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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 2021

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2021:

- The Group recorded revenue of approximately HK\$42.07 million, representing an increase of approximately 208.21% as compared to approximately HK\$13.65 million for the corresponding period in 2020.
- The Group recorded a loss of approximately HK\$4.76 million (2020: profit of approximately HK\$3.72 million).

As at 31 December 2021:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 8.67 times, compared with 6.27 times as at 30 June 2021, 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 10.02%, compared with 13.35% as at 30 June 2021.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2021 (2020: 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 2021 (“**Period**”), together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 31 December	
		2021	2020
	NOTES	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue			
– Provision of private educational services		16,961	11,316
– Interest income from money lending		413	2,335
– Sales and services income from VR and digital entertainment		24,694	–
		<u>42,068</u>	<u>13,651</u>
Changes in inventories of finished goods	3	(22,489)	–
Other income, gains and losses, net	4	1,409	17,281
Staff costs	6	(14,338)	(12,240)
Tutor contractor fee		(1,301)	(1,058)
Lease payments		(367)	(341)
Marketing expenses		(604)	(392)
Printing costs		(444)	(486)
Depreciation and amortisation		(3,700)	(4,423)
Change in fair value of financial assets at fair value through profit or loss		626	(2,646)
Other operating expenses	6	(4,551)	(4,527)
Finance costs	5	(522)	(586)
Share of results of a joint venture		(547)	(527)
		<u>(4,760)</u>	<u>3,706</u>
(Loss)/profit before tax	6	(4,760)	3,706
Income tax credit	7	–	16
		<u>(4,760)</u>	<u>3,722</u>

	For the six months ended 31 December	
	2021	2020
<i>NOTES</i>	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>1</u>	<u>2</u>
Other comprehensive income for the period, net of income tax	<u>1</u>	<u>2</u>
Total comprehensive (expense) income for the period	<u>(4,759)</u>	<u>3,724</u>
(Loss) profit for the period attributable to:		
Owners of the Company	(4,576)	3,732
Non-controlling interests	<u>(184)</u>	<u>(10)</u>
	<u>(4,760)</u>	<u>3,722</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(4,575)	3,734
Non-controlling interests	<u>(184)</u>	<u>(10)</u>
	<u>(4,759)</u>	<u>3,724</u>
(Loss) earnings per share	8	
– Basic (<i>HK\$</i>)	<u>(0.01)</u>	<u>0.01</u>
– Diluted (<i>HK\$</i>)	<u>(0.01)</u>	<u>0.01</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		2,124	2,140
Right-of-use assets		7,042	6,781
Goodwill	10	20,715	22,671
Interest in a joint venture		1,491	2,039
Financial assets at fair value through other comprehensive income		18,243	18,243
Non-current deposits		1,583	1,854
		51,198	53,728
Current assets			
Inventories		634	238
Trade and other receivables	11	37,041	43,289
Loan receivables	12	26,379	23,416
Amounts due from an associate		793	793
Financial assets at fair value through profit or loss	13	44,051	34,458
Bank balances and cash		21,467	38,100
		130,365	140,294
Current liabilities			
Trade and other payables	14	8,249	10,768
Contract liabilities		1,335	5,992
Lease liabilities		5,081	4,554
Current tax liabilities		81	81
Amounts due to related parties		296	977
		15,042	22,372
Net current assets		115,323	117,922
Total assets less current liabilities		166,521	171,650

		31 December	30 June
		2021	2021
	<i>NOTES</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		88	88
Lease liabilities		2,754	3,049
Provision for long service payments		458	533
		<u>3,300</u>	<u>3,670</u>
Net assets		<u>163,221</u>	<u>167,980</u>
Capital and reserves			
Share capital	15	29,822	29,822
Reserves		133,199	137,774
		<u>163,021</u>	<u>167,596</u>
Equity attributable to owners of the Company		163,021	167,596
Non-controlling interests		200	384
		<u>163,221</u>	<u>167,980</u>
Total equity		<u>163,221</u>	<u>167,980</u>

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, 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 sales of virtual reality (“**VR**”) and gaming products and provision of related service.

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**”).

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements for the Period are consistent with those applied in the Group’s audited financial statements for the year ended 30 June 2021.

HKICPA has issued a number of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRS**”) that are first effective or available for early adoption for the Period. There have been no significant changes to the accounting policies applied in these financial statements for the Period presented as a result of these developments.

The condensed consolidated financial statements for the Period have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period.

The condensed consolidated financial statements for the Period have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the condensed consolidated financial statements for the Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's operations have been organised based on four operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- Provision of private educational services – secondary tutoring services, primary tutoring services, skill courses and test preparation courses, franchising income, English language training and test preparation courses, dance tuition services and STEAM education services
- Investment in securities – trading of securities
- Money lending – providing loans as money lender
- VR and digital entertainment – Sales 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 six months ended 31 December 2021

	Provision of private educational services	Investment in securities	Money lending	VR and digital entertainment	Consolidated (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue (revenue from external customers)	<u>16,961</u>	<u>-</u>	<u>413</u>	<u>24,694</u>	<u>42,068</u>
Segment results	<u>(2,117)</u>	<u>222</u>	<u>398</u>	<u>(649)</u>	(2,146)
Gain on disposal of a subsidiary					670
Share of results of a joint venture					(547)
Unallocated corporate income					435
Unallocated corporate expenses					<u>(3,172)</u>
Loss before tax					<u>(4,760)</u>

For the six months ended 31 December 2020

	Provision of private educational services	Investment in securities	Money lending	Consolidated (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue (revenue from external customers)	<u>11,316</u>	<u>–</u>	<u>2,335</u>	<u>13,651</u>
Segment results	<u>(1,817)</u>	<u>(2,006)</u>	<u>2,089</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>

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 2021

	Provision of private educational services	Investment in securities	Money lending	VR and Digital Entertainment	Consolidated (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets					
Segment assets	<u>11,584</u>	<u>44,088</u>	<u>26,684</u>	<u>29,175</u>	111,531
Unallocated assets					
Bank balances and cash					21,161
Interest in a joint venture					1,491
Financial assets at fair value through other comprehensive income ("FVOCI")					18,243
Other corporate assets					<u>29,137</u>
					<u>181,563</u>
Liabilities					
Segment liabilities	<u>11,087</u>	<u>328</u>	<u>1</u>	<u>5,062</u>	16,478
Unallocated liabilities					
Current tax liabilities					81
Deferred tax liabilities					88
Other corporate liabilities					<u>1,695</u>
					<u>18,342</u>

As at 30 June 2021

	Provision of private educational services	Investment in securities	Money lending	VR and Digital Entertainment	Consolidated (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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 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>

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) Revenue from major services

	For the six months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Secondary tutoring services	679	1,017
Primary tutoring services, skill courses and test preparation courses	12,701	7,704
Franchising income	2,504	1,793
English language training and test preparation courses	32	63
Dance tuition services	807	739
STEAM education services	238	–
Sales of VR and gaming products and provision of related services	24,694	–
	<u>41,655</u>	<u>11,316</u>
Revenue from other sources		
Loan interest income	413	2,335
Total revenue	<u><u>42,068</u></u>	<u><u>13,651</u></u>

4. OTHER INCOME, GAINS AND LOSSES, NET

	For the six months ended 31 December	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income on		
– bank deposits	1	1
– other interest income	434	366
Government grants (<i>Note</i>)	83	5,927
Loss on write off of property, plant and equipment	(7)	(536)
Gain on disposal of a subsidiary	670	–
(Impairment loss)/reversal of impairment loss on		
– trade receivables	(20)	–
– other loan receivables	–	10,980
Others	248	543
	<u>1,409</u>	<u>17,281</u>

Note:

For the Period, the Group successfully applied for funding support from the Distance Business Programme (2020: applied for Employment Support Scheme (“ESS”) and One-off Relief Grant for Private Schools Offering Non-formal Curriculum (“Grant for PSNFCs”)) 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 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.

5. FINANCE COSTS

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings	–	120
Interest on lease liabilities	522	466
	<u>522</u>	<u>466</u>
	<u><u>522</u></u>	<u><u>586</u></u>

6. (LOSS) PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments	353	407
Other staff costs	13,432	11,328
Other staff's retirement benefit scheme contributions	553	505
	<u>14,338</u>	<u>12,240</u>
Total staff costs	<u>14,338</u>	<u>12,240</u>
Legal and professional fee	971	1,480
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	870	926
Other daily operation related expenses	2,710	2,121
	<u>4,551</u>	<u>4,527</u>
Total other operating expenses	<u>4,551</u>	<u>4,527</u>
Reversal of provision for long service payments	(46)	(120)
	<u><u>(46)</u></u>	<u><u>(120)</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.

7. INCOME TAX

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Provision for the period	–	–
Deferred tax	–	(16)
	<u>–</u>	<u>(16)</u>
Total income tax credit recognised in profit or loss	<u>–</u>	<u>(16)</u>

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

8. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
((Loss) profit for the period attributable to owners of the Company)	<u>(4,576)</u>	<u>3,732</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>578,547,483</u>	<u>573,060,010</u>

No adjustment has been made in calculating the diluted (loss) earnings per share amount presented for the six months ended 31 December 2021 and 2020 as there were no dilutive potential ordinary shares in issue during both periods.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2021 (2020: nil).

10. GOODWILL

	CGU 1	CGU 2	CGU 3	CGU 4	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 July 2020 (Audited)	60	25,448	559	–	26,067
Acquisition of subsidiaries	–	–	–	20,655	20,655
At 30 June 2021 (Audited)	60	25,448	559	20,655	46,722
Derecognised on disposal of a subsidiary	–	(25,448)	–	–	(25,448)
At 31 December 2021 (Unaudited)	<u>60</u>	<u>–</u>	<u>559</u>	<u>20,655</u>	<u>21,274</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 July 2020 (Audited)	–	20,338	559	–	20,897
Impairment loss recognised	–	3,154	–	–	3,154
At 30 June 2021 (Audited)	–	23,492	559	–	24,051
Derecognised on disposal of a subsidiary	–	(23,492)	–	–	(23,492)
At 31 December 2021 (Unaudited)	<u>–</u>	<u>–</u>	<u>559</u>	<u>–</u>	<u>559</u>
CARRYING AMOUNTS					
At 31 December 2021 (Unaudited)	<u>60</u>	<u>–</u>	<u>–</u>	<u>20,655</u>	<u>20,715</u>
At 30 June 2021 (Audited)	<u>60</u>	<u>1,956</u>	<u>–</u>	<u>20,655</u>	<u>22,671</u>

Goodwill has been allocated to four CGUs which are engaged in money lending business (“CGU 1”), private educational services (“CGU 2”), IT services (“CGU 3”), and VR and digital entertainment (“CGU 4”) respectively.

11. TRADE AND OTHER RECEIVABLES

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Accrued revenue and trade receivables	6,723	5,514
<i>Less: Impairment loss on trade receivables, net</i>	<u>(20)</u>	<u>–</u>
	6,703	5,514
Rental deposits	2,592	2,941
Other deposits	266	265
Prepayments	762	764
Other receivables	31,615	39,323
<i>Less: Impairment loss on other receivables, net</i>	<u>(3,314)</u>	<u>(3,664)</u>
	38,624	45,143
<i>Less: Rental deposits (shown under non-current assets)</i>	<u>(1,583)</u>	<u>(1,854)</u>
Trade and other receivables (shown under current assets)	<u>37,041</u>	<u>43,289</u>

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 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Contract assets	470	333
Trade receivables:		
1 to 30 days	4,229	4,971
31 to 60 days	1,386	203
61 to 90 days	29	2
More than 90 days	<u>589</u>	<u>5</u>
	<u>6,703</u>	<u>5,514</u>

Trade receivables are usually due within 30 days (30 June 2021: within 30 days) from the date of billing.

12. LOAN RECEIVABLES

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Loan receivables	45,451	42,488
<i>Less: Impairment loss</i>	(19,072)	(19,072)
	<u>26,379</u>	<u>23,416</u>

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

As at 31 December 2021, 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 9% to 15% (30 June 2021: 10% 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.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability and ageing analysis of the loan receivables and on management's judgement on creditworthiness, collateral and past collection history of each borrower.

The financial and economic impacts brought by the COVID-19 pandemic has adversely affected the financial conditions and the recoverability of the Group's debtor, resulting in impairment loss on loans and interest receivables by approximately HK\$19.1 million for the Period.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December	30 June
		2021	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	<i>(i)</i>	14,230	6,601
Suspended listed equity securities in Hong Kong, at fair value	<i>(ii)</i>	3,004	1,040
Unlisted equity securities outside Hong Kong, at fair value	<i>(iii)</i>	26,817	26,817
		44,051	34,458

Notes:

- (i) The amount represents equity securities listed in Hong Kong. The fair values of the investments are determined with reference to the quoted market bid prices in the Stock Exchange.
- (ii) The amount of suspended stocks represented the shares are uncertain to resume trading in foreseeable future.
- (iii) As at 31 December 2021, the fair value of the unlisted equity securities represents the equity securities of Convoy Global Holdings Limited.

14. TRADE AND OTHER PAYABLES

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Trade payables	3,344	4,451
Other payables	1,288	1,285
Accrued tutor contractor fee, salary and other accruals	<u>3,617</u>	<u>5,032</u>
	<u>8,249</u>	<u>10,768</u>

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:

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Within 1 month	<u>3,344</u>	<u>4,451</u>

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.05 each		
At 1 July 2020, 30 June 2021 and 31 December 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 2020 (Audited)	547,570,880	27,379
Issue of shares upon placing on 14 August 2020	33,500,000	1,675
Issue of shares upon completion of share transaction on 26 May 2021	<u>15,360,000</u>	<u>768</u>
Ordinary shares of HK\$0.05 each		
At 30 June 2021 (Audited) and 31 December 2021 (Unaudited)	<u>596,430,880</u>	<u>29,822</u>

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

16. DISPOSAL OF A SUBSIDIARY

On 19 November 2021, the Group disposed of its 100% equity interest in Wind Fly Dragon International Limited for a cash consideration of HK\$50,000.

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	497
Other receivables	539
Bank balances and cash	29
Other payables	<u>(3,641)</u>
	(2,576)
Goodwill	<u>1,956</u>
	(620)
<i>Less: Consideration received</i>	<u>(50)</u>
	(670)
Gain on disposal of a subsidiary	<u>(670)</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Wind Fly Dragon International Limited is as follows:

	<i>HK\$'000</i>
Cash consideration	50
<i>Less: Bank balances and cash outflow arising from the disposal</i>	<u>(29)</u>
	<u><u>21</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

The Group principally engages in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses. 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”) and developed a new business segment, namely, sales and services from Virtual Reality (“VR”) and digital entertainment business. The Group also offer money lending service to further utilize the strong cash flow generated from our business.

Provision of Private Educational Services

Secondary Tutoring Services

The business environment for the education industry in Hong Kong has become difficult since the outbreak of the Coronavirus disease (the “COVID-19”) and its variants. There has been several times of face-to-face class suspension and social distancing measures on campus imposed by the Education Bureau on all ordinary schools in Hong Kong, including tutorial classes, which has been adversely impacting the operations of the Group’s teaching centers as well as the overall financial performance of the Group for the six months ended 31 December 2021.

After experiencing a hard time due to class suspension. 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 Period and as at 31 December 2021, A 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. Revenue recorded from secondary tutoring services segment was approximately HK\$679,000, representing a substantial decrease of approximately 33.4% compared to the last financial period (2020: approximately HK\$1.02 million). The management believes that “from crisis comes opportunity”, the Group has been exploring market opportunities to better deploy its resources with an aim to bring its business of connecting its students and celebrity tutors into a new digital era.

English Language Training and Test Preparation Courses

The recurrent outbreaks of the COVID-19 led to several times of suspension of face-to-face classes and negatively affected the enrolment of the courses. In view of the unprecedented pandemic uncertainty and after careful consideration, the Group suspended the courses in the last academic year and reallocated resources to other educational segments. During the Period, the Group reopened the courses and recorded revenue from the English language training and test preparation courses of approximately HK\$32,000 (2020: approximately HK\$63,000).

Primary Tutoring Services, Skill Courses and Test Preparation Courses

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 small 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.

During the Period, revenue generated from directly-owned education centres was approximately HK\$12.7 million, representing a increase of approximately 64.9% as compared with approximately HK\$7.7 million for the corresponding period in 2020. Revenue contributed from franchised centres to the Group during the Period increased to approximately HK\$2.5 million (2020: approximately HK\$1.8 million), representing a increase of approximately 38.9% as compared with the corresponding period in 2020.

As at 31 December 2021, the Group had 7 directly-owned education centres and 32 franchised centres operating under the brand name of “Modern Bachelor Education (現代小學士)”. As at 31 December 2021, there were 2 new franchisees joined the franchisee scheme. The Group will continuously monitor the pandemic situation and provide our immediate support to the franchise partners.

STEAM Education Services, VR and Digital Entertainment

On 26 May 2021, the Group completed the acquisition of 60% issued share capital of UFO Group. 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. UFO School focused on building academic confidence, sparking intellectual curiosity and inspiring young students to be future ready in the STEAM field. The Group is optimistic about the business development of the UFO Group which also enables the Group to expand its business portfolio, diversify its income source and create synergy between its operating segments.

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.

Besides the private educational services and newly developed STEAM education, VR and Digital Entertainment segment, the Group, to a less extent, also has offered money lending service to utilize the cash flow generated from other segments for corporations and individuals. During the Period, the Group recorded loan interest income of approximately HK\$0.4 million (2020: approximately HK\$2.3 million) from loans granted to both corporate and individual clients. The outstanding principal amount of loan receivables as at 31 December 2021 was approximately HK\$45.5 million (30 June 2021: approximately HK\$42.5 million). The Group has maintained a small portfolio in terms of the number of loans. 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 9% to 15% (30 June 2021: 10% to 10.5%) per annum. The Group seeks to maintain strict control over its loan receivables in order to minimise credit risk by reviewing debtors’ and their guarantors’ financial positions. The adverse financial and economic conditions caused by the COVID-19 pandemic in recent years has severely affected the financial position and repayment ability of the Group’s debtors’ who looked for loans or loan extensions simply to survive the crisis. The management has critically assessed the impairment on loan receivables on an individual basis, which includes the evaluation of recoverability and ageing analysis of the loan receivables and on management’s judgment on creditworthiness, collateral (if any) and past collection history of each debtor.

Investments

Assets Investments

Financial assets at FVPL

During the Period, the Group continued to participate in the stock market for securities trading. The Group acquired listed securities in 8 listed companies in Hong Kong and disposed listed securities in a listed company in its investment portfolio. As at 31 December 2021, the Group had financial assets at FVPL with a fair value of approximately HK\$44.1 million and recorded a gain on change in fair value of financial assets at FVPL of approximately HK\$0.6 million for the Period.

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 unaudited total assets as at 31 December 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 31 December 2021 HK\$'000	Percentage to the Group's unaudited total assets as at 31 December 2021 (approximately)
<i>Significant investment</i>						
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	14.77%
<i>Other investments</i>						
Listed shares*		-	-	36,578	17,234	9.49%
Grand total for financial assets at FVPL				<u>158,694</u>	<u>44,051</u>	<u>24.26%</u>

* Listed shares included the shares of 7 companies which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the shares of 8 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 unaudited total assets as at 31 December 2021.

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

Description of investments (stock code)	Net realised fair value gain for the Period HK\$'000	Net unrealised fair value loss for the Period HK\$'000
Listed shares*	<u>632</u>	<u>(6)</u>

* *Listed shares included the shares of 8 companies which are listed on the Main Board of the Stock Exchange and the shares of 8 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 unaudited total assets as at 31 December 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 HK\$'000	Carrying amount as at 31 December 2021 HK\$'000	Percentage to the Group’s unaudited total assets as at 31 December 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	7.34%	30,831	18,243	10.05%

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**”) that a loss was recorded (corresponding period in 2020: a loss). Under the impact of COVID-19 and the unstable stock market conditions in Hong Kong during the year of 2021, 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 2022, 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 early education management and consultancy services. During the Period, all kindergartens in Hong Kong faced several times of face-to-face classes suspension due to the recurrent outbreaks of the COVID-19. Also, as the border between Hong Kong and mainland China remained hermetically sealed, some Shenzhen-Hong Kong cross-boundary students were not able return to kindergartens in Hong Kong. Therefore, income of Full Profit was adversely affected as a result of the drop in the number of students enrolled in kindergartens and cancellation of school activities. The Group has been working 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\$42.07 million for the Period, representing a increase of approximately 208.21% as compared with approximately HK\$13.65 million recorded for the corresponding period in 2020.

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\$679,000, representing a decrease of approximately 33.43% as compared to approximately HK\$1.02 million recorded in the corresponding period in 2020.
- English language training and test preparation courses: a drop in revenue to approximately HK\$32,000, representing a decrease of approximately 49.21% as compared to approximately HK\$63,000 recorded in the corresponding period in 2020.

- Primary tutoring services, skill courses and test preparation course (including franchising income and STEAM education services): an increase in revenue to approximately HK\$15.4 million, representing an increase of approximately 62.11% as compared to approximately HK\$9.50 million recorded in the corresponding period in 2020.
- Dance tuition services: an increase in revenue to approximately HK\$807,000, representing an increase of approximately 9.20% as compared to approximately HK\$739,000 recorded in the corresponding period in 2020.

During the Period, the Group recorded revenue from the VR and digital entertainment segment of approximately HK\$24.69 million. Such revenues were generated from UFO Group which was acquired by the Group on 26 May 2021.

During the Period, the Group recorded loan interest income from money lending business of approximately HK\$413,000 (2020: approximately HK\$2.34 million), representing a decrease of approximately 82.91% 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\$1.41 million (2020: net gain of approximately HK\$17.28 million). Such decrease was mainly due to an absence of an one-off reversal impairment loss on other loan receivables in the six months ended 31 December 2021 (2020: gain of approximately HK\$10.98 million).

Staff costs

The Group's staff costs increased by approximately HK\$2.1 million or approximately 17.14% compared with the corresponding period in 2020, as the Group has been developing its VR, digital entertainment and STEAM education business since May 2021.

Tutor contractor fee

The Group's tutor contractor fee increased by approximately HK\$243,000 or approximately 22.97% compared with the corresponding period in 2020. Such increase was in line with the increase in revenue derived from private educational services.

Marketing expenses

The Group's marketing expenses increased by approximately HK\$212,000 or approximately 54.08% compared with the corresponding period in 2020. Such increase was mainly due to the extension 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)	870
Legal and professional fee	971
Other daily operation related expenses*	<u>2,710</u>
Total	<u><u>4,551</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 remain constant compare with the corresponding period in 2020. Various operating expenses, including but not limited to rental related fees and charges and legal and professional fee decreased by approximately HK\$565,000 in total. On the other hand, arising of operating expenses of the VR and digital entertainment segment approximately HK\$519,000 during the Period.

Finance costs

The Group recorded finance costs on its lease liabilities of approximately HK\$522,000 during the Period (2020: approximately HK\$586,000).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Period was approximately HK\$4.58 million (2020: profit of approximately HK\$3.73 million). Loss per share was HK\$0.01 for the Period (2020: earnings per share of HK\$0.01). Despite a significant increase in the Group's overall revenue and gross profit as a result of the incorporation and development of sales and services from STEAM education service, VR and digital entertainment business, the turnaround was mainly attributable to (i) the increase in staff cost as a result of the aforementioned business expansion; (ii) an absence of an one-off reversal of impairment loss on other loan receivables of approximately HK\$10.98 million in the correspond period in 2020; and (iii) the increase in segmental loss from provision of private educational services.

OUTLOOK

Despite the roll out of various vaccines in many parts of the world, the COVID-19 pandemic continued to pose a significant threat across the world throughout the Period due to the more contagious COVID-19 variants. Full resumption of business is not expected to happen in the near future. 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 hardly resume to pre-COVID-19 level until the spread of COVID-19 variants are fully under control.

Against this backdrop, the Group is determined to exploit its resources to develop its operation based on digital technology while adapting to the constraints of campus suspension and social distancing in order to meet students and parents' expectations. During the year, e-learning has made it possible for everyone to stay connected. Students and tutors connect, discuss, share their opinions, and act upon situations collaboratively. Students now have gotten used to distance learning via digital platforms due to social distancing. Online courses and curriculum have the ability to eliminate educational barriers based on locations, so that all learners can thrive in this unprecedented market environment. 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. The class learning experience has undergone a tremendous change since VR came to education. The rise in demand for experiential learning pushes forward the development of learning with VR as well as the new trend of STEAM-based programs. Along with the Group's acquisition of UFO school, by leveraging its specialties in the VR technology and STEAM education industry, the Group is ready to explore the possibility of education technology – combined use of computer hardware, software, and educational theory and practice to facilitate learning. The Group will also carefully 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 2021, the Group's total balance of cash and cash equivalents amounted to approximately HK\$21.47 million (30 June 2021: approximately HK\$38.10 million), of which 99.87% is held in Hong Kong dollars and 0.13% is held in Renminbi. Current ratio (defined as total current assets divided by total current liabilities) was 8.67 times (30 June 2021: 6.27 times).

As at 31 December 2021, the Group had no outstanding other borrowings from independent third parties.

As at 31 December 2021, the gearing ratio of the Group was 10.02% (30 June 2021: 13.35%). 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 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 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 2021, the Group had a total of 123 employees (30 June 2021: 124 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.

CONTINGENT LIABILITIES

As at 31 December 2021 and 30 June 2021, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2021 and 30 June 2021, 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 2021 and 30 June 2021.

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 2021, the balance of HK\$8 million of the third installment and interest accrued were still outstanding, which did not exceed 8% of the unaudited total assets of the Group as at 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2021, 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 as 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 places 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 places 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 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, the condensed consolidated financial statements of the Group for the Period and this announcement, 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
Yip Kai Pong
Executive Director

Hong Kong, 25 February 2022

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. Yuen Chun Fai and Mr. Fenn David.