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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 2022

FINANCIAL HIGHLIGHTS

For the year ended 30 June 2022:

- The Group recorded revenue of approximately HK\$90.05 million, representing an increase of approximately 107.96% as compared to approximately HK\$43.30 million for the last financial year.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$32.89 million (2021: profit of approximately HK\$3.62 million).

As at 30 June 2022:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.62 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 11.31%.

The Board does not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: 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 2022, together with the comparative audited figures for the corresponding year ended 30 June 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

		2022	2021
	<i>NOTES</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue			
– Provision of private educational services		26,328	22,886
– Interest income from money lending		3,245	4,924
– Trading and services income from VR and digital entertainment		<u>60,475</u>	<u>15,491</u>
	4	90,048	43,301
Changes in inventories of finished goods	7	(54,273)	(14,604)
Other income, gains and losses, net	5	4,536	2,314
Staff costs	7	(45,975)	(24,233)
Tutor contractor fee	7	(2,067)	(2,043)
Lease payments		(582)	(599)
Marketing expenses		(787)	(620)
Printing costs		(552)	(604)
Depreciation and amortisation		(6,863)	(8,427)
Change in fair value of financial assets at fair value through profit or loss		(6,184)	20,308
Other operating expenses	7	(7,904)	(8,707)
Finance costs	6	(950)	(1,175)
Share of results of a joint venture		<u>(1,094)</u>	<u>(1,086)</u>
(Loss) profit before tax	7	(32,647)	3,825
Income tax expense	8	<u>–</u>	<u>(65)</u>
(Loss) profit for the year		<u>(32,647)</u>	<u>3,760</u>

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive (expense) income, 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		(7,961)	5,814
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		—	2
Other comprehensive (expense) income for the year, net of income tax		<u>(7,961)</u>	<u>5,816</u>
Total comprehensive (expense) income for the year		<u>(40,608)</u>	<u>9,576</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(32,892)	3,617
Non-controlling interests		<u>245</u>	<u>143</u>
		<u>(32,647)</u>	<u>3,760</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(40,853)	9,433
Non-controlling interests		<u>245</u>	<u>143</u>
		<u>(40,608)</u>	<u>9,576</u>
(Loss) earnings per share	<i>9</i>		
– Basic (<i>HK\$</i>)		<u>(0.06)</u>	<u>0.01</u>
– Diluted (<i>HK\$</i>)		<u>(0.06)</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,486	2,140
Right-of-use assets		5,918	6,781
Goodwill		20,715	22,671
Other intangible assets		1,340	–
Interest in an associate		–	–
Interest in a joint venture		945	2,039
Financial assets at fair value through other comprehensive income		10,282	18,243
Non-current deposits		826	1,854
		41,512	53,728
Current assets			
Inventories		790	238
Trade and other receivables	11	29,018	43,289
Other loan receivables		–	–
Loan receivables	12	19,379	23,416
Amount due from an associate		793	793
Financial assets at fair value through profit or loss	13	59,271	34,458
Bank balances and cash		14,512	38,100
		123,763	140,294
Current liabilities			
Trade and other payables	14	9,605	10,768
Contract liabilities		1,841	5,992
Lease liabilities		4,405	4,554
Current tax liabilities		81	81
Amounts due to related parties		300	977
		16,232	22,372

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net current assets		<u>107,531</u>	<u>117,922</u>
Total assets less current liabilities		<u>149,043</u>	<u>171,650</u>
Non-current liabilities			
Deferred tax liabilities		88	88
Lease liabilities		2,093	3,049
Provision for long service payments		<u>432</u>	<u>533</u>
		<u>2,613</u>	<u>3,670</u>
Net assets		<u>146,430</u>	<u>167,980</u>
Capital and reserves			
Share capital	<i>15</i>	29,822	29,822
Reserves		<u>115,979</u>	<u>137,774</u>
Equity attributable to owners of the Company		145,801	167,596
Non-controlling interests		<u>629</u>	<u>384</u>
Total equity		<u>146,430</u>	<u>167,980</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 of the Company 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 virtual reality (“**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**”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2022

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous contracts – Cost of fulfilling a Contract ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
HKFRS 17	Insurance Contract and related amendments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² *Effective for annual periods beginning on or after 1 January 2023.*

³ *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
- Investment 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 2022

	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	26,278	-	3,245	1,203	30,726
Point in time	50	-	-	59,272	59,322
	<u>26,328</u>	<u>-</u>	<u>3,245</u>	<u>60,475</u>	<u>90,048</u>
Segment revenue (revenue from external customers)	<u>26,328</u>	<u>-</u>	<u>3,245</u>	<u>60,475</u>	<u>90,048</u>
Segment results	<u>32</u>	<u>(6,584)</u>	<u>(1,727)</u>	<u>473</u>	<u>(7,806)</u>
Gain on disposal of a subsidiary					670
Share of results of a joint venture					(1,094)
Unallocated corporate income					515
Unallocated corporate expenses					<u>(24,932)</u>
Loss before tax					<u><u>(32,647)</u></u>

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>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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 2022

	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>13,640</u>	<u>59,296</u>	<u>29,609</u>	<u>33,047</u>	135,592
Unallocated assets					
Bank balances and cash					11,282
Interest in a joint venture					945
Financial assets at FVOCI					10,282
Other corporate assets					<u>7,174</u>
					<u>165,275</u>
Liabilities					
Segment liabilities	<u>10,488</u>	<u>327</u>	<u>-</u>	<u>5,890</u>	16,705
Unallocated liabilities					
Current tax liabilities					81
Deferred tax liabilities					88
Other corporate liabilities					<u>1,971</u>
					<u>18,845</u>

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 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), 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 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 2022						
Capital additions	(3,447)	(2)	-	(3,564)	(747)	(7,760)
Depreciation charge on owned property, plant and equipment	(1,098)	(136)	-	(95)	(70)	(1,399)
Depreciation charge on right-of-use assets	(4,362)	-	-	(723)	(378)	(5,463)
Reversal of provision for long service payments	71	-	-	-	-	71
Change in fair value of financial assets at FVPL	-	(6,184)	-	-	-	(6,184)
Impairment loss on trade receivables	(43)	-	-	(1,694)	-	(1,737)
Impairment loss on loan receivables	-	-	(4,461)	-	-	(4,461)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended 30 June 2021						
Capital additions	(6,200)	-	-	(20,655)	-	(26,855)
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 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> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	28,609	N/A*
Customer B	13,734	N/A*
Customer C	11,625	5,190
Customer D	N/A*	7,869
	<u> </u>	<u> </u>

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

(d) Revenue from major services

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Secondary tutoring services	1,197	1,790
Primary tutoring services, skill courses and test preparation courses	19,855	15,698
Franchising income	3,915	3,976
English language training and test preparation courses	77	63
Dance tuition services	807	1,350
STEAM education services	477	9
Trading of VR and gaming products and provision of related services	<u>60,475</u>	<u>15,491</u>
	<u>86,803</u>	<u>38,377</u>
Revenue from other sources		
Loan interest income	<u>3,245</u>	<u>4,924</u>
	<u>90,048</u>	<u>43,301</u>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue contracts such that 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 is not disclosed.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on		
– other loan receivables	–	92
– other interest income	515	633
Government grants (<i>Note</i>)	1,674	5,751
Supporting services income	43	8
Sponsorship fee income	2,100	–
Service charge income	3,091	–
Loss on write off/disposal of property, plant and equipment	(312)	(618)
Loss on disposal of loan receivable	(444)	–
Gain on disposal of a subsidiary	670	–
Gain on early termination of lease	37	–
(Impairment loss) reversal of impairment loss on		
– goodwill	–	(3,154)
– other receivables, net	–	731
– other loan receivables	–	10,249
– loan receivables	(4,461)	(12,498)
– trade receivables	(1,737)	–
Write back of other payables	–	121
Write back of amounts due to related parties	–	195
Settlement from legal case	2,079	–
COVID-19-related rent concessions	150	133
Others	1,131	671
	<u>4,536</u>	<u>2,314</u>

Note:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on other borrowings	–	120
Interest on lease liabilities	<u>950</u>	<u>1,055</u>
	<u>950</u>	<u>1,175</u>

7. (LOSS) PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' emoluments	3,171	791
Other staff costs	24,595	22,439
Other staff's retirement benefit scheme contributions	1,057	1,003
Other staff's equity settled share-based transactions	<u>17,152</u>	<u>–</u>
Total staff costs	<u>45,975</u>	<u>24,233</u>
Legal and professional fee	1,004	2,087
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	1,617	1,510
Related expenses for copiers	32	10
Other daily operation related expenses	<u>5,251</u>	<u>5,100</u>
Total other operating expenses	<u>7,904</u>	<u>8,707</u>
Auditors' remuneration	740	680
Changes in inventories of finished goods	54,273	14,604
Reversal of provision for long service payments	(71)	(130)
Short-term lease payments not included in the measurement of lease liabilities	582	599
COVID-19-related rent concessions	<u>(150)</u>	<u>(133)</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

	2022	2021
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	–	81
The People's Republic of China (“PRC”)		
Enterprise Income Tax	–	–
	–	81
Deferred tax	–	(16)
Total income tax expense recognised in profit or loss	<u>–</u>	<u>65</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits or have sufficient tax losses brought forward to set off against current year's estimated assessable profit for the year.

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. No provision for PRC Enterprise Income Tax has been made as the Group has no assessable profits in the PRC for both current and prior years.

9. (LOSS) EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	<u><u>(32,892)</u></u>	<u><u>3,617</u></u>

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 July	578,547,483	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>–</u>	<u>1,514,959</u>
Weighted average number of ordinary shares at 30 June	<u><u>578,547,483</u></u>	<u><u>578,547,483</u></u>

No adjustment has been made in calculating the diluted (loss) earnings per share amount presented for the years ended 30 June 2022 and 2021 as there were no dilutive potential ordinary shares in issue during the year ended 30 June 2021.

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended 30 June 2022.

10. DIVIDENDS

The board of Directors does not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: HK\$Nil).

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets and trade receivables, net of loss allowance	8,955	5,514
Rental deposits	2,659	2,941
Other deposits	482	265
Prepayments	577	764
Other receivables, net of loss allowance	<u>17,171</u>	<u>35,659</u>
	29,844	45,143
<i>Less:</i> Rental deposits (shown under non-current assets)	<u>(826)</u>	<u>(1,854)</u>
Trade and other receivables (shown under current assets)	<u>29,018</u>	<u>43,289</u>

Included in the Group's other receivables, prepayments and deposits were rental deposits amounting to approximately HK\$826,000 (2021: approximately HK\$1,854,000), which is expected to be recovered or recognised as expenses after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

The following is an ageing analysis of contract assets and trade receivables (net of loss allowance), presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets	447	333
Trade receivables:		
1 to 30 days	7,706	4,971
31 to 60 days	578	203
61 to 90 days	224	2
More than 90 days	<u>–</u>	<u>5</u>
	<u>8,955</u>	<u>5,514</u>

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

12. LOAN RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivables	29,946	42,488
Less: Impairment loss	<u>(10,567)</u>	<u>(19,072)</u>
	<u>19,379</u>	<u>23,416</u>

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

A maturity profile of the loans and interest receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	8,059	23,416
91 – 180 days	<u>11,320</u>	<u>–</u>
	<u>19,379</u>	<u>23,416</u>

The Group seeks to maintain strict control over its outstanding loans receivables so as to minimise credit risk by receiving borrower's and their guarantors' financial positions. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. As at 30 June 2022, loans receivables are charging on effective interest rates mutually agreed with the contracting parties, ranging from 9% to 15% (2021: 10% to 10.5%) per annum.

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, past collection history of each borrower and forward-looking information.

Loan receivables with outstanding principal and interest as at 30 June 2022 in aggregate amount of approximately HK\$10,567,000 (2021: approximately HK\$19,072,000) which have been past due and impaired as at the reporting date, and additional impairment loss of approximately HK\$4,461,000 (2021: approximately HK\$12,498,000) was recognised for the year ended 30 June 2022.

During the year ended 30 June 2022, the Group disposed one of the loan receivables with outstanding principal and interest in aggregate amount of approximately HK\$13,836,000 and accumulated impairment loss of approximately HK\$6,392,000 to an independent third party at a consideration of HK\$7,000,000. As a result, loss on disposal of a loan receivable of approximately HK\$444,000 was recognised in profit or loss during the year.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	<i>(i)</i>	37,277	6,601
Suspended listed equity securities in Hong Kong, at fair value	<i>(ii)</i>	1,667	1,040
Unlisted equity securities outside Hong Kong, at fair value	<i>(iii)</i>	20,327	26,817
		59,271	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) As at 30 June 2022, 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**”) and EJE (Hong Kong) Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 8101) (“**EJE (Hong Kong)**”), which were determined by the Directors with reference to valuations carried out by an independent qualified professional valuer. During the year ended 30 June 2022, loss on change in fair value in respect of the BG Blue Sky Shares and EJE (Hong Kong) amounting to approximately HK\$343,000 and HK\$994,000 (2021: HK\$316,000 and HK\$Nil) respectively were recognised in profit or loss.
- (iii) As at 30 June 2022, the fair value of the unlisted equity securities represents the equity securities of Convoy Global Holdings Limited (“**Convoy 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 2022, loss on change in fair value in respect of the Convoy Shares amounting to approximately HK\$6,490,000 (2021: approximately HK\$3,504,000) was recognised in profit or loss.

14. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	4,164	4,451
Other payables	844	1,285
Accrued tutor contractor fee, salary and other accruals	<u>4,597</u>	<u>5,032</u>
	<u>9,605</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 to 30 days	4,076	4,451
31 to 60 days	50	–
61 to 90 days	13	–
More than 90 days	<u>25</u>	<u>–</u>
	<u>4,164</u>	<u>4,451</u>

15. SHARE CAPITAL

	Number shares	Amount of HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.05 each		
At 1 July 2020, 30 June 2021 and 30 June 2022	<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	<u>547,570,880</u>	<u>27,379</u>
Issue of shares upon placing on 14 August 2020 (<i>Note i</i>)	33,500,000	1,675
Issue of shares upon completion of share transaction on 26 May 2021 (<i>Note ii</i>)	<u>15,360,000</u>	<u>768</u>
Ordinary shares of HK\$0.05 each		
At 30 June 2021, 1 July 2021 and 30 June 2022	<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 2022 and 2021.

Note:

- (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 approximately 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 (“**UFO interactive**”) 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**”) 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. Since the outbreak of coronavirus disease 2019 and its variants (“**COVID-19**”), the progress of resumption of face-to-face classes in our education centres has seriously affected, together with the adverse effects caused by increasing number of students studying abroad, and a fierce competition in the education industry, a reduction in course enrolments during the year ended 30 June 2022 (“**Year**”) was eventually resulted.

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. Apart from the provision of private educational services and the sales and services from VR and digital entertainment business, the Group also offer money lending service to further utilize the strong cash flow generated from our business.

For the Year, the Group recorded revenue of approximately HK\$90.05 million (2021: approximately HK\$43.30 million), representing an increase of approximately 107.96% as compared to the last financial year. Loss attributable to owners of the Company for the Year amounted to approximately HK\$32.89 million (2021: profit of approximately HK\$3.62 million), such loss was mainly attributable to (i) the one-off equity settled share-based transactions of approximately HK\$19.06 million incurred during the Year; (ii) a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$6.18 million during the Year, primarily as a result of the impairment loss on a number of suspended listed securities and a private equity investment with reference to the bearish sentiment in Hong Kong and global stock market; and (iii) the impairment loss on trade and loan receivables of approximately HK\$6.20 million in total.

BUSINESS REVIEW

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 COVID-19 pandemic. 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 Year. 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 2022, 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. Revenue recorded from secondary tutoring services segment was approximately HK\$1.20 million, representing a decrease of approximately 32.96% compared to the last financial year (2021: approximately HK\$1.79 million).

The COVID-19 pandemic has lasted over two years and may persist. The Group has been seeking market opportunities to deploy its resources with an aim to better serve its students and celebrity tutors. 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 pandemic 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 Year, the Group resumed the courses and recorded revenue from the English language training and test preparation courses of approximately HK\$77,000 (2021: 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 Year, the number of course enrolments recorded from directly-owned education centres was approximately 15,500 (2021: approximately 13,600). Revenue generated from directly-owned education centres was approximately HK\$19.86 million, representing an increase of approximately 26.50% as compared with approximately HK\$15.70 million for the last financial year. Revenue contributed from franchised centres to the Group during the Year remained relatively stable at approximately HK\$3.91 million as compared to approximately HK\$3.98 million in 2021.

As at 30 June 2022, 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 2022, there were 2 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.

STEAM Education Services, VR and Digital Entertainment

On 26 May 2021 (“**Date of acquisition**”), 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.

During the Year, the UFO Group has generated revenue from (i) trading of VR products and provision of related services of approximately HK\$6.43 million (from the Date of acquisition to 30 June 2021: approximately HK\$0.79 million); (ii) the STEAM education services of approximately HK\$477,000 (from the Date of acquisition to 30 June 2021: approximately HK\$9,000); and (iii) trading of gaming products of approximately HK\$54.04 million (from the Date of acquisition to 30 June 2021: approximately HK\$14.70 million).

Money Lending Business

Besides the private educational services and newly developed STEAM education, VR and Digital Entertainment segment, the Group, to a less extent, also offered money lending service to utilize the cash flow generated from other segments for corporations and individuals. 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.

China Rich is principally engaged in carrying out money lending business by providing secured and unsecured loans to its customers. Through the business and social networks of the senior management of the Company, China Rich would identify and be referred potential clients, which would include corporate and individual clients with personal wealth. China Rich would then assess the credit and risk of such potential customers based on its credit policy and procedure. China Rich is operated and managed by the director, who has years of experience in accounting, corporate development and/or financial management.

During the Year, the annual interest rate of the loans granted ranging from 9 % to 15% (2021: 10% to 10.5%) and the term was 1 year (2021: ranging from 1 to 2 years). The total gross loan and interest receivables amounted to approximately HK\$29.95 million (2021: HK\$42.49 million). The Group's five largest loan receivables and interest receivables amounted to approximately HK\$24.23 million or 80.93% (2021: HK\$42.49 million or 100.00%) of the Group's total loan receivables and interest receivables, of which approximately HK\$10.89 million or 36.36% (2021: HK\$12.78 million or 30.09%) was made to the largest customer.

For material lending transactions, China Rich shall conduct credit review procedures in accordance with the standard commercial practices for the purpose of determining the ability of applicants in meeting their financial obligations. Applications must in the first place, satisfy certain credit requirements before being further processed and reviewed by the director of China Rich. Applicants will be required to submit all information necessary for conducting the reviews as requested by China Rich.

During the Year, the Group assessed and estimated credit loss allowances (“ECLs”) for the loan and interest receivables according to the requirements of Hong Kong Financial Reporting Standard (“HKFRS”) 9 issued by the Hong Kong Institute of Certified Public Accountants. The Group had recognised ECLs on loan and interest receivables from the money lending business amounting to approximately HK\$4.46 million, in aggregate (2021: HK\$12.50 million). The models and assumptions adopted by the management in estimating ECLs are related to the future macroeconomic conditions and borrowers’ creditworthiness (e.g. the likelihood of default by customers). Such assessment has taken regard of quantitative and qualitative historical information and also, the forward-looking analysis.

The internal control and credit risk assessment policy of China Rich provides that the director of China Rich should act in the following manner in order to minimize the credit risk:

- Prudent and conservative
- Independent and avoid conflict of interests
- Consistent in manner
- Regular and periodic reviews

Normally, China Rich will assess and review the repayment ability and the risk of default in payment of the loan of each borrower by way of risk default assessment forms annually. The director of China Rich shall assess and control the credit risk by reviewing the following aspects of money lending business:

Applicable lending rate

The lending rate should commensurate with the level of credit risk. The stronger the financial position of the borrower exhibits and the better the market conditions, the lower the lending rate is applicable. In this respect, the director of China Rich shall advise the appropriate lending rate after taking into account all relevant circumstances.

Term of maturity

The director of China Rich shall review the lending period based on the customers’ credibility, financial position, nature, value and quality of collateral, etc. to determine the appropriateness of the maturity term.

Amount of credit facility

The facility amount shall be reviewed with the corresponding financial strength of the borrowers and the provided collateral assets (if any). The stronger the financial position of the borrowers or the higher value and better quality of the collateral assets (if any), the higher the facility amount can be granted. The director of China Rich shall advise the appropriate amount of credit facility accordingly after taking into account all relevant circumstances.

Term of repayment

The director of China Rich shall review and advise the term of repayment of the borrower based on the assessment of the credit risk.

Collateral

Where collateral is required for the loan, the director of China Rich shall review the nature, quality and value of the collateral assets of the borrower to determine whether it is adequate to cover the loan.

Loan management

All loan applications, due diligence, approval and documentation are processed in-house. The Group has established and continued to enhance its practices and procedures with regards to the loan processing procedures. The director of China Rich processes and approves the loan applications in accordance with the credit policies and guidelines.

During the Year, the Group recorded loan interest income of approximately HK\$3.25 million (2021: approximately HK\$4.92 million) from loans granted to both corporate and individual clients. The outstanding principal amount of loan receivables as at 30 June 2022 before certain impairment was approximately HK\$26.86 million (2021: approximately HK\$38.40 million). Loan and interest receivables of approximately HK\$4.46 million have been impaired during the Year (2021: approximately HK\$12.50 million).

Investments

Assets Investments

Financial assets at FVPL

During the Year, the Group continued to participate in the stock market for securities trading. The Group acquired listed securities in 22 listed companies in Hong Kong and disposed listed securities in 11 listed companies in its investment portfolio during the Year. As at 30 June 2022, the Group had financial assets at FVPL with a fair value of approximately HK\$59.27 million and recorded a loss on change in fair value of financial assets at FVPL of approximately HK\$6.18 million for the Year. Such loss was primarily as a result of the impairment loss of approximately HK\$7.83 million, in aggregate, provided on a number of suspended listed securities and a private equity investment with reference to the bearish sentiment in Hong Kong and global stock market.

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 2022 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 2022 HK\$'000	Percentage to the Group's audited total assets as at 30 June 2022 (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	20,327	12.30%
Other investments						
Listed shares*		-	-	57,372	38,944	23.56%
Grand total for financial assets at FVPL				179,488	59,271	35.86%

* Listed shares included the shares of 10 companies which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the shares of 9 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 2022.

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/(loss) for the Year HK\$'000	Net unrealised fair value gain/(loss) for the Year HK\$'000
Convoy	–	(6,490)
Listed shares*	(223)	529
Grand total	<u>(223)</u>	<u>(5,961)</u>

* Listed shares included the shares of 15 companies which are listed on the Main Board of the Stock Exchange and the shares of 12 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 2022 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 30 June 2022 HK\$'000	Percentage to the Group’s audited total assets as at 30 June 2022 <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	10,282	6.22%

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 five months ended 31 May 2022 that a profit was recorded (for the six months ended 30 June 2021: a profit). Despite a profit was recorded during the period, the fair value of the total equity value of Gransing decreased during the Year. In the second half of 2022, 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. Also, as the border between Hong Kong and mainland China remained hermetically sealed, 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. 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\$90.05 million for the Year, representing an increase of approximately 107.96% as compared to approximately HK\$43.30 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 drop in revenue to approximately HK\$1.20 million, representing a decrease of approximately 32.96% as compared to approximately HK\$1.79 million recorded in the last financial year.
- English language training and test preparation courses: a relatively stable revenue at approximately HK\$77,000, representing an increase of approximately 22.22% as compared to approximately HK\$63,000 recorded in the last financial year.
- Primary tutoring services, skill courses and test preparation courses, and franchising: an increase in revenue to approximately HK\$23.77 million, representing an increase of approximately 20.82% as compared to approximately HK\$19.67 million recorded in the last financial year.

During the Year, 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\$6.43 million; (ii) the STEAM education services of approximately HK\$477,000; and (iii) trading of gaming products of approximately HK\$54.04 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\$3.25 million (2021: approximately HK\$4.92 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\$4.54 million (2021: net gain of approximately HK\$2.31 million). Such gain was mainly due to the net effect of (i) non-recurring sponsorship fee income and service charge income of approximately HK\$5.19 million in aggregate; (ii) settlement received from a legal case of approximately HK\$2.08 million; (iii) government grants under the Anti-epidemic Fund of approximately HK\$1.67 million; (iv) impairment loss on loan receivables of approximately HK\$4.46 million; and (v) impairment loss on trade receivables of approximately HK\$1.74 million.

Staff costs

The Group's staff costs increased by approximately HK\$21.75 million or approximately 89.72% compared with the last financial year, which was primarily the result of the one-off equity settled share-based transactions of approximately HK\$19.06 million incurred during the Year.

Tutor contractor fee

The Group's tutor contractor fee remained relatively stable at approximately HK\$2.07 million as compared with the last financial year. Such movement was generally consistent with the steady revenue derived from secondary tutoring services.

Marketing expenses

The Group's marketing expenses increased by approximately HK\$167,000 or approximately 26.94% compared with the last financial year, which was mainly attributable to the marketing expenses incurred to promote the UFO Group acquired on 26 May 2021 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)	1,617
Legal and professional fee	1,004
Auditor's remuneration	740
Printing and stationery	397
Other daily operation related expenses*	<u>4,146</u>
Total	<u><u>7,904</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, transaction fee, repair and maintenance fee, insurance fee and other interest charges.*

For the Year, the Other Operating Expenses decreased by approximately HK\$0.80 million or approximately 9.22% compared with the last financial year. Such decrease was mainly as a result of the decrease in the legal and professional fee of approximately HK\$1.08 million for the Year as compared to the last financial year.

Finance costs

The Group recorded finance costs of approximately HK\$0.95 million during the Year (2021: approximately HK\$1.17 million), in which the full amount represented the finance costs recognised on lease liabilities.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Year was approximately HK\$32.89 million (2021: profit of approximately HK\$3.62 million), such loss was mainly attributable to (i) the one-off equity settled share-based transactions of approximately HK\$19.06 million incurred during the Year; (ii) a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$6.18 million during the Year, primarily as a result of the impairment loss on a number of suspended listed securities and a private equity investment with reference to the bearish sentiment in Hong Kong and global stock market; and (iii) the impairment loss on trade and loan receivables of approximately HK\$6.20 million in total.

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 2022, the Group's total balance of cash and cash equivalents amounted to approximately HK\$14.51 million (30 June 2021: approximately HK\$38.10 million), of which 91.68% is held in Hong Kong dollars, 0.24% is held in Renminbi and 8.08% is held in United States dollars. Current ratio (defined as total current assets divided by total current liabilities) was 7.62 times (30 June 2021: 6.27 times).

As at 30 June 2022, the gearing ratio of the Group was 11.31% (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).

IMPAIRMENT ASSESSMENT OF LOAN RECEIVABLES AS AT 30 JUNE 2022

As at 30 June 2022, all of the loan receivables were entered with the counterparties with maturities before the date of this report, unsecured and interest-bearing at fixed rates mutually agreed between the contracting parties, ranging from 9% to 15% (2021: 10% to 10.5%) per annum. Loan receivables with outstanding principal and interest as at 30 June 2022 in aggregate amount of approximately HK\$10,567,000 (2021: approximately HK\$19,072,000) which have been past due and impaired before the date of this report and additional impairment loss of approximately HK\$4,461,000 (2021: approximately HK\$12,498,000) was recognised for the year ended 30 June 2022.

The Group estimates the loss allowances for loan receivables by assessing the expected credit losses (“ECL”). This requires the use of estimates and judgements. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of loan receivables and thus the impairment loss in the period in which such estimate is changed. 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 credit worthiness, collateral and past collection history of each borrower. Further details of the impairment assessment of the loan receivables are disclosed in notes 5 and 12 to the consolidated financial statements.

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 2022, the Group had a total of 81 employees (30 June 2021: 124 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 2022 and 2021, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2022 and 2021, 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 2022 and 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 Year.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition and disposal 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 2022, 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 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 30 June 2022, the Group did not have any other plans for material investment or capital assets.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 30 June 2022:

Resumption of trading of listed equity securities in Hong Kong

On 25 July 2022, trading of one of the listed equity securities held by the Group as at 30 June 2022, Beijing Gas Blue Sky Holdings Limited (“**BG Blue Sky**”) (a company listed on the Main Board of the Stock Exchange with stock code: 6828) with carrying amount of approximately HK\$699,000 as at 30 June 2022, which were determined by the Directors with reference to valuations carried out by an independent qualified professional valuer, has been resumed upon the exchange notice by the Stock Exchange on 25 July 2022.

On the date of this announcement, the fair value of the Group’s investment in BG Blue Sky is approximately HK\$1,260,000.

Suspension of trading of listed equity securities in Hong Kong

On 4 July 2022, trading of one of the listed equity securities held by the Group as at 30 June 2022, hmvod Limited (“**HMVOD**”) (a company listed on the GEM Board of the Stock Exchange with stock code: 8103) with carrying amount of approximately HK\$130,000 as at 30 June 2022, has been suspended upon the exchange notice by the Stock Exchange on 4 July 2022.

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 2022 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 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 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 (“**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 for 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, 26 September 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. Fenn David and Mr. Yuen Chun Fai.