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Bradaverse Education (Int'l) Investments Group Limited
源宇宙教育(國際)投資集團有限公司

*(Formerly known as “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 2022**

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2022:

- The Group recorded revenue of approximately HK\$48.3 million, representing an increase of approximately 14.7% as compared to approximately HK\$42.1 million for the corresponding period in 2021.
- The Group recorded a loss of approximately HK\$5.9 million (2021: approximately HK\$4.8 million).

As at 31 December 2022:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of approximately 3.2 times, compared with approximately 7.6 times as at 30 June 2022, 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 approximately 25.4%, compared with approximately 11.3% as at 30 June 2022.

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: nil).

INTERIM RESULTS (UNAUDITED)

The board (“**Board**”) of directors (“**Directors**”) of Bradaverse Education (Int’l) Investments Group Limited (formerly known as “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 2022 (“**Period**”), together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended	
		31 December	
		2022	2021
	NOTES	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue			
– Provision of private educational services		13,903	16,961
– Interest income from money lending		893	413
– Trading and services income from VR and digital entertainment		33,491	24,694
	3	48,287	42,068
Changes in inventories of finished goods		(28,017)	(22,489)
Other income, gains and losses, net	4	4,835	1,409
Staff costs	6	(13,434)	(14,338)
Tutor contractor fee		(1,439)	(1,301)
Lease payments		(404)	(367)
Marketing expenses		(2,287)	(604)
Printing costs		(245)	(444)
Depreciation and amortisation		(3,385)	(3,700)
Change in fair value of financial assets at fair value through profit or loss		(3,786)	626
Other operating expenses	6	(4,898)	(4,551)
Finance costs	5	(535)	(522)
Share of results of joint ventures		(564)	(547)
Loss before tax	6	(5,872)	(4,760)
Income tax expense	7	–	–
Loss for the period		(5,872)	(4,760)

	For the six months ended	
	31 December	
	2022	2021
<i>NOTES</i>	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other comprehensive income (expense), net of income tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	—	1
	<u>—</u>	<u>1</u>
Other comprehensive income (expense) for the period, net of income tax	—	1
	<u>—</u>	<u>1</u>
Total comprehensive expense for the period	<u>(5,872)</u>	<u>(4,759)</u>
(Loss) profit for the period attributable to:		
Owners of the Company	(6,460)	(4,576)
Non-controlling interests	<u>588</u>	<u>(184)</u>
	<u>(5,872)</u>	<u>(4,760)</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(6,460)	(4,575)
Non-controlling interests	<u>588</u>	<u>(184)</u>
	<u>(5,872)</u>	<u>(4,759)</u>
Loss per share	8	
– Basic (HK\$)	<u>(0.01)</u>	<u>(0.01)</u>
– Diluted (HK\$)	<u>(0.01)</u>	<u>(0.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		2,584	1,486
Right-of-use assets		6,621	5,918
Goodwill	10	20,715	20,715
Other intangible assets		1,340	1,340
Interest in joint ventures		409	945
Financial assets at fair value through other comprehensive income		10,282	10,282
Non-current deposits		1,519	826
		43,470	41,512
Current assets			
Inventories		240	790
Trade and other receivables	11	35,980	29,018
Loan receivables	12	15,681	19,379
Amounts due from related parties		1,045	793
Financial assets at fair value through profit or loss	13	64,081	59,271
Bank balances and cash		28,361	14,512
		145,388	123,763
Current liabilities			
Trade and other payables	14	16,727	9,605
Contract liabilities		1,283	1,841
Lease liabilities		4,585	4,405
Current tax liabilities		81	81
Amounts due to related parties		300	300
Borrowing	15	22,000	–
		44,976	16,232
Net current assets		100,412	107,531
Total assets less current liabilities		143,882	149,043

		31 December	30 June
		2022	2022
	<i>NOTES</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		88	88
Lease liabilities		2,700	2,093
Provision for long service payments		338	432
		<u>3,126</u>	<u>2,613</u>
Net assets		<u>140,756</u>	<u>146,430</u>
Capital and reserves			
Share capital	<i>16</i>	29,822	29,822
Reserves		109,518	115,979
Equity attributable to owners of the Company		139,340	145,801
Non-controlling interests		1,416	629
Total equity		<u>140,756</u>	<u>146,430</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. With effect from 31 October 2022, the principal place of business of the Company in Hong Kong has been changed to Unit 1708, 17/F, Tower II, Admiralty Centre, No. 18 Harcourt Road, 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 2022.

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 that 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 – 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 six months ended 31 December 2022

	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>13,903</u>	<u>-</u>	<u>893</u>	<u>33,491</u>	<u>48,287</u>
Segment results	<u>(2,298)</u>	<u>(3,883)</u>	<u>4,696</u>	<u>1,291</u>	(194)
Share of results of joint ventures					(564)
Interest on borrowing					(13)
Unallocated corporate income					1
Unallocated corporate expenses					<u>(5,102)</u>
Loss before tax					<u>(5,872)</u>

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>

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 borrowing, gain on disposal of a subsidiary, share of results of joint ventures 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 2022

	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>11,100</u>	<u>64,088</u>	<u>23,167</u>	<u>46,137</u>	144,492
Unallocated assets					
Bank balances and cash					24,894
Interest in joint ventures					409
Financial assets at fair value through other comprehensive income ("FVOCI")					10,282
Other corporate assets					<u>8,781</u>
					<u>188,858</u>
Liabilities					
Segment liabilities	<u>10,358</u>	<u>327</u>	<u>-</u>	<u>12,957</u>	23,642
Unallocated liabilities					
Current tax liabilities					81
Deferred tax liabilities					88
Borrowing and interest payable					22,013
Other corporate liabilities					<u>2,278</u>
					<u>48,102</u>

As at 30 June 2022

	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>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>

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 joint ventures, 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, borrowing and interest payable and other corporate liabilities.

(c) Revenue from major services

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Secondary tutoring services	436	679
Primary tutoring services, skill courses and test preparation courses	10,520	12,701
Franchising income	1,973	2,504
English language training and test preparation courses	85	32
Dance tuition services	–	807
STEAM education services	889	238
Trading of VR and gaming products and provision of related services	33,491	24,694
	<u>47,394</u>	<u>41,655</u>
Revenue from other sources		
Loan interest income	893	413
	<u>893</u>	<u>413</u>
Total revenue	<u>48,287</u>	<u>42,068</u>

4. OTHER INCOME, GAINS AND LOSSES, NET

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on		
– bank deposits	1	1
– other interest income	–	434
Services fee income	597	–
Government grants (<i>Note</i>)	503	83
Dividend income from financial assets at fair value through profit or loss	30	–
Loss on write off of property, plant and equipment	(65)	(7)
Gain on disposal of a subsidiary	–	670
Gain on lease modifications	22	–
Impairment loss on trade receivables	(356)	(20)
Reversal of impairment loss on loan receivables	3,835	–
Others	268	248
	4,835	1,409

Note:

For the period, the Group successfully applied for funding support from the Employment Support Scheme (“ESS”) 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.

5. FINANCE COSTS

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowing	13	–
Interest on lease liabilities	522	522
	<u>535</u>	<u>522</u>

6. LOSS BEFORE TAX

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

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' emoluments	356	353
Other staff costs	12,541	13,432
Other staff's retirement benefit scheme contributions	537	553
	<u>13,434</u>	<u>14,338</u>
Total staff costs		
Legal and professional fee	544	971
Rental related fees and charges (including building management fee, air conditioning charges and government rent and rates)	858	870
Other daily operation related expenses	3,496	2,710
	<u>4,898</u>	<u>4,551</u>
Total other operating expenses		
Reversal of provision for long service payments	(95)	(46)

7. INCOME TAX

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Provision for the period	–	–

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

8. LOSS PER SHARE

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

	For the six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<u>(6,460)</u>	<u>(4,575)</u>
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>596,430,880</u>	<u>596,430,880</u>

No adjustment has been made in calculating the diluted loss per share amount presented for the six months ended 31 December 2022 and 2021 as there were no dilutive potential ordinary shares in issue during the six months ended 31 December 2022 and 2021.

The computation of diluted loss 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 Period.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: 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 2021 (Audited)	60	25,448	559	20,655	46,722
Derecognised on disposal of a subsidiary	<u>–</u>	<u>(25,448)</u>	<u>–</u>	<u>–</u>	<u>(25,448)</u>
At 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	<u>60</u>	<u>–</u>	<u>559</u>	<u>20,655</u>	<u>21,274</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 July 2021 (Audited)	–	23,492	559	–	24,051
Derecognised on disposal of a subsidiary	<u>–</u>	<u>(23,492)</u>	<u>–</u>	<u>–</u>	<u>(23,492)</u>
At 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	<u>–</u>	<u>–</u>	<u>559</u>	<u>–</u>	<u>559</u>
CARRYING AMOUNTS					
At 31 December 2022 (Unaudited)	<u>60</u>	<u>–</u>	<u>–</u>	<u>20,655</u>	<u>20,715</u>
At 30 June 2022 (Audited)	<u>60</u>	<u>–</u>	<u>–</u>	<u>20,655</u>	<u>20,715</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 services (“CGU 4”) respectively.

11. TRADE AND OTHER RECEIVABLES

	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Accrued revenue and trade receivables	26,449	10,691
Less: Impairment loss on trade receivables, net	<u>(2,093)</u>	<u>(1,736)</u>
	24,356	8,955
Rental deposits	2,882	2,659
Other deposits	285	482
Prepayments	2,197	577
Other receivables	7,877	17,269
Less: Impairment loss on other receivables, net	<u>(98)</u>	<u>(98)</u>
	37,499	29,844
Less: Rental deposits (shown under non-current assets)	<u>(1,519)</u>	<u>(826)</u>
Trade and other receivables (shown under current assets)	<u>35,980</u>	<u>29,018</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 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Contract assets	530	447
Trade receivables:		
1 to 30 days	15,009	7,706
31 to 60 days	1,182	578
61 to 90 days	5,754	224
More than 90 days	<u>1,881</u>	<u>–</u>
	<u>24,356</u>	<u>8,955</u>

Trade receivables are usually due within 30 days (30 June 2022: within 30 days) from the date of billing.

12. LOAN RECEIVABLES

	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Loan receivables	22,413	29,946
Less: Impairment loss	<u>(6,732)</u>	<u>(10,567)</u>
	<u>15,681</u>	<u>19,379</u>

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

As at 31 December 2022, 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 2022: 9% to 15%) 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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
	<i>Notes</i>		
Listed equity securities in Hong Kong, at fair value	<i>(i)</i>	40,292	37,277
Suspended listed equity securities in Hong Kong, at fair value	<i>(ii)</i>	1,101	1,667
Unlisted equity securities outside Hong Kong, at fair value	<i>(iii)</i>	20,327	20,327
Unlisted fund, at fair value	<i>(iv)</i>	2,361	–
		64,081	59,271

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 2022, the fair value of the unlisted equity securities represents the equity securities of Convoy Global Holdings Limited.
- (iv) The amount represents interests in an unlisted fund. During the Period, the Group has invested in a Hong Kong limited partnership fund.

14. TRADE AND OTHER PAYABLES

	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Trade payables	11,913	4,164
Other payables	1,091	844
Accrued tutor contractor fee, salary and other accruals	3,723	4,597
	16,727	9,605

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 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
1 to 30 days	11,845	4,076
31 to 60 days	40	50
61 to 90 days	–	13
More than 90 days	<u>28</u>	<u>25</u>
	<u>11,913</u>	<u>4,164</u>

15. BORROWING

	31 December 2022 (Unaudited) HK\$'000	30 June 2022 (Audited) HK\$'000
Current		
Borrowing – unsecured	<u>22,000</u>	<u>–</u>

On 20 December 2022, the Company entered into a guarantee agreement with an independent third-party financial institution pursuant to which the Company guaranteed to repay the unsecured indebtedness in respect of the revolving loan facility agreement entered between the financial institution and a wholly-owned subsidiary of the Company.

On 29 December 2022, the wholly-owned subsidiary of the Company advanced a borrowing of principal sum of HK\$22.0 million. The borrowing will mature in December 2023 and bear a fixed interest rate of 11.0% per annum. The amount is denominated in Hong Kong dollars.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.05 each		
At 1 July 2021, 30 June 2022 and 31 December 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 2021 (Audited), 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	<u>596,430,880</u>	<u>29,822</u>
Ordinary shares of HK\$0.05 each		
At 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	<u>596,430,880</u>	<u>29,822</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

The Group principally engages in the provision of (i) 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; (ii) trading and services from Virtual Reality (“VR”) and digital entertainment business; and (iii) investment in securities. The Group also offer money lending service to further utilize the strong cash flow generated from our business.

Provision of Private Educational Services

The operating environment of the provision of private educational services has been challenging in the past three academic years, since the COVID-19 pandemic. Although prevention measures and arrangements, including face-to-face class suspension and social distancing measures, have been gradually lifted during the Period, the provision of private education services must continue to adopt hybrid learning models, which involve a combination of in-person and remote learning, to accommodate students who are not yet comfortable returning to campus or who are unable to attend in-person classes. The aggregate revenue generated from secondary tutoring services, English language training and test preparation courses and primary tutoring services, skill course and test preparation courses was approximately HK\$13.0 million during the Period, represented a decrease of approximately 18.2% from approximately HK\$15.9 million for the corresponding period in 2021.

The management believes that “from crisis comes opportunity”, to cope with the difficult times and the change of learning mode, the Group made every endeavor and formulated appropriate strategies to provide quality tutoring services, such as expanding the capacity of small physical classes by a short-term rental of premises. Moreover, the Group has also been actively exploring market opportunities to better deploy its resources and introducing the online classes to supplement its traditional physical classes with an aim to bring its business of connecting its students and celebrity tutors into a new digital era.

As at 31 December 2022, a learning centre was operated by the Group under the brand name of “Modern Education (現代教育)” and 7 directly-owned education centres and 29 franchised centres operating under the brand name of “Modern Bachelor Education (現代小學士)” to offer both physical class and online class to students to meet different needs.

Trading and Services from VR and Digital Entertainment Business

In response to market dynamics, the Group has developed and become a more comprehensive education services provider through the establishment of a hybrid business model in the education industry that brings metaverse experience and merges with traditional learning. During the Period, the Group provided trading and technology services in relation to VR and digital entertainment, including (i) providing equipment, service and content specialising in the VR technology; (ii) providing content and solution in the Science, Technology, Engineering, Art and Math (“**STEAM**”) education sector targeting schools; (iii) being engaged in the digital entertainment industry offering distribution and marketing on gaming products; and (iv) providing IT and emerging technology training contents and solution for vocational and professional students.

During the Period, UFO Interactive Group Limited (“**UFO**”, an indirect 60%-owned subsidiary of the Company, together with its subsidiaries, the “**UFO Group**”) has generated revenue from (i) trading of VR products and provision of related services of approximately HK\$3.5 million (2021: approximately HK\$2.8 million); (ii) the STEAM education services of approximately HK\$0.9 million (2021: approximately HK\$0.2 million); and (iii) trading of gaming products of approximately HK\$30.0 million (2021: approximately HK\$21.9 million).

Money Lending Business

Besides the private educational services and trading and services from VR and digital entertainment business, 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 Company, is a holder of the money lender’s license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (“**Money Lenders Ordinance**”). The Group has adopted money lending policies and procedures for handling and/or monitoring the money lending business in compliance with the Money Lenders Ordinance.

During the Period, the Group recorded loan interest income of approximately HK\$0.9 million (2021: approximately HK\$0.4 million) from loans granted to both corporate and individual clients. The interest rate of the loans granted ranging from 9.0% to 15.0% per annum (2021: 9.0% to 10.5%) and the term was 1 year (2021: ranging from 1 to 2 years).

As at 31 December 2022, the total gross loan and interest receivables amounted to approximately HK\$22.4 million (30 June 2022: approximately HK\$30.0 million). The Group's five largest loan and interest receivables amounted to approximately HK\$19.3 million or 86.2% (30 June 2022: approximately HK\$24.2 million or 80.9%) of the Group's total gross loan and interest receivables. Among which the largest borrower accounted for approximately HK\$7.3 million or 32.6% (30 June 2022: approximately HK\$10.9 million or 36.4%) of the Group's total gross loan and interest receivables as at 31 December 2022.

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 fair value through profit or loss ("FVPL")

During the Period, the Group continued to participate in the stock market for securities trading. The Group acquired listed securities in 13 listed companies in Hong Kong and disposed listed securities in 7 listed companies in its investment portfolio. The Group also invested in an unlisted fund during the Period. As at 31 December 2022, the Group had financial assets at FVPL with a fair value of approximately HK\$64.1 million and recorded a loss on change in fair value of financial assets at FVPL of approximately HK\$3.8 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 2022 are as follows:

Description of investments	Principal businesses	Number of shares held	Percentage held to the total issued share capital of the company	Investment cost	Fair value	Percentage to the Group's unaudited total assets
			(approximately)		as at 31 December 2022	as at 31 December 2022 (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	20,327	10.76%
<i>Other investments</i>						
Listed shares*		-	-	88,498	41,393	21.92%
Unlisted fund		-	-	2,361	2,361	1.25%
Grand total for financial assets at FVPL				<u>212,975</u>	<u>64,081</u>	<u>33.93%</u>

* Listed shares included the shares of 15 companies which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the shares of 7 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 2022.

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>2,632</u>	<u>(6,418)</u>

* Listed shares included the shares of 19 companies which are listed on the Main Board of the Stock Exchange and the shares of 7 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 2022 as below:

Description of investments	Principal businesses	Number of shares held	Percentage held to the total issued share capital of Gransing (approximately)	Investment cost HK\$'000	Carrying amount as at 31 December 2022 HK\$'000	Percentage to the Group’s unaudited total assets as at 31 December 2022 (approximately)
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	5.44%

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 for the Period of Gransing and its subsidiaries (“**Gransing Group**”) that a profit was recorded (for the corresponding period in 2021: a loss). Following the easing of the COVID-19 pandemic, the overall performance of Gransing Group had been improving alongside with the economic environment. Going forward, 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. Despite the easing of the COVID-19 pandemic, traditional educational services were still suffering from its impacts such as the change of mode of learning. Therefore, performance of Full Profit was yet to restore to normal due to the drop in the number of students enrolled in kindergartens. 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\$48.3 million for the Period, representing an increase of approximately 14.7% as compared with approximately HK\$42.1 million recorded for the corresponding period in 2021.

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\$436,000, representing a decrease of approximately 35.8% as compared to approximately HK\$679,000 recorded in the corresponding period in 2021.
- English language training and test preparation courses: an increase in revenue to approximately HK\$85,000, representing an increase of approximately 165.6% as compared to approximately HK\$32,000 recorded in the corresponding period in 2021.
- Primary tutoring services, skill courses and test preparation course (including franchising income and STEAM education services): a decrease in revenue to approximately HK\$13.4 million or 13.0% as compared to approximately HK\$15.4 million recorded in the corresponding period in 2021.

Revenue generated from the segment of trading and services income from VR and digital entertainment is as below:

- Trading of VR products and provision of related services: an increase in revenue to approximately HK\$3.5 million or 25.0% as compared to approximately HK\$2.8 million in the corresponding period in 2021; and
- Trading of gaming products: an increase in revenue to approximately HK\$30.0 million or 37.0% as compared to approximately HK\$21.9 million in the corresponding period in 2021.

During the Period, the Group recorded loan interest income from the segment of money lending business of approximately HK\$0.9 million (2021: approximately HK\$0.4 million), representing an increase of approximately 125.0% as compared to the corresponding period in 2021.

Other income, gains and losses, net

For the Period, the Group's other income, gains and losses recorded net gain of approximately HK\$4.8 million (2021: net gain of approximately HK\$1.4 million). Such increase was mainly attributable to approximately HK\$3.8 million of reversal of impairment loss on loan receivables during the Period.

Staff costs

The Group's staff costs decreased to approximately HK\$13.4 million during the Period from approximately HK\$14.3 million for the corresponding period in 2021. Such decrease was mainly due to the decrease in headcounts as a result of the disposal of the Group's dancing school in the corresponding period in 2021.

Tutor contractor fee

The Group's tutor contractor fee increased slightly to approximately HK\$1.4 million during the Period from approximately HK\$1.3 million for the corresponding period in 2021, which was primarily attributable to the increase in the enrollments of the Group's emerging STEAM educational services.

Marketing expenses

The Group's marketing expenses increased by approximately HK\$1.7 million or approximately 278.6% compared with the corresponding period in 2021. Such increase was mainly due to the extension of the Group's marketing activities, including the collaboration with a YouTube Channel, 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)	858
Legal and professional fee	544
Other daily operation related expenses*	<u>3,496</u>
Total	<u><u>4,898</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 increased slightly by approximately HK\$0.3 million or 7.6% compared with the corresponding period in 2021. The fluctuation was mainly due to the increase in various operating expenses during the Period, including but not limited to outsource services expenses; partially offset by the decrease in legal and professional fee.

Finance costs

The Group recorded finance costs on borrowing of approximately HK\$13,000 and lease liabilities of approximately HK\$0.5 million during the Period, respectively (2021: HK\$nil and approximately HK\$0.5 million, respectively).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Period was approximately HK\$6.5 million (2021: approximately HK\$4.6 million). Loss per share was approximately HK\$0.01 for the Period (2021: loss per share of HK\$0.01). Despite a significant increase in the Group's overall revenue as a result of the development of trading and services from STEAM education service and VR and digital entertainment business, the increase in loss was mainly due to (i) the increase in changes in inventories of finished goods alongside with the increase in the revenue generated from the trading and services income from VR and digital entertainment; (ii) the increase in marketing expenses due to the business development; and (iii) a loss in the change in fair value of financial assets at fair value through profit or loss recorded.

OUTLOOK

The overall market has been entering into a new era with the advent of COVID-19. The pandemic is game changer that has caused a paradigm shift in our social behaviors as a result of social distancing measures and geographical and traveling barriers. The Group has to adapt to the new landscape by investing in technology and resources to support online learning, and by developing innovative approaches to education and that the UFO Group was introduced 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 introduction of the UFO Group, which is also a content and solution provider in the STEAM education sector, the Group became a more comprehensive education services provider by diversifying its business in the education industry and being more agile in response to market dynamics and opportunities. With the new digital paradigm shift (from Web 2.0 to Web 3.0), the user experience on education would tend to be more interactive, immersive and customized. The UFO Group has taken an early mover approach to adopt the new technology of Metaverse, Web 3.0 and Blockchain to deliver an advanced delivery mechanism to our students. Moreover, the UFO Group is also a pioneer solution provider to provide Ed-tech solution on Metaverse to schools and institutions, plus a lot of advanced courses on Metaverse creation, Blockchain and Web 3.0 knowledges. Apart from schools and institutions, there are also huge demands for technology training from corporations and SMEs, being an approved training provider of Hong Kong Government Re-industrialisation and Technology Training programme (RTTP), UFO Group shall continue to provide quality vocational training service on technology.

For the digital entertainment sector, the UFO Group shall continue to expand the varieties of gaming products for distribution. In the coming year, the gaming product trading shall further enhance with more sales on Esport peripherals through Ecommerce Sales and Esport Event activities.

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 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 2022, the Group's total balance of cash and cash equivalents amounted to approximately HK\$28.4 million (30 June 2022: approximately HK\$14.5 million), of which approximately 99.8% is held in Hong Kong dollars, 0.1% is held in Renminbi and 0.1% is held in United States dollars. Current ratio (defined as total current assets divided by total current liabilities) was approximately 3.2 times (30 June 2022: approximately 7.6 times).

As at 31 December 2022, the total amount of interest-bearing borrowing was HK\$22.0 million, all of which would be due within one year (30 June 2022: HK\$nil). The total amount of interest-bearing borrowing was secured by guarantee provided by the Company and denominated in HKD and bore a fixed interest rate.

As at 31 December 2022, the gearing ratio of the Group was approximately 25.4% (30 June 2022: approximately 11.3%). 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).

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 2022, the Group had a total of 81 full-time employees (30 June 2022: 81 full-time employees). They receive competitive remuneration packages that are 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 provides comprehensive benefits packages and career development opportunities. In-house and external training programmes are provided as and when required.

EQUITY-LINKED AGREEMENTS

Save as disclosed below, during the Period, the Company has not entered into, or there has not subsisted at the end of the Period, any other equity-linked agreement (as defined in section 6 of the Companies (Director's Report) Regulation (Chapter 622D of the HK Laws)).

Share option schemes

The share option scheme of the Company ("**Share Option Scheme**") was adopted pursuant to an ordinary resolution passed at the annual general meeting on 4 December 2020 and became effective on 8 December 2020 ("**Effective Date**"). The purposes of the Share Option Scheme are to attract and retain the best available personnel and to provide additional incentives or rewards to employees and the directors of the Group and the associated companies of the Company ("**Associated Companies**") for their contribution to, and to promote the success of, the Group and the Associated Companies. The Share Option Scheme shall be valid and effecting for a period commencing on the Effective Date and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of the Effective Date, i.e. 7 December 2030.

An offer for the grant of options, which may specify the minimum period determined by the Board on a case by case basis for which the options must be held before they can be exercised, must be accepted within 21 days inclusive of the day on which such offer is made. The amount payable for the acceptance of the option is HK\$1.00 which shall be paid upon acceptance of the offer. The subscription price of the share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to the participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date of grant of the option.

The Board may grant options under the Share Option Scheme generally and without further authority in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue on the Effective Date. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that such refreshed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period up to and including the date of grant must not exceed 1% of the Shares then in issue unless approved by the Shareholders and issued a circular in accordance with the Listing Rules.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

On 30 June 2022, the Company had granted share options to the eligible participants to subscribe for a total of 58,080,000 ordinary shares of HK\$0.05 each in the capital of the Company at the exercise price of HK\$1.76 per share for a validity period from 30 June 2022 to 29 June 2025 pursuant to the Share Option Scheme.

CONTINGENT LIABILITIES

As at 31 December 2022 and 30 June 2022, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2022 and 30 June 2022, 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 2022 and 30 June 2022.

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 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 installments 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 installment of the Balance Payment in the amount of HK\$15 million. In September and October 2020, Mr. Wong further settled the second installment of the Balance Payment in the amount of HK\$15 million and part of the third installment of the Balance Payment in the amount of HK\$5 million respectively. As at 31 December 2022, the balance of HK\$8 million of the third installment and interest accrued were still outstanding, the total of which did not exceed 8% of the unaudited total assets of the Group as at 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, as at 31 December 2022, the Group did not have any other plans for material investment or capital assets.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as 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 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 code 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 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 considers that the Directors’ exposure to litigation risk is manageable and that benefits to be derived from taking out insurance may not outweigh the cost.

LITIGATION

- (1) On 19 December 2017, Fastek Investments Limited (“**Fastek**”), an indirect wholly-owned subsidiary of the Company, received a writ of summons (“**Writ**”) with statement of claim issued in the Court of First Instance of the High Court of Hong Kong (“**CFI**”) by Convoy and certain subsidiaries of Convoy (“**Plaintiffs**”) to claim an order against Fastek, as one of the placees under the placing of 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 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 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 left 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 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 of 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 keep the shareholders of the Company and potential investors informed of any further material development.

EVENT AFTER THE REPORTING PERIOD

There is no important event affecting the Group which have occurred since the end of the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group, 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
Bradaverse Education (Int'l) Investments Group Limited
Yip Kai Pong
Executive Director

Hong Kong, 24 February 2023

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 Mr. Yuen Chun Fai, Mr. Hong Ka Kei and Ms. Leung Sze Ki.