be negotiated together in the said mediation.

MEHK has engaged legal advisers to handle the actions and will consider and take legal advice on settlement proposals in the coming mediation. Up to the date of this announcement, both parties have not yet started the mediation nor reached an amicable settlement.

Suspension of listed equity securities in Hong Kong

On 2 August 2021, trading of one of the listed equity securities held by the Group as at 30 June 2021, EJE (Hong Kong) Holdings Limited (“**EJE (Hong Kong)**”) (a company listed on GEM of the Stock Exchange with stock code: 8101) with carrying amount of approximately HK\$2,486,000 as at 30 June 2021, has been suspended due to the delay in publication of audited annual results announcement. Up to the date of this announcement, the trading of shares of EJE (Hong Kong) is still being suspended.

Save as disclosed above, there is no other important event affecting the Group which has occurred since the end of the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 its own 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 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 (“**CG Code**”) as its own corporate governance code. During the Year, the Company has complied with all the code provisions of the CG Code except the deviations disclosed in the sub-section headed “Compliance with the Corporate Governance Code” in the Company interim report 2021 and were 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 as the Company has not been able to identify suitable candidates for the positions and remain vacated as at the date of this announcement. The aforesaid vacancies constitute a deviation from Code Provision A.2 of the CG Code, which set out the code provisions applicable to the chairman and the chief executive of a company.

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 and profits 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 Bye-law 164 of the bye-laws of the Company. In view of the above, the Board considered that the Directors’ exposure to litigation 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 Convoy Shares conducted in October 2015, that Fastek 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 (“**Amended SoC**”) against, among other defendants, Fastek, 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 of Fastek received a letter from the solicitors for the Plaintiffs dated 4 June 2018 which clarified that the Amended SoC (which states “re-filed on 31 May 2018”) served on Fastek on 31 May 2018 has yet to be officially filed in the CFI pending the resolutions of the Plaintiffs’ applications lodged with 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 SoC. On 9 July 2018, the Plaintiffs served on Fastek copies of the amended Writ and Amended SoC.

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 during 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 on the litigations involving the Group.

Given that the litigations are still at a preliminary stage and has not gone into substantive pleading stage, and 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 continue to 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 the accounting principles and practices adopted by the Group and the audited consolidated results of the Group for the Year and discussed auditing, internal controls and financial reporting matters of the Group for the Year.

SCOPE OF WORK OF THE GROUP'S AUDITORS

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 HKICPA 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 its stakeholders.

By order of the Board
Hong Kong Education (Int'l) Investments Limited
Yip Kai Pong
Executive Director

Hong Kong, 27 September 2021

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Wai and Mr. Yip Kai Pong; and the independent non-executive Directors are Ms. Jor Stephanie Wing Yee, Mr. Leung Ki Chi James and Mr. Fenn David.