BExcellent Group Holdings Limited
精 英 匯 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

Stock Code 股份代號：1775

BEACON

30th ANNIVERSARY

BEACON

ANNUAL REPORT 2019 年報

遵理三十週年誌慶

Celebrating our 30th Anniversary

College BEACON® 遵理學校

Day School BEACON® 遵理日校

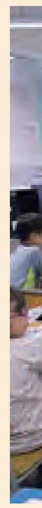
Childhood BEACON® 遵理兒童教育

BExcellent BEACON® 遵理精英匯

Plus BEACON 遵理學習中心

Glocal EDUCATION

GES Glocal Education 環城海外升學中心



CAPE BEACON® 遵理持續進修

Fund BEACON® 遵理教育基金

Living BEACON® 遵理生活

Pop Index BEACON® 遵理潮指數

BeConfident Alliance 全面發展教育協會

Ascent Prep

NEW CREATION 新意廣告有限公司 New Creation Advertising Agency Limited

Assessment International
評核國際(香港)有限公司

vioo

DIVERSE LEARNING CLUB
多元學習坊

為智能學習提供有效評核工具
Effective Assessment Tools for Smart Learning

全面提升資訊科技建構
Overall Enhancement on IT Infrastructure

培養兒童多元發展
Nurturing All-round Development of Children

Mathgic

BOnLine

遵理聯同GPEX及劍橋英語
Beacon Joining Hands with GPEX & Cambridge English

個人化學習數學
Tailor-made learning pace on Maths

網上測評及問答平台
Online assessment and Q&A platform

劍橋英語一條龍測評及系統學習
One-stop Cambridge English learning program

遵理聯同中國移動
Beacon Joining Hands with China Mobile

為智能學習提供有效評核工具
Effective Assessment Tools for Smart Learning

持續創新
New Initiatives

As mentioned in last year's annual report, "there have been many changes and replacements in the local tutorial industry over the past three decades". As I am penning this statement, we are at a time of transformation which is coinciding with major social events that have had an unavoidable impact on our results. However, since Beacon's main business focuses on senior secondary school education and ancillary education services, we as the industry leader have the undeniable responsibility to continue to lead our team to face and overcome the difficulties and challenges.

For the year ended 31 July 2019, the session enrollments of the Group's private supplementary secondary school education services decreased by approximately 17.8% from 664,000 students last year to approximately 546,000 students this year. The average number of sessions enrolled per student decreased from approximately 12.1 last year to approximately 10.9 this year. The Group's revenue decreased by approximately 8.9% to approximately HK$371.7 million from HK$408.1 million. Profit attributable to owners of the Company decreased by approximately 54.1% from approximately HK$25.9 million to approximately HK$11.9 million.

Currently, Beacon's main target market is the general public of Hong Kong. We have to keep in step with the times and adjust to the rapidly changing trend in the academic field. Looking ahead, we will accelerate our pace to not only strengthen our position as the market leader, but also to become a market developer.

In the HKDSE Examination 2019, eight of the top scorers had received tutorial services from Beacon, with an average of approximately 64 modules of studies and related services per student. These learners had also attended classes at Beacon for two academic years. Whether aiming for top grades or trying to catch up with their peers, young students are no longer satisfied with the simple choice of offline large-scale tutorial classes. They are now pursuing more diversified learning packages as well as different channels to further their studies and seek employment.

Online assessment and digital learning are major trends for education in the future. This year, the Group has recruited Dr. Luo Guanzhong as our Chief Assessment Scientist. We have also acquired and merged with the information technology services company Vioo, and entered into a strategic cooperation with China Mobile Hong Kong Limited (a wholly-owned subsidiary of China Mobile Limited, stock code: 941). With Dr. Luo's immense assessment experience in the HKEAA, coupled with big data and the power of information and communication technology, we aim to reach a new milestone in online and offline learning and assessment services not only in Hong Kong but also in the Greater Bay Area. At the beginning of this year, we launched the online teaching and learning interactive platform BOnLine, which recorded an average of more than 90,000 page views per month in the first six months. Students from more than 430 secondary schools in Hong Kong have completed nearly 15,000 learning evaluations on BOnLine. Looking ahead, we will dedicate more resources in establishing the largest online teaching platform, which will assemble some of the most outstanding teachers in Hong Kong and keep pace with the development of our offline teaching centres. It is worth mentioning that for the summer courses of 2019, we launched a pilot of the online registration system, and subsequently during the enrollment days for regular courses, launched the official version so parents and students no longer needed to queue up all-night. Moreover, the system enables the Group to analyze students' enrollment data to facilitate more effective, time-saving and accurate online marketing activities in the future.

The various brands under the BExcellent Group are growing rapidly, with the target audience ranging from three-year-olds to adults focusing on the high-end consumer market. Ascent Prep, Glocal Education Services and BExcellent IELTs Prep focus on local and overseas study consultancy services, while Beacon Childhood, Cambridge English Training, BeConfident Alliance, Glocal Education and the new mathematics training course Mathgic focus on the provision of growth and developmental services for young children through a combination of classroom teaching and extracurricular activities. Earlier this year, under the witness of Cambridge Assessment English, the Group signed a cooperation agreement with GPEX to launch the one-stop Cambridge English assessment and systematic learning program. Unlike the supplementary education services for high school, the preschool education brands focus on centralized systematic development of teaching materials and emphasize talent training, with the aim of providing a unified teaching standard for small class teaching groups, providing the instructors with well-prepared teaching materials.

We are still actively seeking opportunities to acquire distinguished education-related businesses. Our targets include institutes that serve pre-school and primary school students, and an eminent vocational training school.

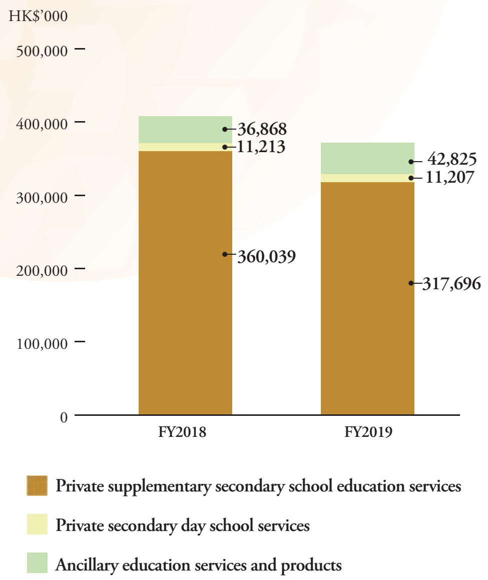
Our Group also recognizes the potential of artificial intelligence in education, and will therefore actively conduct research and development in collaboration with local, domestic and overseas partners in this regard. We will also utilize our existing database to strengthen and enhance our online and offline services.

Knowledge can change destiny while love and conviction can settle disputes. When society is in turmoil, the responsibility of educators is even more prominent. In times of difficulty, we need to hold fast to our position now more than ever.

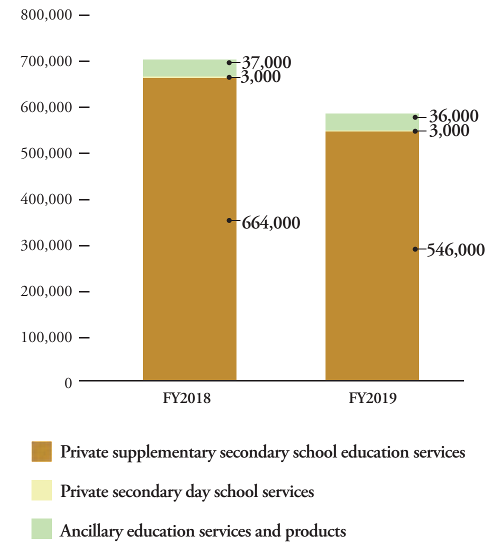
We are grateful to the students, parents and other stakeholders for their support and trust all this way.

Leung Ho Ki, June
Hong Kong, 21 October 2019

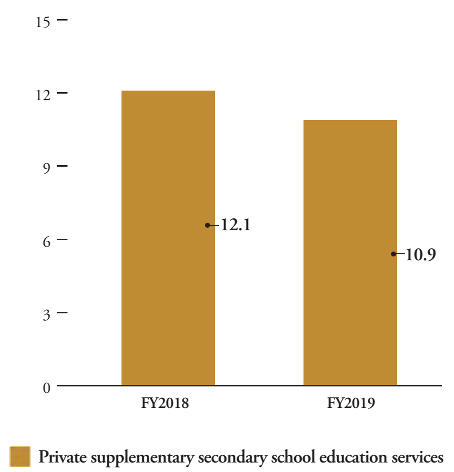
Revenue by category of services and products



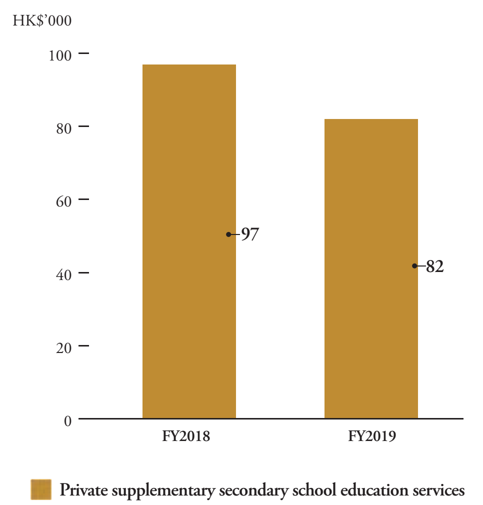
Number of session enrollments by category of services and products



Average number of sessions enrolled per student



Revenue per average classroom capacity



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Leung Ho Ki, June *(Chairman of the Board)*
Mr. Tam Wai Lung *(Chief Executive Officer)*
Mr. Chan Tsz Ying, Wister
Mr. Li Man Wai

NON-EXECUTIVE DIRECTOR

Dr. Shen Xu Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Chi Hong
Mr. Li Kai Sing
Professor Wong Roderick Sue Cheun

COMPANY SECRETARY

Mr. Choi Shing Wai, *FCPA*

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Mr. Li Kai Sing *(Chairman)*
Mr. Kwan Chi Hong
Professor Wong Roderick Sue Cheun

REMUNERATION COMMITTEE

Mr. Kwan Chi Hong *(Chairman)*
Professor Wong Roderick Sue Cheun
Mr. Li Kai Sing
Mr. Tam Wai Lung
Mr. Li Man Wai

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Professor Wong Roderick Sue Cheun
Mr. Kwan Chi Hong
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www.bexcellentgroup.com

STOCK CODE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development. We provide all of our private supplementary education services from teaching centres in Hong Kong Island, Kowloon and the New Territories. As at 31 July 2019, we operated 21 teaching centres, with a total of 143 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 4,116 students to attend class at any one time.

Revenue

We offer a range of education programmes and services in Hong Kong under the following three categories:

i) private supplementary secondary school education services;

ii) private secondary day school services; and

iii) ancillary education services and products.

Set out below is a summary of our revenue and session enrollments for each category of services which we provided for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July	
	2019	2018
Private supplementary secondary school education services		
– Revenue (HK$'000)	**317,696**	360,039
– Unique student enrollment ('000)	**50**	55
– Session enrollment ('000)	**546**	664
Private secondary day school services		
– Revenue (HK$'000)	**11,207**	11,213
– Unique student enrollment ('000)	**0.4**	0.4
– Session enrollment ('000)	**3.0**	3.0
Ancillary education services and products		
– Revenue (HK$'000)	**42,825**	36,868
– Session enrollment ('000)	**36**	37

i) Private supplementary secondary school education services

Our Group provides private supplementary secondary school education services for students from Secondary 1 to Secondary 6 under our "Beacon College" (遵理學校) brand. For the year ended 31 July 2019, we had (i) approximately 50,000 (2018: approximately 55,000) unique private supplementary secondary school education student enrollments and approximately 546,000 (2018: approximately 664,000) private supplementary secondary school education session enrollments. Notwithstanding the keen competition within the industry and continuous reduction of the number of candidates attending the HKDSE in recent years, our Group has invested in the enhancement of the Group's information infrastructure aiming to strengthen the Group's education services, particularly in bettering students' learning experience and intensifying the Group's measurement and assessment on students' learning progress. Through upgrading the Group's information infrastructure, the Group believes that the extensive experience in IT can allow better retention of existing students and higher number of new enrollments.

The following table sets forth the gross revenue, the number of session enrollments of each category and the average course fee of secondary tutoring courses for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July			
	2019		2018	
	Session enrollment ’000	**Revenue HK$’000**	Session enrollment ’000	Revenue HK$’000
Regular courses	**404**	**254,071**	478	285,449
Intensive courses	**70**	**30,054**	86	35,735
Summer courses	**72**	**33,571**	100	38,855
Total	**546**	**317,696**	664	360,039
Average course fees per session enrollment (HK$)		**582**		542

Mainly due to the decline in session enrollments as experienced in the private supplementary secondary school industry, our Group’s total revenue declined by approximately 8.9% when compared with the same period in the previous financial year.

ii) Private secondary day school services

We operated two private secondary day schools located in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. The number of private secondary day school session enrollments remained stable as experienced in the private secondary day school industry, revenue was maintained at a level of approximately HK$11.2 million when compared with the same period in the previous financial year. There was no significant change in our course fees as well as the number of session enrollments in the past two financial years. Nevertheless, we are integrating resources across different brands within our Group such as Beacon CAPE, GES, Beacon BExcellent and Beacon College to create more values and opportunities to our day school students who, for example, are interested to study abroad.

iii) Ancillary education services and products

Our Group offers various ancillary education services and products such as (i) mock examination services; (ii) interview preparation and supplementary primary school education, tutorial and consultation services under our “Beacon Childhood”, “BeConfident”, “Glocal Education” brands; (iii) VIP self-study services; (iv) IELTS, general interest and foreign language courses under our “Beacon BExcellent” brand; (v) other services and products including but not limited to online course scheduling and management services, a Higher National Diploma in Business (QCF) registered with the EDB under our “Beacon CAPE” brand, other educational services under our “Ascent Prep” brand, overseas study consultation services under our “GES” brand, online retail business under our “Beacon Living” brand, and our Group received service fees from another private supplementary secondary school education service provider pursuant to a collaboration arrangement. The table below shows the revenue components of the ancillary education services and products for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July	
	2019 HK$’000	2018 HK$’000
Mock examination services	**11,633**	12,557
Beacon Childhood	**11,204**	9,432
VIP self-study services	**6,853**	7,296
Beacon BExcellent	**2,660**	2,137
Others	**10,475**	5,446
Total	**42,825**	36,868

Our Group continues to achieve high growth in other ancillary education services and products which align with our Group’s policy to diversify our product and service range and sources of revenue.

Beacon Childhood is one of the growth momentums for revenue in recent few years and achieved approximately 18.8% (2018: approximately 69.6%) revenue growth for the year ended 31 July 2019. We have been strengthening our teaching team and the team composition together with network optimisation and our continuous efforts in widening course variety. A new teaching centre, namely Diverse Learning Centre, commenced operation in May 2019 in Prince Edward and two more teaching spots in Yuen Long and Tsuen Wan commenced operation under the brand of "Diverse Learning Club" that provide a variety of child education services subsequently after the year ended 31 July 2019. In view of the market potential in childhood education industry experienced in the past few years, our Group will continue to capture such market growth by (i) expanding our network through opening new centres/spots or acquisition of existing ones; (ii) engaging highly qualified tutors to enhance the credibility of our child education services; and (iii) collaborating with reputable education brands in launching various educational programs.

OUTLOOK AND FUTURE DEVELOPMENT

Year 2019 marks the 30th anniversary of our Group. Having gone through numerous glorious and dark times in Hong Kong, the Directors believe that "education never fades" and are optimistic towards the market of education services, despite the recent social situation and the decline in the teenage population in recent years. The Group adopts a prudent and cautious approach to balance its expansion in the ever evolving education market.

In line with our goal to maintain and further strengthen our position as a leading private supplementary secondary school education services provider in Hong Kong, we adopt growth strategies of (i) continuously optimizing our teaching centre network; (ii) extending ancillary education services to various horizons powered by IT; (iii) expanding our service offerings in both secondary and post-secondary education; and (iv) further expanding our Beacon Childhood network and products offering.

In view of the recent social events in Hong Kong, our Group is cautious in reviewing our expansion plan and strikes to achieve higher centre utilisation and more effective resources allocation through strategic network planning from time to time. The Group has been optimizing centre network in the Yau Tsim Mong district, and subsequently other districts, through upgrading centre infrastructure such as upgrading centre outlooks and facilities, launching online enrollment and electronic payment system, and reallocation of classrooms and manpower.

Aligning with the core private supplementary secondary education business of our Group, we have been expanding our offerings in ancillary education services in order to provide students with an all-rounded learning experience with strong academic support. BOnLine was launched to connect students' offline learning to online, creating a business model of online learning and assessment. The platform will be further equipped with enhanced functions and a strong team of academic elites to back up the knowledge development.

It is our strategy to leverage and maximize the synergy among different services spectrums. We will continue to invest for the expansion of our offerings in secondary and post-secondary education services, such as international tests preparation, and non-HKDSE curriculum programmes and overseas studies consultancy services. Subsequent to the year ended 31 July 2019, we acquired the remaining 49% shares of Ascent Prep to focus on future development of overseas test prep as well as studying abroad preparation together with the brands GES consultancy, Beacon BExcellent IELTS Prep and Beacon CAPE. We are at the same time prudently exploring the market of further studies in the mainland China through an education partner in Zhejiang province and our newly established subsidiary in Shenzhen.

On the other hand, various brands of our Group's childhood education business are growing robustly. In order to capture the market opportunity, we established 3 new teaching spots within our teaching centre networks under the name of Diverse Learning Club to nurture the growth of various brands such as Beacon Childhood, Glocal Education, BeConfident and Mathgic. Leveraging on the collaboration with an authorized Cambridge Assessment English exam centre GPEX, we commenced providing English education services to schools and kindergartens as well as individuals.

FINANCIAL REVIEW

Revenue

For the components of our revenue, please refer to the section headed "Business Review" above.

The Group's total revenue decreased by approximately HK$36.4 million, or approximately 8.9%, from approximately HK$408.1 million for the year ended 31 July 2018 to approximately HK$371.7 million for the year ended 31 July 2019. This was mainly due to the revenue decline from provision of private supplementary secondary school education services partially offset by the growth in revenue from ancillary education services and products.

Revenue from provision of private supplementary secondary school education services decreased by approximately HK$42.3 million, or approximately 11.8% from approximately HK$360.0 million for the year ended 31 July 2018 to approximately HK$317.7 million for the year ended 31 July 2019, which was largely due to the decrease in number of the Group's session enrollments by approximately 118,000 or approximately 17.8% from approximately 664,000 for the year ended 31 July 2018 to approximately 546,000 for the year ended 31 July 2019.

Revenue from the provision of the ancillary education services and products increased by approximately HK$5.9 million, or approximately 16.1% from approximately HK$36.9 million for the year ended 31 July 2018 to approximately HK$42.8 million for the year ended 31 July 2019. As a result of the decrease in number of session enrollments of the private supplementary secondary school education, the revenue from mock examination services and VIP self-study services for the year ended 31 July 2019 decreased by approximately HK$ 0.9 million or approximately 7.3% and approximately HK$0.4 million or approximately 6.1% respectively when compared to the revenue generated in the year ended 31 July 2018.

Nevertheless, our Group was able to achieve overall revenue growth in ancillary education services and products as a result of our expansion in the child education market in terms of brands and service variety. Revenue from Beacon Childhood increased by approximately HK$1.8 million or approximately 18.8% from approximately HK$9.4 million for the year ended 31 July 2018 to approximately HK$11.2 million for the year ended 31 July 2019. During the year, we have launched new childhood education services under names of "BeConfident" and "Glocal Education" that contributed part of the growth. Other than the childhood business, continuous revenue growth was observed in Beacon BExcellent, overseas study consultation business and other education services.

Other income

Other income consists primarily of advertising income, interest income from bank deposit, dividend income from unlisted investment and income from the newly acquired subsidiary during the year ended 31 July 2019. Other income significantly increased by approximately 278.7% from approximately HK$1.4 million for the year ended 31 July 2018 to approximately HK$5.3 million for the year ended 31 July 2019. This increase was primarily attributable to the advertising income of approximately HK$1.8 million and interest income of approximately HK$2.1 million from bank deposits of the unutilized Listing proceeds.

Major costs component

The summary below shows the major costs components of our Group among which approximately 58.9% (2018: approximately 57.2%) is related to labor costs followed by operating lease payment, advertising and promotion expenses, and printing and other operating expenses:

	2019 HK$'000	**% of revenue**	2018 HK$'000	% of revenue
Staff costs	**103,695**	**27.9**	104,650	25.6
Tutor service fee	**105,257**	**28.3**	106,322	26.1
Operating lease payment	**56,322**	**15.2**	53,809	13.2
Advertising and promotion expenses	**16,890**	**4.5**	14,850	3.6
Printing and other operating expenses	**72,037**	**19.4**	89,180	21.9

Staff costs

As at 31 July 2019, the Group has 334 full-time employees and 711 part-time employees in Hong Kong.

Staff costs mainly consist of (i) salaries, allowances and bonus; (ii) pension costs and (iii) share-based payment incurred for our employees.

The staff costs slightly decreased by approximately HK$1.0 million or approximately 0.9% from approximately HK$104.7 million for the year ended 31 July 2018 to approximately HK$103.7 million for the year ended 31 July 2019. Such decrease was mainly attributable to the net effect of (i) a number of tutors with service fees remunerated having their contracts renewed and switched from employment contracts to service agreements; and (ii) the increase in general staff benefit as well as recruitment of more staff to cope with our business expansion and development.

Tutor service fees

Tutor service fees include service agreements and share-based payments. Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to our Group's revenue. Such expense decreased from approximately HK$106.3 million for the year ended 31 July 2018 to approximately HK$105.3 million for the year ended 31 July 2019. The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services partially offset by the increase in the number of the existing tutors being engaged under employment contracts switching to service agreements after the expiration of their respective employment contracts.

Operating lease payments

Operating lease payments are one of the largest components of the Group's operating costs, accounting for approximately 15.2% (2018: approximately 13.2%) of the Group's total revenue. Such payments increased by approximately HK$2.5 million or approximately 4.7% from approximately HK$53.8 million for the year ended 31 July 2018 to approximately HK$56.3 million for the year ended 31 July 2019. Such increase was mainly attributable to the newly leased centres in Prince Edward and Sheung Shui and upward adjustments in rental payments upon renewal of certain leases after their expiry.

Advertising and promotion expenses

Advertising and promotion expenses consist of media advertising costs including but not limited to advertising on newspapers and magazines, outdoor billboards, public transit vehicles, social media, search engines and third party websites. Such expenses increased from approximately HK$14.9 million for the year ended 31 July 2018 to approximately HK$16.9 million for the year ended 31 July 2019 and this was mainly attributable to the increase in one-off other marketing expenses for the Group's brand building according to the plan of use of proceeds from the Listing which was partially offset by the decrease in advertising expenses, such as advertising on newspapers, magazines and marketing campaigns in tutorial centres.

Printing and other operating expenses

Printing and other operating expenses primarily consist of the printing expenses, building management fees, legal and professional fees, utilities and other administrative expenses. These expenses decreased by approximately HK$17.2 million or approximately 19.2% from approximately HK$89.2 million for the year ended 31 July 2018 to approximately HK$72.0 million for the year ended 31 July 2019. Such decrease was mainly attributable to the (i) absence of legal and professional fees in relation to the Listing and (ii) decrease in printing expenses in relation to the decline in revenue from private supplementary secondary school education services, offset by the increase in directors' fees and other service fees in relation to preparation of teaching material. Printing expenses are the largest component within the printing and other operating expenses. However, the Group was able to manage the printing costs by enhancing the efficiency and effectiveness of the whole production and logistics process and such costs decreased from approximately HK$30.0 million (or approximately 7.4% of the Group's revenue) for the year ended 31 July 2018 to approximately HK$25.6 million (or approximately 6.9% of the Group's revenue) for the year ended 31 July 2019.

Income tax expenses

Income tax expenses decreased from approximately HK$6.9 million for the financial year ended 31 July 2018 to approximately HK$1.9 million for the financial year ended 31 July 2019, mainly due to the decrease in assessable profits of certain subsidiaries of the Company. The effective tax rates of the Group for the financial years ended 31 July 2019 and 2018 were approximately 15.2% and approximately 22.2% respectively.

Profit for the year

Profit for the year of the Group decreased by approximately 56.4% from approximately HK$24.2 million for the financial year ended 31 July 2018 to approximately HK$10.5 million for the financial year ended 31 July 2019.

Contingent liabilities

Save as disclosed in the section headed "Litigation" under "Directors' Report", as at 31 July 2019, the Group did not have any material contingent liability.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per Share for the year ended 31 July 2019, and a special dividend of HK2.0 cents per Share, subject to the approval by the Shareholders at the forthcoming AGM to be held on Friday, 6 December 2019. The proposed final dividend and special dividend are expected to be paid on or about Tuesday, 24 December 2019 to Shareholders whose names appear on the register of members of the Company on Friday, 13 December, 2019.

Acquisition and disposal of subsidiaries, associates and joint ventures

On 22 January 2019, the Group acquired 60% of the equity interest in Vioo Company Limited ("Vioo") at a total consideration of HK$1.2 million. Vioo is principally engaged in the provision of innovative digital solutions which computerize business operation to enhance business achievement. The management considers that such acquisition will enable the Group to enhance its information infrastructure to strengthen its education services. For details of the acquisition, please refer to the Company's announcement dated 23 January 2019.

CHARGES ON THE GROUP'S ASSETS

The Group has investment property with carrying value of approximately HK$23.3 million pledged to secure borrowings and general banking facilities granted to the Group (2018: Nil). There was no charge on the Group's other assets.

GEARING RATIO

As at 31 July 2019, the Group's gearing ratio (calculated based on bank borrowings amount to approximately HK$8.6 million divided by equity attributable to the owners of the Company as at the year end date amount to approximately HK$189.2 million) was approximately 4.5% (2018: Nil).

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing amounted to approximately HK$92.0 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy for the new Shares and the Listing expense in connection with the share offer as defined in the Prospectus.

During the year ended 31 July 2019, approximately HK$29.1 million has been utilized. The Group has been striving to achieve the milestone events as stated in the Prospectus. Nevertheless the Group will remain cautious when adopting the business plans making reference to the market situation from time to time and now provides an analysis comparing the business objectives set out in the Prospectus with the Group's actual business progress from the Listing Date to the date of this Annual Report as set out below:

	Amount of net proceeds allocated	**Amount of net proceeds utilised**	**Balance as at 31 July 2019**	**Progress up to the date of this Annual Report**
	approximately HK$ million	approximately HK$ million	approximately HK$ million	
i) Acquisition of premise(s) to be used as teaching centre(s)	31.1	14.8	16.3	The Group completed the acquisition of a property located at Yau Ma Tei on 11 July 2019 and is in progress of seeking another suitable property.
ii) Optimization/establishment of teaching centres	23.3	2.7	20.6	The Group opened a new centre in Sheung Shui and optimized our centre network in the Yau Tsim Mong district.
iii) Acquisition of established teaching centres or opening new teaching centres for Beacon Childhood	12.8	–	12.8	Subsequent to July 2019, the Group established two teaching spots in Yuen Long and Tsuen Wan. The Group is still in progress of locating other appropriate location(s) and seeking potential partners.
iv) Upgrades of teaching centres facilities, IT infrastructure and recruitment of non-teaching staff	16.9	6.3	10.6	IT infrastructure remains in development. The Group has hired certain additional non-teaching staff members for various positions in marketing, course management, IT and business development divisions. The Group has started to upgrade centre facilities in various districts such as Kowloon East and Yuen Long.
v) Enhancing brand awareness	5.8	5.6	0.2	The Group has conducted a series of brand building activities through media interviews, sponsorships and advertisements on both online and offline platforms.
vi) General working capital	2.1	1.1	1.0	N/A
Total	**92.0**	**30.5**	**61.5**	

EXECUTIVE DIRECTORS

Ms. LEUNG Ho Ki, June (梁賀琪), aged 54, is a co-founder of our Group, the chairman of our Company and was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Ms. June Leung is also a director of Beacon Group Limited, JR (TM) Limited and JR (YL) Limited. During her 30 years with our Group, she has been responsible for the overall management of our private supplementary education services as well as strategic planning and development of our Group. Ms. June Leung performs a leadership role in monitoring and evaluating our business, strategic planning and major decision making for our Group. In particular, she has developed our Group's overall business model and product portfolio as well as formulated our advertising and marketing strategy. Prior to assuming her role as Chairman, Ms. June Leung held the position of a teacher and a manager of our Group. Ms. June Leung graduated from The University of Hong Kong with a degree in Bachelor of Arts (Honours) in December 1989 and obtained a Doctorate of Business Administration from the European University in May 2011 through distance learning. She was registered as a teacher under the Education Ordinance section 45(1) in February 1999. Ms. June Leung is the spouse of Mr. Tam Wai Lung, chief executive officer of the Company and executive Director and aunt of Mr. Li Man Wai, executive Director.

Ms. June Leung is currently a director of Plan International Hong Kong, which strives for a just world that advances children's rights and equality for girls. Ms. June Leung was awarded as an Honorary Fellow of The Professional Validation Centre of Hong Kong Business Sector in 2019. Ms. June Leung was a guest speaker at the Harvard China Education Symposium 2015, held in the USA in May 2015 and was awarded "Golden Bauhinia Women Entrepreneur Award 2017", which was conferred by the Golden Bauhinia Women Entrepreneur Association for recognising her outstanding business achievements and entrepreneurship, in November 2017.

Mr. TAM Wai Lung (談惠龍), aged 54, the chief executive officer of our Company, was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Mr. Tam is also a director of 16 subsidiaries of our Group. Throughout the past 20 years, Mr. Tam has focused on private supplementary tutorial services, executive management and the strategic development of our Group. During his 23 years of service in our Group, he has been responsible for the overall operations, finances and administration of our education services as well as strategic planning and development of our Group. Prior to joining our Group, Mr. Tam was employed by Wardley Thomson Limited and Wardley Financial Services Limited, where he worked as trading assistant, dealer, assistant vice president and vice president, between April 1987 and August 1996. Mr. Tam is the spouse of Ms. Leung Ho Ki, June, Chairman and executive Director and uncle of Mr. Li Man Wai, executive Director.

Mr. CHAN Tsz Ying, Wister (陳子瑛), aged 58, is the head principal of day school for our Group and was appointed as a Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Chan is also a director of Beacon College Limited. Mr. Chan has been a teacher for over 30 years and is focused primarily on secondary day school education services. During his 29 years with our Group, he has been responsible for the establishment and management of our private secondary day school operations. Prior to his role as head principal of our private secondary day school, Mr. Chan held the position of a teacher at Wellwisher Foundation Primary School from 1986 to 1987 and at A.D. & F.D. of Pok Oi Hospital Mrs. Cheng Yam On Primary School from 1987 to 1990. Mr. Chan was awarded a Teachers Certificate from the Northcote College of Education (now known as The Education University of Hong Kong) in July 1986 and graduated from University of Wolverhampton, the United Kingdom with a Bachelor of Education in June 1997. Mr. Chan was registered as a teacher under the Education Ordinance section 45(1) in November 1986.

Mr. LI Man Wai (李文偉), aged 47, is our deputy chief executive officer and was appointed as a Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Li is also a director of 29 subsidiaries of our Group. He has, since the establishment of our Group, acquired experience in the education business, focusing on operation, administration and marketing of tutorial services and secondary school education services. Mr. Li joined our Group in 1989 and was appointed as deputy chief executive officer of our Group in 2000. During his 30 years with our Group, he has been responsible for the marketing of our Group's education services, as well as tutorial and course management and leasing arrangements. Mr. Li was awarded a Bachelor of Science in Business Administration in April 2008 from Bulacan State University, the Philippines. He has been a member of the Chartered Institute of Management since February 2011 and the Chartered Institute of Marketing since October 2013. Mr. Li is a nephew of Mr. Tam Wai Lung, Chief Executive Officer and executive Director, and Ms. Leung Ho Ki, June, Chairman and executive Director.

NON-EXECUTIVE DIRECTOR

Dr. SHEN Xu Hui (沈旭暉), aged 40, was appointed as a Director on 18 September 2017 and designated as a non-executive Director on 21 June 2018. Dr. Shen is also a director of Glocal Development Group Limited, Glocal Research and Development Company Limited and Glocal Education Services Limited. Dr. Shen obtained a degree of Bachelor of Arts in Political Science and History and a degree of Master of Arts in Political Science from Yale University in the United States both in December 2000 and a degree of Doctor of Philosophy from University of Oxford in the United Kingdom in September 2006. From August 2009 to June 2012, Dr. Shen served as the associate professor of the Department of Social Sciences and the Faculty of Arts and Sciences of Hong Kong Institute of Education (now known as The Education University of Hong Kong). He served as the associate professor of Faculty of Social Science of The Chinese University of Hong Kong from July 2012 to July 2018. He was appointed the designated dean of Yew Wah Global Institute of Lifestyle Management since July 2018, whereas continue serving as an adjunct associate professor of The Chinese University of Hong Kong, the University of Hong Kong and the Hong Kong University of Science and Technology.

Dr. Shen is the founder and chairman of the GLOs (Glocal Living Office) Group with various branches of businesses relating to global affairs and he is currently the director of Global Development of B&P Group. He used to be an appointed member of various public committees of Hong Kong government, e.g. the Quality Education Fund Steering Committee of Education Bureau, the Programme Advisory Panel of Radio Television Hong Kong, the Hong Kong Committee for Pacific Economic Corporation of Commerce and Economic Development Bureau and the History Museum Consultation Committee. He is the Lead Writer (Global) of The Hong Kong Economic Journal, consultant of the Bloomberg Business Magazine and The New York Times, and also members of various editorial boards of journals and newspapers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Chi Hong (關志康), aged 47, was appointed as an independent non-executive Director on 17 November 2017. Mr. Kwan has over 10 years of managerial experience in the public sector, from February 1995 to December 2007, including working as an executive officer in various government departments including Registration and Electoral Office, Urban Services Department, Home Affairs Department, Hong Kong Police Force and Chief Secretary for Administration's Office Government Secretariat. Mr. Kwan was a part-time teacher of certain bachelor/diploma courses in Chinese Medicine conducted by HKU School of Professional and Continuing Education from 2013 to 2016. Mr. Kwan was awarded the Young Entrepreneur of the Year 2012 from the Hong Kong Business Awards hosted by DHL Express and South China Morning Post and the EY Entrepreneur of the Year 2013 China – Emerging Entrepreneur hosted by EY.

Mr. Kwan obtained a bachelor's degree in Economics and a master's degree in Economics from The University of Hong Kong in January 1995 and December 2005 respectively. Mr. Kwan has completed a programme in Executive MBA and obtained a master's degree in Business Administration from The Chinese University of Hong Kong in December 2007. Mr. Kwan is currently an independent non-executive director of China Brilliant Global Limited (stock code: 8026) and Stream Ideas Group Limited (stock code: 8401), whose shares are listed on the GEM of the Stock Exchange; and he served as an executive director of Bamboos Health Care Holdings Limited (stock code: 2293) until January 2019, while its shares are listed on the Main Board of the Stock Exchange.

Mr. LI Kai Sing (李啟承), aged 57, was appointed as an independent non-executive Director on 21 June 2018. He is currently an executive director of Focus Films Limited and has working experience in various fields including accounting, film and entertainment business. From July 1985 to January 1989, he worked at Coopers & Lybrand, an accounting firm, with the last position held as a Supervisor II. From January 1989 to June 1992, he then worked at Management Investment & Technology Company Limited with the last position held as a senior accounting manager where he was responsible for planning and managing the daily accounting and financial operation of the company. From July 1992 to December 1993, he was the vice-president, finance of Leading Spirit (Holdings) Company Limited. From August 2000 to September 2003, he was the chief financial officer of Team Work Corporation Limited and was responsible for developing and implementing the strategic plans and monitoring the internal control system of the company.

Mr. Li is currently an independent non-executive director of In Technical Productions Holdings Limited (stock code: 8446), whose shares are listed on the GEM of the Stock Exchange. He was the financial controller of China Star Entertainment Limited (stock code: 326), whose shares are listed on the Main Board of the Stock Exchange, between June 1999 and July 2000.

Mr. Li Kai Sing has been a member of the Hong Kong Institute of Certified Public Accountants since 1988, an associate of the Chartered Association of Certified Accountants in 1988 and a member of the Institute of Financial Planners of Hong Kong since 2004. Mr. Li Kai Sing graduated from The Chinese University of Hong Kong in 1985 with a bachelor degree of social science and from The Hong Kong University of Science and Technology with an executive master degree of business administration in 2007.

Professor WONG Roderick Sue Cheun (王世全), aged 75, was appointed as an independent non-executive Director on 21 June 2018. Professor Wong obtained a degree of Bachelor of Arts from San Diego State College (now known as San Diego State University) in the United States in November 1965 and a degree of Doctor of Philosophy in mathematics from the University of Alberta in Canada in November 1969. Professor Wong is currently a special advisor to the president of Southern University of Science and Technology of China (南方科技大學) (formerly known as South University of Science and Technology of China) in the People's Republic of China. Professor Wong was also the Chair Professor of Mathematics at City University of Hong Kong before his retirement in 2019. He is a fellow of the Royal Society of Canada and Chevalier dans l'Ordre National de la Légion d'Honneur of France, and a member of the European Academy of Sciences.

Professor Wong is currently an independent non-executive director of Sam Woo Construction Group Limited (stock code: 3822) and G&M Holdings Limited (stock code: 6038) whose shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. CHOI Shing Wai (蔡誠偉), *FCPA*, aged 37, is the deputy chief executive officer, the chief financial officer and company secretary of our Group. Mr. Choi joined our Company in December 2014 and is primarily responsible for the overall operations, financial management of our Group as well as strategic planning, overseeing accounting, company secretarial and internal control matters of our Group. Mr. Choi has over 15 years of experience in professional accounting and auditing practice. Prior to joining our Group, Mr. Choi worked as an assistant, later as a semi-senior, in the assurance division of Grant Thornton, a certified public accountants firm, from September 2004 to November 2006. Mr. Choi then worked as a senior associate and was promoted to manager of the assurance division of PricewaterhouseCoopers in October 2009. Mr. Choi was then transferred to the Capital Market Accounting Advisory Service Group of PricewaterhouseCoopers in December 2011 and was later promoted to senior manager in October 2012 and up to his joining our Group in December 2014.

Mr. Choi obtained a degree of Bachelor of Business Administration (Honours) in Accountancy and Management Information Systems from City University of Hong Kong in November 2004. Mr. Choi has become an associate member and a fellow of the Hong Kong Institute of Certified Public Accountants since April 2008 and March 2019 respectively.

Mr. TAM Lin Bong (譚練邦), aged 41, is the chief operating officer of our Group and is responsible for human resources management, recruitment and employment policies, internal control matters and external liaison of our Group. Mr. Tam joined our Group as a teaching assistant in September 2002 and became the human resources manager of Beacon College in April 2012. Mr. Tam was appointed as the deputy chief operating officer of our Group in June 2013 and the chief operating officer in August 2018. Prior to joining our Group, Mr. Tam worked as a teaching assistant in Kwun Tong Government Secondary School (觀塘官立中學) from February 2002 to July 2002.

Mr. Tam obtained a degree of Bachelor of Business Administration (Honours) from Hong Kong Baptist University in December 2001 and graduated with a Master of Business Administration degree with distinction from University of Iowa, the United States in August 2015. Mr. Tam also obtained a diploma in teaching English as a second language from the School of Continuing Studies of The Chinese University of Hong Kong in January 2005. Mr. Tam was awarded the Certificate in Employment Ordinance by the Hong Kong Management Association in April 2013. Mr. Tam has also completed several training workshops organised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications in 2014.

Mr. CHEUNG Chi Keung (張智強), aged 40, was appointed as the Chief Information Officer of the Group in January 2019. Mr. Cheung graduated from The Hong Kong University of Science and Technology with a bachelor's degree of Engineering in Computer Science in 2002. Mr. Cheung has over 17 years of solid experience in IT and system design. He has been the director of Vioo prior to joining the Group and handled a variety of IT projects in insurance, finance and education industry, and helped companies to digitalize their business. Mr. Cheung was a project manager of Reinfo Technology Company, which engages in application and system software design.

Mr. NG Wai Lun (吳偉倫), aged 31, is the deputy chief operating officer of our Group and is responsible for course management, overseeing marketing and design plans and public relations of our Group. Mr. Ng joined our Group in June 2010 as the administration assistant of Beacon College. Mr. Ng was appointed as the deputy chief operating officer of our Group in July 2013. Mr. Ng obtained a degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 2010.

Dr. LUO Guanzhong (羅冠中), aged 64, was appointed as the Chief Assessment Scientist of the Group in March 2019. Dr. Luo held a doctorate degree of philosophy in Mathematical Psychology obtained from Murdoch University in 1995. Prior to joining the Group, Dr Luo was the Director – Assessment Technology and Research (D-ATR) at the HKEAA and had been serving the authority for almost 15 years, leading the team at the HKEAA responsible for the design and development of the procedures and programmes of the HKDSE Examinations. Before his stint at the HKEAA, Dr Luo had held various academic positions as professor and adjunct professor at a number of universities in the mainland of the People's Republic of China, Singapore and Australia. Dr Luo's major area of research includes development of various psychometric models and parameter estimation algorithms for achievement and attitude measurements. His publications are internationally recognized, in particular the computer programmes for test data analysis and processing developed/co-developed by him are widely used by numerous major examination organisations and academic researchers in the education industry globally.

COMPANY SECRETARY

Mr. Choi Shing Wai (蔡誠偉), *FCPA*, was appointed as our company secretary with effect from 9 September 2015. Further information on Mr. Choi is set forth in the section headed "Senior Management" above.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 July 2019.

INCORPORATION AND LISTING

The Company was incorporated in the Cayman Islands on 15 April 2015 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a leading provider of private supplementary secondary school education services in Hong Kong and principally engages in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. The Company and a majority of its subsidiaries operate principally in Hong Kong. A list of the Company's principal subsidiaries, together with their places of incorporation and principal activities, is set out in note 18 to the consolidated financial statements on pages 83 to 84.

BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 July 2019, including discussion and analysis of the Group's financial performance and future business developments, as required by Schedule 5 to the Companies Ordinance, is set out in the section headed "Chairman's Statement" on pages 1 to 2 and "Management Discussion and Analysis" on pages 6 to 12. These discussions form part of this Annual Report. Significant events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Significant events after financial year ended 31 July 2019" on page 30.

Principal Risks and Uncertainties

The principal risks and uncertainties related to the business of the Group are as below:

- Our Group have substantial reliance on our Top Five Tutors, in particular, a significant proportion of our revenue, profitability and business is generated from courses and products provided by our Top Five Tutors and a significant amount of revenue was generated from courses and products provided by our Top One Tutor during the year ended 31 July 2019. Our operations and profits may be materially and adversely affected if we cannot retain or maintain a good relationship with our tutors or our tutors fails to deliver high-quality teaching. Moreover, if our Group is not able to enforce the restrictive covenants of the employment contracts or services agreements against our tutors to prevent them from immediately and directly competing with our Group within the restrained period, our business, operating and financial results may be materially and adversely affected.
- Our Group's business is dependent on the market recognition of our brand and reputation; any negative publicity to our teaching team could cause damage to our brand and reputation and would materially and adversely affect our business.
- Protection of intellectual property rests a prioritized responsibility of the Group's teaching team and the business. Any infringement claims against our Group could expose us to litigation risk or could adversely affect our reputation.
- Our business is subject to the regulation of the Education Ordinance and its subsidiary legislations, in particular, valid relevant registrations or exemptions is substantial to our business operation. In the event of failure in obtaining or maintaining such registrations or exemptions or other non-compliances with the aforesaid legislations, our operation may be suspended and our business, operating and financial results may be materially and adversely affected.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 July 2019 by business activities is set out in note 5 to the consolidated financial statements on pages 73 to 74.

RESULTS

The Group's results for the year ended 31 July 2019 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 50 to 98.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31 July 2019, and a special dividend of HK2.0 cents per share, subject to the approval by the Shareholders at the forthcoming AGM to be held on Friday, 6 December 2019. The amount of the proposed final and special dividend is HK$15 million (2018:HK$40.0 million). The proposed final dividend and special dividend are expected to be paid on or about Tuesday, 24 December 2019 to Shareholders whose names appear on the register of members of the Company on Friday, 13 December, 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM to be held on Friday, 6 December 2019 (or at any adjournment of it), the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 2 December 2019.

For determining the entitlement to the proposed final dividend and special dividend, subject to the approval by the Shareholders at the forthcoming AGM, for the year ended 31 July 2019, the register of members of the Company will be closed from Thursday, 12 December 2019 to Friday, 13 December 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be qualified for the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 December 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's results, assets and liabilities for the last five financial years, and the published audited financial statements, is set out on page 99 and 100 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS HELD

The Group held investment property and financial assets at fair value through other comprehensive income during the year ended 31 July 2019. Details of investments of the Group as at 31 July 2019 are set out in note 16 and note 19 to the consolidated financial statements.

BANK BORROWINGS

As at 31 July 2019, the Group had approximately HK$8.6 million bank borrowings (as at July 2018: nil). Details of bank borrowings of the Group as at 31 July 2019 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 July 2019 are set out in notes 38 and 32 to the consolidated financial statements on page 98 and page 91 respectively and in the consolidated statement of changes in equity on page 52. As at 31 July 2019, the aggregate amount of reserve available for distribution to equity shareholders of the Company was approximately HK$51.8 million (2018: approximately HK$20.2 million).

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any listed securities of the Company during the year ended 31 July 2019 and up to the date of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of students and individuals enrolling in our courses. Given the nature of our business, we had no customer who contributed, or any five customers who collectively contributed, to 30% or more of our total revenue during the year ended 31 July 2019.

During the year ended 31 July 2019, revenue generated from courses and products (including mock examination services and VIP self-study services) provided by (i) our Top Five Tutors accounted for approximately 48.1% of our total revenue, and the aggregate remuneration payable to our Top Five Tutors amounted to approximately HK$58.6 million, accounting for approximately 28% of our total staff costs and service fees; and (ii) our Top One Tutor accounted for approximately 25.6% of our total revenue, and the aggregate remuneration payable to our Top One Tutor amounted to approximately HK$41.1 million, accounting for approximately 19.7% of our total staff costs and service fees. None of our Directors, their respective close associates, or any of the existing Shareholder (which to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our Top Five Tutors during the year ended 31 July 2019 and up to the date of this Annual Report.

DIRECTORS

The Directors of the Company during the year ended 31 July 2019 and up to the date of this Annual Report were as follows:

Executive Directors

Ms. Leung Ho Ki, June *(Chairman)*
Mr. Tam Wai Lung *(Chief Executive Officer)*
Mr. Chan Tsz Ying, Wister
Mr. Li Man Wai

Non-executive Director

Dr. Shen Xu Hui

Independent Non-executive Directors

Mr. Kwan Chi Hong
Mr. Li Kai Sing
Professor Wong Roderick Sue Cheun

Biographical details of the Directors and senior management are set out in the section "Directors and Senior Management" on pages 13 to 15 of this Annual Report.

Pursuant to Article 84 of the Articles of Association, Dr. Shen Xu Hui, Mr. Kwan Chi Hong and Mr. Li Kai Sing shall retire by rotation at the forthcoming AGM and, being eligible, would offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company with effect for a term commencing from the date of his appointment/redesignation as an executive Director for a term of three years commencing from the Listing Date. The term of each of the service contracts shall end when the service contract is terminated in accordance with its terms and conditions or by either party giving to the other party not less than three months' prior notice in writing.

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company for a period of three years commencing from the Listing Date which may be terminated in accordance with the terms and conditions of the appointment letter or by either party serving on the other party a prior written notice of not less than three months.

Save as aforesaid, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

CONNECTED AND RELATED PARTY TRANSACTIONS

The transactions disclosed in note 35 to the consolidated financial statements fall under the definition of "continuing connected transaction" and are exempted from annual reporting requirement in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the consolidated financial statements, no contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the year or at the end of the year, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted during the year or at the end of the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any of the Directors or an entity connected with a Director had, whether directly or indirectly, a material interest, subsisted at the end of the year ended 31 July 2019 or at any time during the financial year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company had any material interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares or underlying shares of the Group

Name of company	Name of Director	Nature of interest	Number of shares held	Interest in underlying shares	Total interest in shares and underlying shares	Approximate percentage of shareholding (%)
The Company	Ms. Leung Ho Ki, June *Note 1*	Deemed interests held jointly with another person; interest in a controlled corporation	375,000,000	–	375,000,000	75%
		Beneficial owner	–	1,000,000 *Note 2*	1,000,000	0.2%
		Interest of spouse	–	3,500,000 *Note 3*	3,500,000	0.7%

Name of company	Name of Director	Nature of interest	Number of shares held	Interest in underlying shares	Total interest in shares and underlying shares	Approximate percentage of shareholding (%)
	Mr. Tam Wai Lung *Note 1*	Deemed interests held jointly with another person; interest in a controlled corporation	375,000,000	–	375,000,000	75%
		Beneficial owner	–	3,500,000 *Note 2*	3,500,000	0.7%
		Interest of spouse	–	1,000,000 *Note 3*	1,000,000	0.2%
	Mr. Chan Tsz Ying, Wister	Beneficial owner	–	2,000,000 *Note 4*	2,000,000	0.4%
	Mr. Li Man Wai	Beneficial owner	–	1,000,000 *Note 2*	1,000,000	0.2%
Beacon Enterprise Limited *Note 5*	Ms. Leung Ho Ki, June	Beneficial owner	3,600	–	3,600	60%
	Mr. Tam Wai Lung	Beneficial owner	1,560	–	1,560	26%
	Mr. Chan Tsz Ying, Wister	Beneficial owner	180	–	180	3%
	Mr. Li Man Wai	Beneficial owner	180	–	180	3%
Glocal Development Group Limited *Note 6*	Dr. Shen Xu Hui	Beneficial owner	3,000	–	3,000	30%

Notes:

1. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai. Pursuant to the Deed of Acting in Concert, each of Ms. Leung Ho Ki, June, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang and Mr. Tam Wai Lung (the "Core Shareholders") has agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all Core Shareholders. Each of the Core Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Core Shareholders is deemed to be interested in all the Shares held by the Core Shareholders in aggregate by virtue of the SFO.

2. These interests in underlying Shares represent the interests in outstanding options granted by the Company on 23 January 2019 pursuant to the Post-IPO Share Option Scheme approved and adopted by the Company on 21 June 2018 and effective from 13 July 2018 to subscribe for the relevant number of Shares.

3. Ms. Leung Ho Ki, June and Mr. Tam Wai Lung are spouses of each other, they are deemed to be interested in all the Shares and underlying Shares in which one another is interested by virtue of the SFO.

4. These interests in underlying shares represent the interests in outstanding options granted by the Company on 23 January 2019 and 1 April 2019 pursuant to the Post-IPO Share Option Scheme approved and adopted by the Company on 21 June 2018 and effective from 13 July 2018 to subscribe for the relevant number of Shares.

5. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai.

6. Glocal Development Group Limited is an indirect non-wholly-owned subsidiary of the Company and is owned as to 70% by Beacon Group Limited, a wholly-owned subsidiary of the Company, and 30% by Dr. Shen Xu Hui.

Save as disclosed above, as at 31 July 2019, neither the chief executives of the Company nor any of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 July 2019, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Share held	Position	Percentage of shareholding (%)
Beacon Enterprise Limited	Beneficial Owner	375,000,000	Long	75%
Ms. Leung Ho Yan, Irene *Note 1*	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Mr. Ng King Hang *Note 1*	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Max Wisdom Development Limited *Note 2*	Beneficial owner	25,000,000	Long	5%
Mr. Lam Yat Yan *Note 2*	Interest in controlled corporation	25,000,000	Long	5%

Notes:

1. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai. Pursuant to the Deed of Acting in Concert, each of such Core Shareholders has agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all the Core Shareholders. Each of the Core Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Core Shareholders is deemed to be interested in all the Shares held by the Core Shareholders in aggregate by virtue of the SFO.

2. The said 25,000,000 Shares represent the number of Shares to be issued upon exercise in full of all the options granted under the Pre-IPO Share Option Scheme which represent 5% of the issued share capital of the Company as at 31 July 2019. As at 31 July 2019 and the date of this Annual Report, the options granted under the Pre-IPO Share Option Scheme are not exercised. The ultimate beneficial owner of Max Wisdom Development Limited ("Max Wisdom") is Mr. Lam Yat Yan ("Mr. Lam") who is a tutor of the Group. Hence, Mr. Lam is deemed to be interested in all the Shares which may be issued upon the exercise of the Pre-IPO Share Options and held by Max Wisdom by virtue of the SFO.

Save as disclosed above, as at 31 July 2019, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Option Schemes" below, at no time during the year ended 31 July 2019 were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate granted to any of the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules), or were any such rights exercised by any of them; or was the Company or any of its subsidiaries a party to any arrangement enabling the Directors or chief executives of the Company or their respective associates to acquire such rights.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 July 2019 and up to the date of this Annual Report.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was adopted and effective on 21 June 2018.

Purposes

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, contractors, service providers, representatives and sales partners of our Group who has contributed or will contribute to the Group.

Grantee

Max Wisdom Development Limited, a service provider to the Group which ultimate beneficial owner is Mr. Lam Yat Yan who is a tutor of our Group.

Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme expired on 12 July 2018 and save for the options which have been granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date.

Exercise Price and Payment on Grant

The subscription price per Share has been determined by the Board at HK$0.54, which is 50% discount to the offer price of HK$1.08 and the consideration payable for the grant of an option is HK$1.00.

Maximum Number of Shares Available for Issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall not exceed 5.0% of the total issued share capital of the Company on the Listing Date.

Exercisable Period and exercise percentage

The exercise period of each option granted is:

(a) in relation to 30% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 12 months after the date on which the grant of an option pursuant to the Pre-IPO Share Option Scheme was made to the participant (the "Grant Date") and ending on the expiration of 48 months after the Grant Date;

(b) in relation to another 30% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 24 months after the Grant Date and ending on the expiration of 60 months after the Grant Date; and

(c) in relation to another 40% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 36 months after the Grant Date and ending on the expiration of 72 months after the Grant Date (the "Option Period").

Transferability

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant grantee's outstanding options in whole or in part.

Lapse of options

Subject to the terms of the Pre-IPO Share Option Scheme, an option granted thereunder shall lapse automatically (to the extent not already exercised) on, whichever earlier:

(a) the expiry of the Option Period; or

(b) the date on which the grantee ceases to be an employee, officer, agent, consultant, contractor, service provider or representative of any member of our Group by reason of the termination of his/her/its employment, office, agency, consultancy, service agreement or representation for the reasons of the grantee's unilateral material breach of the agreement between the grantee and any member of our Group or mutual consent between the grantee and any member of our Group.

The Pre-IPO Share Options were conditionally granted to the grantee on 27 June 2018. As at 31 July 2019 and the date of this Annual Report, no option granted under the Pre-IPO Share Option Scheme was/is exercised.

Options Granted under the Pre-IPO Option Scheme

Pursuant to the resolutions passed by the Board on 27 June 2018, the following options granted with the rights for the subscription of in aggregate 25,000,000 Shares at the exercise price of HK$0.54 per Share were effective on 13 July 2018. Commencing from the first anniversary of the Grant Date, the grantee may exercise options by stages during the applicable Option Period as set out in "Exercisable Period and exercise percentages" of terms of the Pre-IPO Share Option Scheme above.

The following table discloses movements in the outstanding options granted to the grantee under the Pre-IPO Share Option Scheme during the year ended 31 July 2019.

Grantee	Exercise price per share option	Number of options held at 1 August 2018	Options granted during the year (number of underlying Shares)	Options exercised, lapsed or cancelled during the year	Number of options held as at 31 July 2019 (number of underlying Shares)
Max Wisdom Development Limited *Note*	HK$0.54	25,000,000	–	–	25,000,000

Note: The ultimate beneficial owner of Max Wisdom Development Limited is Mr. Lam Yat Yan, who is a tutor of the Group.

All the options under the Pre-IPO Share Option Scheme will not be exercisable within first 12 months after the Grant Date. The exercise price per share option of HK$0.54 was determined by the Board as at 13 July 2018, being a 50% discount to the offer price of the final initial public offering of the Company on the same date.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Option Scheme.

POST-IPO SHARE OPTION SCHEME

1. Summary of the terms of the Post-IPO Share Option Scheme

The following is a summary of the principle terms of the Post-IPO Share Option Scheme adopted by a written resolution passed by our Shareholders on 21 June 2018.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentives to the Participants (as defined in paragraph (c) below) to contribute to our Group and to enable our Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to our Group.

(b) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme becomes unconditional after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(c) Who may join

The Board may grant (subject to acceptance in accordance with the terms of the Post-IPO Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (d) below to any individual being an employee, officer, tutor, agent, consultant or representative of any member of our Group (including any executive or non-executive director of any member of our Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of our Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of our Group based on his/her working experience, knowledge in the industry and other relevant factors (the "Participant"), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that our Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by our Company or its Directors of any applicable securities laws and regulations or in any filing or other requirements arising.

(d) Subscription price for the Shares under the Post-IPO Share Option Scheme

The subscription price for the Shares on the exercise of options under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options (subject to any adjustments made pursuant to paragraph (q) below) is made to (subject to acceptance by) 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 on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

(e) Maximum number of the Shares available for subscription

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the said 30% limit. In addition, subject to below as provided in this paragraph, the total number of the Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, together with all options to be granted under any other share option scheme(s) of our Company, must not in aggregate exceed 50,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the Scheme Mandate Limit. Our Company may seek separate approval from our Shareholders in general meeting to renew the Scheme Mandate Limit but in any event the total number of the Shares in respect of which options may be granted by the Board under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the renewed Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company (including those outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating such renewed Scheme Mandate Limit. Our Company may also seek separate approval from our Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options to specified Participants beyond the Scheme Mandate Limit (or the renewed Scheme Mandate Limit) in respect of such number of the Shares and on such terms as may be specified in such approval.

(f) Maximum number of options to each Participant

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of our Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the Shareholders' approval of our Company with such Participant and his/her close associates (or his/her associates if such Participant is a connected person) abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the Shareholders' approval of the grant of such options.

(g) *Grant of options to connected persons*

Where any grant of options is proposed to be made to a Participant who is a Director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of our Company or any of their respective associates, such grant must first be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is the Participant). Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates and such option would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company in the 12-month period up to and including the proposed date of grant for such options: (i) representing in aggregate more than 0.1% of the number of the Shares then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on each relevant date of the grant (subject to acceptance) of the options, in excess of HK$5,000,000, then such grant of options must first be approved by our Shareholders in general meeting at which such person, his/her associates and all core connected persons of our Company shall abstain from voting on the relevant resolution. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll.

(h) *Restrictions on the time of grant of options*

No option shall be granted after an inside information event in relation to the securities of our Company has occurred or an inside information matter in relation to the securities of our Company has been the subject of a decision, until an announcement of such inside information has been published in accordance with the Listing Rules. Further, no option shall be granted within the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's quarter, interim or annual results for any financial period; and (b) the deadline for our Company to publish its quarter, interim or annual results announcement for any financial period under the Listing Rules, and ending on the date of such results announcement. No option may be granted during any period of delay in publishing a result announcement.

No option shall be granted to a Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code or any corresponding code or securities dealing restrictions adopted by our Company.

(i) *Offers and acceptance*

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Post-IPO Share Option Scheme and shall remain open for acceptance by the Participant for a period of 28 days from the date of grant provided that no such grant shall be open for acceptance after the expiry of the ten-year period during which the Post-IPO Share Option Scheme is valid and effective or after the Post-IPO Share Option Scheme has been terminated.

An option shall be regarded to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the Participant who accepts the grant of any option to subscribe for Shares in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) a person entitled under the Post-IPO Share Option Scheme to exercise any option in consequence of the death of the original Grantee (the "Grantee"), together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company.

(j) *Transferability of options*

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle our Company to cancel the relevant Grantee's outstanding options in whole or in part.

(k) Performance target

No performance target needs to be achieved by the Grantee before the options can be exercised, unless otherwise stated in the grant letter referred to in the paragraph (i) above.

(l) Time of exercise of options

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(m) Rights on ceasing employment

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group for any reason other than on death, ill health, disability or insanity or the termination of employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the option period or the date falling 1 month from the date of such cessation, and such cessation date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of our Group whether payment in lieu of notice is made or not (if applicable). For the purposes of this paragraph (m), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group if he/she ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of our Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of our Group.

(n) Rights on death, ill health, disability or insanity

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his/her employment, office, agency, consultancy or representation specified in the Post-IPO Share Option Scheme arises, the Grantee or his/her legal personal representative(s) shall be entitled after commencement of the option period until whichever is the earlier of the date of expiry of the option period or the date falling 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) up to his/her entitlement.

(o) Rights on takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between our Company and our Shareholders or otherwise in like manner) is made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved (if required) in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his/her legal personal representative(s)) shall, even though the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the date falling 14 days from the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(p) *Rights on winding-up*

If a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 5 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(q) *Effect on reorganisation of capital structure*

In the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of the Shares as consideration in respect of a transaction), corresponding adjustments (if any) shall be made in:

(i) the number or nominal amount of the Shares subject to options so far as unexercised;

(ii) the subscription price in relation to each outstanding option; and/or

(iii) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of our Company to which an option entitles the Grantee to subscribe after such adjustment must be the same as that to which the option entitled the Grantee to subscribe immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value. In respect of any adjustment required by the foregoing provisions, other than any adjustment made on a capitalisation issue, an independent financial adviser or the auditor for the time being of our Company must also confirm to the Board in writing that the adjustments satisfy the foregoing provisions and fairly and reasonably satisfy the requirement that any such adjustment shall be made in compliance with the provisions stipulated under the Listing Rules or such other guidelines and supplementary guidance on the interpretation of the Listing Rules issued or as may be issued by the Stock Exchange from time to time.

(r) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment. A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

(s) *Cancellation of options*

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels any options granted but not exercised and grants new option to the same Grantee, the grant of such new options may only be made under the Post-IPO Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10% limits as referred to in paragraph (e) above and there is available options (excluding the cancelled options) under the 1% limit for each Participant as referred to in paragraph (f) above.

(t) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the other periods referred to in paragraphs (l), (m) or (n);

(iii) subject to paragraph (p) above, the earliest of the close of business on the 5th business day prior to the general meeting referred to in paragraph (p) above or the date of commencement of the winding-up of our Company;

(iv) save as otherwise provided in paragraph (o) above or by the Court in relation to the Post-IPO Share Option Scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between our Company and our Shareholders or creditors for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies;

(v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of any relevant member of our Group by reason of the termination of his/her employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme including but not limited to, guilty of misconduct, bankruptcy or insolvency, having made any arrangement or composition with his creditors generally, or conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his/her employment, office, agency, consultancy or representation at common law or pursuant to any applicable laws or under the Grantee's service contract, terms of office, or agency, consultancy, or representation agreement or arrangement with the relevant member of our Group; or

(vi) the date on which the Board exercises our Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (j).

(u) *Alteration of the Post-IPO Share Option Scheme*

The terms of the Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme relating to matters contained in Chapter 17 of the Listing Rules shall not be altered to the advantage of Participants or the prospective Participants without the prior approval of our Shareholders in general meeting with the Grantees, the Participants and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The amended terms of the Post-IPO Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) *Termination of the Post-IPO Share Option Scheme*

Our Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be granted but in all other respects the provisions of the Post-IPO Share Option Scheme in relation to any outstanding options shall remain in full force and effect. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

OPTIONS GRANTED UNDER THE POST-IPO SHARE OPTION SCHEME

The following options with the rights for the subscription of in aggregate 15,000,000 Shares with exercise price of HK$0.493 per share option and 4,400,000 Shares with exercise price of HK$0.730 per share option were granted on 23 January 2019 and 1 April 2019 respectively. The validity period of the options granted shall be 10 years from the grant date and the options shall lapse at the expiry of the validity period or earlier if the service relationship between the Company and the respective grantee of the options has terminated prior to the expiry of the validity period, subject to the terms and conditions of the Post-IPO Share Option Scheme. The options granted to each grantee shall vest on and be exercisable by such grantee as follows:

- 30% of the options shall vest on and be exercisable from the first anniversary of the grant date;
- 30% of the options shall vest on and be exercisable from the second anniversary of the grant date; and
- 40% of the options shall vest on and be exercisable from the third anniversary of the grant date.

The following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme during the year ended 31 July 2019.

Grantee	Exercise price per share option	Number of options held at 1 August 2018	Options granted during the year (number of underlying Shares)	Options exercised, lapsed or cancelled during the year	Number of options held as at 31 July 2019 (number of underlying Shares)
Directors					
Ms. Leung Ho Ki, June	HK$0.493	–	1,000,000	–	1,000,000
Mr. Tam Wai Lung	HK$0.493	–	3,500,000	–	3,500,000
Mr. Li Man Wai	HK$0.493	–	1,000,000	–	1,000,000
Mr. Chan Tsz Ying, Wister	HK$0.493	–	1,000,000	–	1,000,000
	HK$0.730	–	1,000,000	–	1,000,000
Employees	HK$0.493	–	8,500,000	–	8,500,000
	HK$0.730	–	3,400,000	–	3,400,000

All the options under the Post-IPO Share Option Scheme will not be exercisable within first 12 months after the grant date. The options granted under the Post-IPO Share Option Scheme would have a dilutive effect on the earnings per Share for the year ended 31 July 2019. The exercise price per share option represents the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the relevant grant date. For the options granted with exercise price per share option of HK$0.493 and HK$0.730, the closing price of the Shares immediately before the relevant grant date was HK$0.490 and HK$0.700 respectively.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Post-IPO Option Scheme as at the date of this Annual Report.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 July 2019, the Group has 334 full-time employees (2018: 381) and 711 part-time employees (2018: 672) in Hong Kong. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage and training.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Articles of Association of the Company that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the year ended 31 July 2019 and up to the date of this Annual Report, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 125,000,000 new Shares at the issue price of HK$1.08 per Share in connection with the Listing. The net proceeds after deducting the underwriting commission and issuing expenses arising from the Listing amounted to approximately HK$92.0 million. The net proceeds have been applied in the manner as set out in the section headed "Use of Net Proceeds from the Listing" in the "Management Discussion and Analysis" on page 12. As at the date of this Annual Report, the Company has applied the net proceeds of approximately HK$30.5 million. The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 July 2019 amounted to approximately HK$230,000 (2018: approximately HK$76,000).

PERMITTED INDEMNITY PROVISION

Under the Articles of Association and subject to the provisions of the Companies Ordinance, the Directors, company secretary, the officers of the Company or every auditor acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their respective offices.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the year ended 31 July 2019.

LITIGATION

Reference is made to the Prospectus, the Annual Report 2018, and the Company's announcements dated 1 August 2018 and 22 October 2018 respectively. Capitalised terms used in this section of this Annual Report shall have the meanings as ascribed therein. The legal action of the alleged claims by the Tutorial Services Provider is now in discovery stage and a Case Management Summons Hearing has been fixed in April 2020. The Board, having obtained legal advice, considers that the Tutorial Services Provider has a very slim chance of success in holding Beacon College liable for the allegations. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity for all damages, reasonable costs (including legal costs), expenses or other liabilities resulting from any litigation, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group.

SIGNIFICANT EVENTS AFTER FINANCIAL YEAR ENDED 31 JULY 2019

There are no material subsequent events from 31 July 2019 up to the date of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 July 2019 were audited by PricewaterhouseCoopers, who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Leung Ho Ki, June
Chairman

Hong Kong, 21 October 2019

The Board is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 July 2019.

CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

During the year ended 31 July 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 July 2019 and up to the date of this Annual Report.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

The composition of the Board as at the date of this Annual Report is as follows:

Executive Directors

Ms. Leung Ho Ki, June *(Chairman of the Board)*
Mr. Tam Wai Lung *(Chief Executive Officer)*
Mr. Chan Tsz Ying, Wister
Mr. Li Man Wai

Non-executive Director

Dr. Shen Xu Hui

Independent Non-executive Directors

Mr. Kwan Chi Hong
Mr. Li Kai Sing
Professor Wong Roderick Sue Cheun

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" in this Annual Report.

Ms. Leung Ho Ki, June is the spouse of Mr. Tam Wai Lung and aunt of Mr. Li Man Wai. Ms. Leung Ho Ki, June is an executive Director, the chairman of the Board and the chairman of the Nomination Committee. Mr. Tam Wai Lung is an executive Director, the chief executive officer of the Company and a member of the Nomination Committee and the Remuneration Committee respectively. Mr. Li Man Wai is an executive Director and a member of the Remuneration Committee.

Save as disclosed in this Annual Report, there is no financial, business, family or other material/relevant relationship among members of the Board to the best knowledge of the Company.

The composition of the Board is reviewed from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group and there is a strong independent element on the Board to safeguard the interests of the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman and chief executive officer are held by Ms. Leung Ho Ki, June and Mr. Tam Wai Lung, respectively (the "Chairman" and the "Chief Executive Officer", respectively). There is a clear and effective division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations in general.

COMPANY SECRETARY

Mr. Choi Shing Wai, *FCPA*, the company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

The company secretary undertook no less than 15 hours of relevant professional training during the year ended 31 July 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. As at the date of this Annual Report, the Board still considers that all independent non-executive Directors are independent. The independence of the independent non-executive Directors will be assessed by the Nomination Committee from time to time.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors including non-executive Director and independent non-executive Directors have been appointed for a fixed term of three years. The Articles of Association requires that at every AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board also makes decisions on matters, such as, approving the annual results and interim results of the Group, notifiable and connected transactions of the Company, appointment and re-appointment of Directors, dividend and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed "Directors and Senior Management" in this Annual Report. The Board takes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Group's senior management is responsible for the day-to-day management of the Group's businesses and is responsible for overseeing the general operation, business development, finance, marketing, and operations as delegated by the Board. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management, in particular, with respect to the circumstances, the senior management maintains regular communications and report of progress to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. Up to the date of this Annual Report, the Board has reviewed (i) the Company's corporate governance functions; and (ii) the Company's environmental, social and governance policy to be disclosed in this Annual Report.

CONTROLLING SHAREHOLDERS' COMPLIANCE WITH DEED OF NON-COMPETITION

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of our Shareholders.

The Company has received an annual written confirmation on the compliance with, and enforcement of, the terms of the Deed of Non-competition from each of the controlling shareholders of the Company. Based on such confirmation, the independent non-executive Directors consider that the controlling shareholders have complied with all the undertakings under the Deed of Non-competition during the year ended 31 July 2019.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference approved by the Board. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange respectively.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this Annual Report.

Audit Committee

The Audit Committee was established in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are inter alia, to (i) review and supervise the financial reporting, financial controls, risk management and internal control systems of the Group, (ii) review and approve connected transactions; and (iii) to advise the Board in relation to the foregoing.

The Audit Committee consists of three members: Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun, all of whom are independent non-executive Directors. Mr. Li Kai Sing is the chairman of the Audit Committee.

In the meetings of the Audit Committee during the year ended 31 July 2019, the Audit Committee reviewed among other matters, (i) the auditor's report for the audit of final results of the Group for the year ended 31 July 2018; (ii) the audited consolidated financial statements of the Group for the year ended 31 July 2018 with a recommendation to the Board for approval; (iii) the preliminary announcement and annual report of the Group for the year ended 31 July 2018 with a recommendation to the Board for publication and approval; (iv) significant issues on the financial reporting and compliance procedures, internal control and risk management systems of the Group; (v) the continuing connected transactions of the Company for the year ended 31 July 2018 with a recommendation to the Board for approval; (vi) the independence, scope of work and appointment of external auditor with a recommendation to the Board for the re-appointment of the current external auditor at the forthcoming annual general meeting of the Company and the Board endorsed the Audit Committee's recommendation; and (vii) the interim report and the interim results announcement for the six months ended 31 January 2019, with a recommendation to the Board for approval;

Subsequent to the year ended 31 July 2019, the Audit Committee reviewed the draft annual report and the draft annual results announcement, the report on the effectiveness of the Group's risk management and internal control systems and the continuing connected transactions of the Company for the year ended 31 July 2019, with recommendations to the Board for approval.

Remuneration Committee

The Company established the "Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are, inter alia, to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee comprises two executive Directors, namely Mr. Tam Wai Lung and Mr. Li Man Wai, and three independent non-executive Directors, namely Mr. Kwan Chi Hong, Professor Wong Roderick Sue Cheun and Mr. Li Kai Sing. Mr. Kwan Chi Hong is the chairman of the Remuneration Committee.

During the meeting of the Remuneration Committee held in the year ended 31 July 2019, the Remuneration Committee reviewed, inter alia, (i) the remuneration policy and the current remuneration practice of the Group; (ii) the terms of Directors' service contracts; and (iii) the remuneration packages of and overall benefits payable to the Directors and senior management of the Group.

Details of the remuneration paid/payable to each Director for the year ended 31 July 2019 are set out in note 8(a) to the consolidated financial statements.

The remuneration of the members of senior management (including all executive Directors) by band for the year ended 31 July 2019 is set out below:

Remuneration Bands	Number of individuals
HK$1 – HK$500,000	2
HK$500,001 – HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	1
HK$1,500,001 – HK$2,000,000	1
HK$2,000,001 – HK$2,500,000	1
HK$2,500,001 – HK$3,000,000	1
Total	9

Nomination Committee

The Nomination Committee was established in compliance with the Corporate Governance Code. The primary duties of the nomination committee are, inter alia, (i) to review the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to make recommendations to the Board on the appointment of Directors; (iii) to determine the Company's policy for nomination of Directors; and (iv) management of Board succession.

The Nomination Committee comprises two executive Directors, namely Ms. Leung Ho Ki, June and Mr. Tam Wai Lung; and three independent non-executive Directors, namely Professor Wong Roderick Sue Cheun, Mr. Kwan Chi Hong and Mr. Li Kai Sing. Ms. Leung Ho Ki, June is the chairman of the Nomination Committee.

During the year ended 31 July 2019, the Nomination Committee in its meeting reviewed the structure, size and composition and diversity of the Board and assessed the independence of the independent non-executive Directors.

BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board meetings were held for the purposes of, among others, considering and approving the results of the Group. Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting. All members of the Board were present in every Board meeting. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code. The company secretary will ensure that the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to compliance with the procedures of the Board meetings. Minutes of the Board meetings are kept by the company secretary. Set out below are the attendance records of Directors in general meetings and meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee respectively:

	Number of meetings attended for year ended 31 July 2019				
Name of Directors	General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Ms. Leung Ho Ki, June	1/1	4/4	—	—	1/1
Mr. Tam Wai Lung	1/1	4/4	—	1/1	1/1
Mr. Chan Tsz Ying, Wister	1/1	4/4	—	—	—
Mr. Li Man Wai	1/1	4/4	—	1/1	—
Dr. Shen Xu Hui	1/1	4/4	—	—	—
Mr. Kwan Chi Hong	1/1	4/4	2/2	1/1	1/1
Mr. Li Kai Sing	1/1	4/4	2/2	1/1	1/1
Professor Wong Roderick Sue Cheun	1/1	4/4	2/2	1/1	1/1

DIRECTOR NOMINATION POLICY

The Company adopted a director nomination policy (the "Nomination Policy") with effect from 1 January 2019, that sets out the considerations and procedures for selecting and nominating directors of the Board, and for succession planning of our Company's directors. In assessing a candidate's suitability and the potential contribution to the Board, the Nomination Committee would consider a number of aspects, including the candidate's personal and professional ethics and integrity, achievement and competence, and skills that are complementary to those of the existing Board. The Nomination Committee will identify, consider and recommend suitable individuals to act as directors in the Board, and make recommendations to the Board on the appointment or re-appointment of directors and their succession planning. Notwithstanding, the ultimate responsibility for selecting and appointing directors rests with the entire Board.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Diversity Policy"), in which it sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, culture and educational background, professional qualifications, skills, knowledge and industry and regional experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness and has not, for the time being, set up any measurable objective regarding the diversity of the Board.

DIVIDEND POLICY

The Company adopted a dividend policy (the "Dividend Policy") effective from 1 January 2019. It is the policy of the Board, in considering the payment of dividends, to strike a balance between maintaining sufficient capital to grow the Group's business and rewarding the Shareholders. The Company does not have any pre-determined dividend distribution ratio and the Board has the discretion to declare and distribute dividends to the Shareholders, subject to the compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association and the following factors: (i) the Group's overall results of operation, financial position, capital requirement, cash flows and future prospects; (ii) the amount of distributable reserves of the Company; and (iii) other factors that the Board deems relevant. The Board will continually review the Dividend Policy from time to time.

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company periodically provides training to the Directors, senior management and staff to develop and refresh their knowledge in areas which are relevant to the performance of their daily duties and the growth of the businesses of the Group under the changing economic environment.

Training on directors' responsibility in listed companies was delivered by the Hong Kong Independent Commission Against Corruption (the "ICAC") to all Directors during the year ended 31 July 2019. Training on leadership and management conducted by external consultants were also provided to senior management and staff during the year ended 31 July 2019.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 July 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 46 to 49 in this Annual Report.

AUDITORS' REMUNERATION

During the year ended 31 July 2019, the total fees payable, excluding disbursements, in respect of audit and non-audit services provided by PricewaterhouseCoopers are set out below:

Services rendered for the Group	Fees payable HK$'000
Audit services:	
Annual audit and audit-related services	1,200
Non-audit services:	
Tax advisory services	20
Total	1,220

During the year ended 31 July 2019, the fees paid or payable in respect of audit and non-audit services provided to the Group by other external auditors amounted to approximately HK$416,000 and HK$155,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for establishing and maintaining the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures is subject to assessment and approval of the Board.

The Audit Committee is delegated with the responsibility to review the financial controls, risk management and internal control systems of the Group at least annually, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings. The Audit Committee also reviews the external independent auditor's management letter, if any, any material queries raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Group appointed an external consultant to conduct enterprise risk assessment and perform internal audit function to review the effectiveness of the Group's internal control system for the year ended 31 July 2019. The annual enterprise risk assessment identifies and evaluates the risk level of the Group's operation and business, including the strategic, operational, financial reporting and compliance risks.

Internal audit was conducted at least annually with the objectives of, amongst others, assessing and identifying significant weaknesses in risk management and internal control systems of the Group. The internal audit for the year ended 31 July 2019 covered financial close reporting process, revenue and receipts, bank and cash management and the compliance of the corporate governance code according to Appendix 14 of the Listing Rules.

The Board considered the enterprise risk assessment report and internal audit report and considered the risk management and internal control system of the Group effective and adequate.

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with.

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information of the Group. The Board is responsible for monitoring and implementing the procedural requirements under the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties and shall not respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange respectively after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING ("EGM") AND PUTTING FORWARD PROPOSALS AT EGM

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any one or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionists held as at the date of deposit of the requisition (in aggregate) not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such general meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionist(s), his (their) shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and be signed by the requisitionist(s).

There is no provision allowing Shareholders to put forward proposals at general meeting under the Articles of Association or the Companies Law of the Cayman Islands. If Shareholders wish to do so, they may request to convene an EGM as described above and specify the proposals in such written requisition.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send any comments or inquiries to the Board by email to ir@beacon.com.hk or in writing to the company secretary at the Company's principal office in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGM and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no significant change made to the Company's constitutional documents during the year ended 31 July 2019.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

INTRODUCTION & APPROACH TO ESG AND REPORTING

The Group is a leading provider of private supplementary secondary school education services through a network of 21 teaching centres in Hong Kong.

For the year ended 31 July 2019, the Group had (i) approximately 50,000 unique private supplementary secondary school education student enrollments; (ii) 403 unique private secondary day school student enrollments; (iii) approximately 36,000 enrollments/registrations in our private ancillary education services and products. All teaching delivery is managed by a professional team of 534 individuals, comprising tutors, day school teachers, full-time and part-time teaching assistants.

As a prominent force in the private supplementary education services in Hong Kong, the Group recognizes the significance of potential impacts our business could make on the lives of students and staff, and society. We also see the opportunities of being a role model and educating our students and staff by acting responsibly and committing to the wellness of the environment and the public.

In early 2018, one of the Group's subsidiaries, Beacon College, was awarded the "10 Year Plus Caring Company Logo" by The Hong Kong Council of Social Services for inspiring corporate social responsibility through caring for the community, the employees, and the environment for over ten consecutive years (from 2008 to 2019).

The Group has set up a Task Force for better coordinating the reporting issues, which comprises the senior management, including, Deputy Chief Executive Officer/Chief Finance Officer, Chief Operating Officer, Senior Manager and Assistant Financial Managers.

Reporting Period and Scope

This Environment, Social and Governance Report ("**ESG Report**") issued by the Group summarizes the Group's material policies and practices, as well as compliance status in the areas of environment protection, sustainable development, and social responsibility.

It has been prepared by the Company for the financial year ended 31 July 2019 ("**Reporting Period**") in compliance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

This ESG Report focuses primarily on the Group's private supplementary secondary school education services in Hong Kong. During the Reporting Period, the Group offered a wide range of education programmes and services under the following three categories:

- **Private supplementary secondary school education services** (accounting for approximately 85.5% of the total revenue of the Group), which are offered to students from Secondary 1 to Secondary 6;
- **Private secondary day school services** (accounting for approximately 3.0% of the total revenue of the Group), which are provided to Secondary 4, 5 and 6 level students in accordance with the HKDSE curriculum; and
- **Ancillary education services and products** (accounting for approximately 11.5% of the total revenue of the Group), which target at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development.

Materiality Assessment

We have identified the ESG issues that matter most to our stakeholders based on the feedback from a series of discussions among the Directors, key management members, employees and external parties. Our Directors believe that it is of paramount importance to keep the environment, social, and governance aspects in mind while operating and growing our business going forward. This business philosophy has helped us build a sustainable business model and enhanced our reputation which, together with other factors, can differentiate our brands from those of the competitors in the supplementary secondary school education services industry. In order to more accurately assess the materiality of ESG issues, telephone interviews were conducted with the two major stakeholders, namely teachers and students. They share the same viewpoint that the social aspects are of more importance than the environmental aspects. Product responsibility and governance are generally treated as the most important ones.

We welcome comments and suggestions from our stakeholders. If you have any questions or comments on this ESG Report, please contact us by email at ir@beacon.com.hk.

A: ENVIRONMENT

After reviewing the nature of business and operation in providing private supplementary education services, our Directors and the Group's external environment consultant share the view that the risk of our business causing significant, undesirable impacts on the environment is relatively low. However, we are well aware of the fact that, regardless of our minimal environmental footprint as an education service provider, our business operation inevitably generates a small amount of carbon emissions and solid wastes discharged into the environment, as well as consumes certain natural resources.

A1: EMISSIONS

A key part of the Group's environmental policy is to monitor the carbon emission and the volume of wastes generated from the operation.

Our business offers education services, which typically do not generate air pollutants or greenhouse gas emissions or regulated discharges from the operation. In our operation, air emissions are limited to the use of company vehicles, whereas discharges are limited to the usual sewage from an office setting. As a result, the amount of air emissions and water discharges are de minimis.

However, associated with the amount of printing activity for teaching purposes, paper wastes are generated in the normal course of our business operation. Daily use of printers and photocopiers would result in regular replacement of cartridges and ink toners, disposal of which would generate wastes containing chemical residuals that requires special handling. Other non-hazardous wastes generated from the operation include aging equipment and electronics used in the teaching centres and the head office, as well as daily consumables, such as office stationery and teaching aids, etc. We are not aware of any hazardous wastes generated from our operation.

The Group's policy in this aspect goes by the principle of "Reduce, Reuse, and Recycle" to the extent that is practical and cost effective.

- **REDUCE**: We keep our motor vehicles in regular maintenance and examination so that they are operated in good condition with gas emissions below the regulated thresholds. Equipment and electronics are maintained as scheduled and repaired as needed to extend their lifespans which would reduce the need for replacement and disposal. Reminders are placed around printers and photocopies to alert employees and teaching staff to avoid excessive printing that generates unnecessary paper wastes.

- **REUSE**: Rather than replacing the depleted cartridges and ink toners, refillers are used to minimize the wastes of cartridge or toner casings. Some of the office stationery (e.g. binders, folders, etc.) are often reused if possible, rather than immediately disposed of after one-time usage.

- **RECYCLE**: Wastes for disposal are first separated into "non-recyclable" and "recyclable" categories, and "special care" category. Recyclable wastes are further collected separately by nature, namely (i) waste papers, (ii) plastics, and (iii) metals. They are then handled accordingly for recycling or proper disposal to minimize environment impacts. "Special care" items, like cartridges and ink toners, are returned to suppliers/manufacturers for professional handling.

The Group does not foresee any material change in the nature of its business activities and its operation does not materially generate air pollutants, gas emissions and regulated discharges. As such, the Air Pollution Control Ordinance (Cap. 311) and Water Pollution Control Ordinance (Cap. 358), as well as their and associated regulations are considered less relevant to our operation. Our Directors were pleased to confirm that the Group was in full compliance with the provisions related to motor vehicle emissions under the Road Traffic Ordinance (Cap. 374). No fines or penalties were levied by the Government because of air emissions or water discharges during the Reporting Period.

The Group also follows the general provisions of the Waste Disposal Ordinance (Cap. 354), which prohibits dumping wastes in public places or on private premises without the consent of the owner or occupier. Our Directors confirmed that the Group and its teaching centres were in full compliance with the general provisions of this law that apply to the entire operation during the Reporting Period. We are not aware of any fines or penalties levied by the Government for improper waste handling or disposal.

Air emissions

The air emissions were mainly from vehicles (approx.) and the figures below are based on our internal estimation of the kilometers travelled. In general, we managed to lower the total air emissions by reducing use of vehicles.

	No_x Nitrogen oxides	So_x Sulphur oxides	PM Particulate Matter
2017/18	22,652 g	446 g	1,668 g
2018/19	20,976 g	413 g	1,545 g

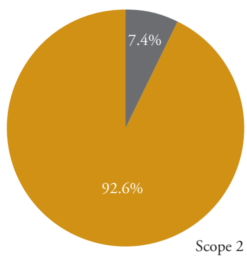
Greenhouse gas emissions

Scope 1 emissions were mainly from vehicles (approx.) and the figures below are based on our internal estimation of the kilometers travelled. In general, we managed to lower the total Scope 1 emissions by reducing use of vehicles.

CO2 equivalent emissions	Co_2 Carbon dioxide	CH_4 Methane	N_2O Nitrous oxide
2017/18	71.565 tonnes	0.161 tonnes	10.387 tonnes
2018/19	66.269 tonnes	0.149 tonnes	9.618 tonnes

For Scope 2 energy indirect emissions, the CO_2 equivalent emissions mainly from purchased electricity were approximately 953.328 tonnes (2017/18: 687.157 tonnes). The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 1,029 tonnes (2017/18: approximately 769 tonnes). We do not report Scope 3 emissions because of the lack of complete and accurate data.

Total Greenhouse Gas Emission: Approx. 1,029 tonnes



Non-hazardous solid wastes, mainly the domestic and commercial wastes, generated in our offices in Hong Kong during our operations in the Reporting Period amounted to 2.376 tonnes (2017/18: approximately 15.188 tonnes). This year's figures reflected our efforts to minimize the wastes.

Hazardous wastes of batteries and toners were recorded at approximately 0.131 tonnes (2017/18: approximately 0.19 tonnes) and 0.180 tonnes (2017/18: approximately 0.176 tonnes) respectively. All the toners were disposed to recycling companies.

A2: USE OF RESOURCES

Part of the Group's ESG strategy is to make efficient use of resources and leverage eco-friendly alternatives, where practically and economically feasible, in the business operation. Generally, provision of education services does not consume significant amount of resources as compared to that of other commercial or industrial operations. Yet, we have identified and targeted energy consumption and paper usage as two key areas where our ESG initiatives can achieve the biggest total impacts on the environment in our business operation.

- *Energy Consumption*

  We recognize our carbon footprint arising from our business operations primarily attributed to energy consumption, even though it is relatively insignificant as compared to other commercial or industrial operations. Our 21 teaching centres and the head office have relatively long operating hours, in which lighting, ventilation, air-conditioning, teaching and office equipment are powered by electricity, generation of which by conventional power plants often emits carbon dioxide during the process.

  The goal of our policy in energy saving is to minimize unnecessary waste of electricity. This involves creating awareness by issuing company memos and setting up reminders to achieve behavioral changes of our employees and teaching staff in the use of electricity. Specific measures include switching off idle equipment, lighting, and air-conditioning that are not in use and after work. The Group has also increasingly invested in energy efficient alternatives, such as LED or energy-efficient lighting, equipment with energy-saving mode and timer control function, etc. Maintenance and cleaning of equipment are regularly performed to optimize equipment performance and energy efficiency.

- *Paper Usage*

  Paper is often used in the course of teaching and marketing, and as a form of keeping administrative records in the normal course of our business. Our teaching classes are supplemented by lesson handouts and study materials, which are paper-based. Part of our advertising and marketing campaigns involve production of brochures, leaflets, and direct-mailing materials. Moreover, administrative paper work inevitably exists in the teaching centres and the head office.

"Reduce, Reuse, and Recycle" is our strategy to address the issue of paper usage. In light of the extensive adoption of technology by the young generation, the Group has increasingly shifted from distributing paper-based study materials to leveraging digital technology for delivery of teaching content. This helps significantly reduce in paper consumption in our teaching centres. The Group continues to upgrade computer systems to minimize manual, paper-based tasks in different streams of work flows. Besides using emails for communication, we encourage using online platforms for broadcasting messages or dissemination of information to minimize paper consumption. Other best practices include double-sided printing and printing-to-exact-quantity, reusing paper from the recycling bins, replacing disposable cups with reusable ones in our office, paperless administrative systems for handling expense claims, managing annual leaves, and circulating agendas of weekly meetings, etc.

In our business operation, water consumption is limited to drinking and cleaning uses, and packaging materials are modestly used. Consumption of water and packaging materials are thus considered immaterial from our standpoint. In order to increase the awareness of environmental protection, we encourage employees to use their personal utensils for drinks and meals so as to minimize the use of disposables.

Use of resources	Unit	2017/18 (approx.)	2018/19 (approx.)
Electricity	kWh	1,266,759	1,425,678
Electricity intensity	kWh per million HK$ revenue	3,104	3,836
Water	Cubic meter	681	551
Water intensity	Cubic meter per million HK$ revenue	1.67	1.48

	Power		Water
Consumption	1.43 million kWh		551 m^3
Intensity	3,836 kWh/HK$M		1.48 cubic meter/HK$M

Since the Group is engaged in the service industry, the traceable packaging materials are mainly paper used in gift premiums. This year we adopted a radical step to eliminate all the use of plastic packaging materials.

	Paper	Plastic
2017/18	0.14355 tonnes	2.016 tonnes
2018/19	0.328 tonnes	Nil

A3: THE ENVIRONMENT AND NATURAL RESOURCES

Our policy on environment protection centres around the principle of "Reduce, Reuse, and Recycle". To achieve the desired results of minimizing impacts on the environment, we must begin with regular monitoring and communication which are critical to raising awareness and changing pre-existing mindsets and behaviors of our employees and stakeholders in this aspect. To prioritize our efforts, we target key areas (namely energy consumption, paper usage, and waste generation) where our initiatives could have the most impact. As discussed above, we not only educate our employees and share best practices in making efficient use of energy and paper resources, but also invest in and encourage the use of new technology and eco-friendly equipment that can minimize wastes and consumption of resources in the operation.

Our goal is more than simply achieving compliance with the relevant laws and regulations. We also aim to promote environment protection and efficient use of natural resources to our next generations by being a good role model in this subject matter.

B: SOCIAL

Our reputable brand, people-oriented principle and high teaching quality are our key differentiators in the private supplementary education services industry. We are committed to high standards of teaching, and believe that this commitment has contributed to the success of our business and the development of our brand.

Working together as a team, our teaching staff and non-teaching employees enable the Group to provide lessons and support, course planning and development, course material development and publication, course management as well as advertising, marketing and media promotion in order to serve our students and promote our brand. As at 31 July 2019, the Group had 334 full-time employees and 711 part-time employees helping to make our success happen.

Having a high-quality teaching team is a key factor to succeed in our industry. Our teaching professionals are the ones who deliver high-quality teaching to the students and represent our brand from the front line. Our teaching team was made up of 534 individuals, comprising 94 tutors, 8 day school teachers, 51 full-time and 437 part-time teaching assistants. They worked diligently and taught responsibly to serve a sizable group of students which made a total of approximately 585,000 session enrollments for our courses and services during the Reporting Period.

Apart from expressing gratitude to our entire staff, we are dedicated to being a good employer that cares for all of our employees. Furthermore, in return for the trust given to us by the students and parents, we dedicate ourselves to providing high-quality teaching and education services to our customers so that they can have an enhanced learning experience.

B1: EMPLOYMENT

Our Directors believe that success in hiring, training and retaining experienced teaching staff and employees is critical to providing reliable and high-quality education services in our business.

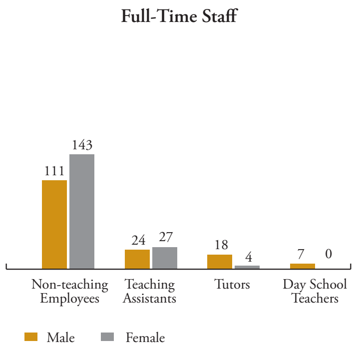
We strive to adopt a stringent recruitment process that allows us to engage and develop qualified teaching and non-teaching staff. Our selection criteria include required academic qualifications, personality, experience and skills. In addition, we perform background checks and use interviews and demonstration classes (for teaching staff) to determine an applicant's suitability prior to making recruitment decision.

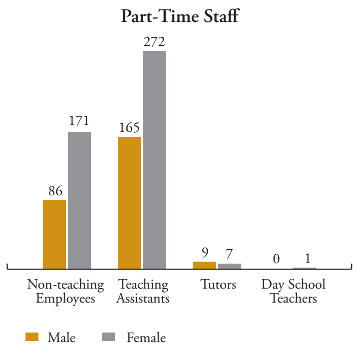
The Group has developed an Employee Handbook with reference to the Employment Ordinance (Cap. 57) in Hong Kong. It contains our human resources policy that covers various matters related to wages and compensation, rest days and other types of leaves, termination of employment, other benefits and welfare, etc.

We offer competitive remuneration and benefits, with reference to the market conditions, individual responsibilities, performance and qualifications. All of our tutors are engaged either under (full-time or part-time) employment contracts or service agreements, and they are typically remunerated on revenue sharing scheme so as to create a strong incentive for tutors to develop and deliver high-quality teaching services. The Group has also joined a Mandatory Provident Fund retirement benefit scheme in accordance with the arrangements prescribed by the Mandatory Provident Fund Schemes (Cap. 485). In addition, our employee benefits include weekend and holiday bonus for frontline staff, monthly budget for employee lunch, dinner, and gatherings, 5-day full-pay paternity leaves, etc.

The Group is an equal opportunity employer, hiring people based on their abilities, aptitude and knowledge. We value workforce diversity and follow the government's Code of Practices on Employment under the Sex, Disability, Family Status, and Race Discrimination Ordinances (Cap. 480, 487, 527 and 602) in recruitment. Our Directors confirmed that the Group was in full compliance with the Employment Ordinance of Hong Kong during the Reporting Period.

Our Directors confirmed that (i) there were no major disputes and we generally maintain a good relationship with our employees; and (ii) we had not faced any material recruitment and retention difficulties in respect of our employees.





B2: HEALTH AND SAFETY

It is our main responsibility to ensure the safety of our employees and students in our facilities. All of our teaching centres were registered or provisionally registered as schools under the Education Ordinance. This means that our teaching facilities have complied with the fire safety requirements under the relevant regulations of the Fire Services Department. Besides, we properly put in place a number of security measures, including CCTV, authorized access, security alarms and fire equipment, etc. to keep our employees and students safe while working and learning in our facilities. Training sessions have been given to our employees on proper routines in keeping facilities safe and special arrangements for emergency situations. Guidelines have been established and communicated to our staff regarding workplace safety, including prevention of sexual harassment.

The Group is also committed to providing a healthy working environment for the employees. We regularly alert our employees to occupational health risks arising from prolonged use of display screen equipment, incorrect sitting posture, wrong lifting position and poor indoor air quality. Accumulation of occupational stress can adversely affect health, interpersonal relationships, work and other aspects in life. We therefore encourage having work-life balance among our employees, and find ways to help employees and teaching staff reduce work stress. In connection with this, we occasionally organized health talks and lunch or dinner gatherings for our employees. We also sponsor our employees with a monthly budget for team gatherings so that they can build better relationship with each other.

The Group has upgraded the equipment and provided additional training and safety guidelines to the maintenance and repair staff accordingly. The Group has also issued reminders and scheduled monthly inspection visits to ensure fire exits are kept clear of obstacles in each of its teaching centres. The Directors confirmed that there was no material injury or accident at the Group's facilities and no violation of relevant laws and regulations during the Reporting Period.

In April 2018, the Group received both the "Smiling Enterprise Award" and "Smiling Employer Award" from the Mystery Shopper Service Association, which signifies the Group's efforts in caring for not only its customers but also its employees.

B3: DEVELOPMENT AND TRAINING

Training and retaining quality staff are critical to the sustainability and success of our business. Part of our strategy is to offer good development and training opportunities so as to attract and retain good, qualified talents.

We provide specific training to new employees to familiarize them with our working environment and operational procedures. From time to time we seek to help our teaching assistants whom we believe to possess the requisite qualities and attributes in advancing to become tutors. Our Directors believe that our platform and infrastructure offer our teaching assistants the opportunities to develop their teaching careers as tutors within our Group.

In order to maintain consistency in teaching pedagogy, lead tutors, who have their own teaching team, sometimes pair up with the teaching assistants that have accumulated enough experience and exposure to provide courses together. Team resources such as teaching material and promotion will be shared so that the less experienced tutors can also benefit from the lead tutors.

For the top tutors of great potential, the Group provides support in their professional growth and development through personal brand development, cooperation with internationally recognised brands and professional training.

Other employee trainings include workshops on human resources management and leadership skills were provided for both our senior and junior staff members. Similar internal trainings/seminars will be conducted from time to time in the future.

B4: LABOUR STANDARDS

Our recruitment guidelines follow the labour standards and requirements under the relevant laws and regulations in Hong Kong, including the Employment Ordinance. The Group prohibits the use of child labour and forced labour. All of our tutors providing private supplementary secondary school education services and day school teachers must be eligible to teach under the Education Ordinance and/or Exemption Order.

As part of the recruitment protocol, our Human Resources Department collects personal data, identity documents, and credential certificates of job applicants for reference and verification. At least two rounds of interviews are conducted with the applicants for teaching positions to ensure that they meet the suitability, eligibility, and legal requirements for the job vacancies.

Our Directors confirmed that the Group complied with the laws and regulations in Hong Kong with regards to the prevention of child and forced labour.

B5: SUPPLY CHAIN MANAGEMENT

During the normal course of our business operation, we procure office supplies and equipment for our teaching centres and the head office. We make sure that our procurements are fair and transparent and avoid suppliers of questionable reputation and product quality. Our office and teaching equipment are primarily purchased from manufacturers with brands known for good performance, reliability, durability and energy efficiency. The products are monitored and measured against the manufacturer's promise and our expectation in these dimensions for replacement purchases in the future. We believe this practice of procurement, though not formalized as a policy, will help minimize the impact on the environment by saving energy and reducing wastes for disposal.

We also purchase licenses for using the copyrights of other organizations in preparing the study and teaching materials. We regularly train our teaching staff on copyright policy and communicate the ethical expectations on the practitioners in the education industry and our Group's corporate culture.

B6: PRODUCT RESPONSIBILITY

We are committed to high standards of teaching, and believe that this commitment has contributed to the success of our business and the development of our brand. Our Group has adopted the following measures to maintain the teaching standards and quality of our teaching team:

- maintaining a record of our students results in the HKDSE Examinations as a key performance indicator of the respective tutors (e.g. with 5**/5*); and
- external monitoring of tutors via satisfaction surveys conducted through marketing consultants.

We have set up the Publication Censorship Committee to review and scrutinize the course materials and study notes to ensure that they are up-to-date, accurate, relevant and free from copyright infringement risks.

To increase our student satisfaction and enhance their learning experience, we have been upgrading the IT infrastructure, teaching facilities and equipment in our centres (e.g. our upgraded audio and video servers that support higher-quality video courses and we completely eliminated the use of DVDs for video courses). We have also implemented complaint handling procedures to address customer's complaints in respect of issues relating to our services and operations. In April 2019, there was a student complaining about our rescheduling the class. The matter was satisfactorily resolved by providing a full refund of the course fee to the student. Save for this incident, our Directors confirmed that the Group did not receive any material customer complaint that had a material adverse effect on our operation or financial condition.

In addition, the Group recognizes the importance of keeping personal data of the students in strict confidence, and thus has engaged an independent Internet security service provider to assist in ensuring the personal information and data be managed with strict care and preventing any unauthorized access and careless leakage of such personal data.

We are not aware of any breach or violation under the laws and regulations related to consumer protection, including the Supply of Services (Implied Terms) Ordinance (Cap. 457) in Hong Kong. Our Directors also confirmed that the Group was in full compliance with the Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong.

B7: ANTI-CORRUPTION

Integrity is an important part of education to develop and shape an individual's character. We strive to be a good role model to our next generation and hold ourselves to high standards of ethics in our business and personal life. The Group adopts a zero-tolerance policy against improper behaviors or acts, including but not limited to bribery, corruption, collusion, extortion and frauds.

The Employee Handbook has been developed and updated to reflect the spirits and provisions of the Prevention of Bribery Ordinance (Cap. 201) ("**POBO**") in Hong Kong. Our employees are also regularly informed of the Group's expectations and guidelines on professional and ethical conducts during the normal course of business. Restrictions and internal procedures for reporting and approval are clearly specified regarding the offer and receipt of gifts, entertainment, travel and training to our employees and teaching staff. In October 2018, there was an ICAC training conducted for our directors and senior management.

We have also put in place internal controls and policies to prevent the occurrence of fraud, theft, bribery, corruption and other misconducts involving employees, customers and other third parties. In the event that employees come across any questionable behaviors, they are encouraged to report to the Group's senior management for further investigation.

As a Hong Kong-listed company, the Group complies with the Corporate Governance Code issued by the Stock Exchange, which requires the audit committee of a listed company to review internal reporting procedures such that its employees feel able to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Group also has proper mechanism in place for fair and independent investigation of these matters, as well as for appropriate follow-up action.

The Group has complied with the POBO throughout the Reporting Period. To the best knowledge of the Directors, the Group did not encounter any incidents involving fraud, bribery, or corruption during the Reporting Period. The Directors are of the view that the Group has proper and adequate internal controls and policies in place.

B8: COMMUNITY INVESTMENT

We not only dedicate ourselves to providing private education services of highest quality, but also carry a social mission of cultivating and advocating the idea of giving back to society among the young generation. It is our desire to create a caring and giving culture in our business operation. Despite the absence of specific company policies in this aspect, the Group actively gives back to the community and strongly encourages our staff and students to do the same in response to the needs and interests of the society.

- ***Charity and community services***

  The Group makes genuine efforts to support charitable organizations and raise awareness among students and staff to poor minorities and those in critical needs. While the Group continues to participate and sponsor different charity events, our staff has also volunteered to form community services teams for different good causes. Our Chairman, June Leung, also serves on the board of Plan International to support the campaigns and activities organized by this international charitable organization.

  In 2019, we helped Yan Chai Hospital's Education Division to organize a seminar on HKDSE exam skills and an oral English workshop. In the past, we raised funds for Yan Chai Hospital by setting up donation boxes at our schools and launched donation campaign with the Red Cross for providing immediate assistance and critical care to the victims in affected areas after the 2008 Sichuan Earthquake.

  In 2019, we supported the Samaritans as a media sponsor for their annual fundraising event "Runbrave 2019". One of our subsidiaries, BeConfident Alliance, also participated in the charity walk (Orbis Walk for Sight 2018) and organized an event which raised funds for Orbis. Other community services partners (sponsoring events) included the Community Chest (Walk for Hong Kong), Red Cross (Blood Donation Drive), Hong Kong Ladies Dynamic Association (Community Care in Mid-Autumn Festival), Plan International (Donate a Pencil Campaign) and Eternity Love Foundation.

- ***Financial assistance to facilitate knowledge sharing***

  As an educator in society, we believe that knowledge changes fate. Our teaching staff have volunteered to work with "Principal Chan Free Tutorial World" since 2013 by providing free workshops and educational services to students of high academic aspirations but lacking financial means. Our objective is to set good examples to empower all teaching professionals and our next generation to contribute to the community through voluntary knowledge sharing.

  In addition, the Group has established the "Beacon Uprising Fund" since 2012 to provide financial assistance to low-income families or families under the Comprehensive Social Security Assistance for enrolling their children in our tutorial classes. Over 1,000 students have benefited from this financial assistance scheme in the 2018/19 academic year. Our goal is to equip students in financial need with knowledge and learning opportunities so that they can achieve their dreams in the future. In addition, Beacon College offered the "Upward Mobility Scholarship Programme" ("向上游獎勵計劃") to students who have strived for success despite facing challenges and difficult circumstances.

- ***Scholarships to develop academic talents***

  The Group also established merit-based scholarships to non-first-year students studying Chinese and Chinese Literature at The Chinese University of Hong Kong who have demonstrated outstanding academic performance and all-round personal development. These scholarships are intended to help students pursue their academic goals and explore new horizons.

  Through our extensive community networks, we have established a close partnership with organizations in different welfare sectors. In 2014 and 2016, the Group was awarded the "Social Capital Builder" by the Labour and Welfare Bureau's Community Investment and Inclusion Fund in recognition of our efforts in actively promoting cross-sectoral social responsibility. In 2019, our contribution to society earned us the "10 Year Plus Caring Company Logo" awarded by the Hong Kong Council of Social Services.

Fund BEACON® 遵理教育基金

遵理·起義

AWARDS IN 2018-2019

Year	Award/Recognition	Issuing organisation
2019	Listed Companies Outstanding Brand Award	Top Hong Kong Listed Companies Research Centre
2008-2019	Caring Company 10+	Hong Kong Council of Social Service
2016-2019	Smiling Enterprise Award 2018-2019	Mystery Shopper Service Association
	Smiling Employer Award 2018-2019	
2019	Hong Kong Distinguished Brand Leader Award	Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong
2018	2018 Listed Companies Distinguished Award	TVB
2018	2018 ListCo Excellence Award (Main Board)	AM730, RoadShow & PR Asia

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of BExcellent Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of BExcellent Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 98, which comprise:

- the consolidated statement of financial position as at 31 July 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Recoverability of other receivables from tutors

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to notes 2.2, 2.19 and 5 to the consolidated financial statements* For the year ended 31 July 2019, the Group recognised revenue of HK$371,728,000, which represented tuition fees from private supplementary secondary school education services, private secondary day school services and ancillary education services and products. The portion of tuition fees received from students but not earned is recorded as contract liabilities. We focused on this area because of the financial significance to the Group's consolidated financial statements, as well as the large volume of transactions and the risk of overstatement of revenue.	Our audit procedures in relation to revenue recognition included: • We understood, evaluated and tested the key controls over revenue recognition. • We selected tuition fees received on a sample basis and checked to supporting evidence such as student enrollment forms, student payment records, payment receipts, course details and attendance records during site visits. • We selected tuition courses scheduled across the year end date on a sample basis and checked to the student enrollment records and the course schedules; recalculated the proportion of tuition fees recognised in contract liabilities as at year end; and traced the posting of contract liabilities to the general ledger. • We performed analytical review of revenue by type and enquired the revenue trend by collaboration with management explanations, our industry knowledge and external market data. Based on our procedures performed, we found the revenue recognised are supportable by the available evidence.
Recoverability of other receivables from tutors *Refer to notes 2.12, 4(a) and 22 to the consolidated financial statements* As at 31 July 2019, the Group's other receivables of HK$7,080,000 mainly comprises of other receivables from tutors which arise from variable expenses incurred by the Group on behalf of the tutors. Management has assessed the recoverability of other receivables from tutors and concluded that no loss allowance was required. The assessment of recoverability and loss allowance of other receivables from tutors involve significant judgements and estimates as it involves the consideration of a number of factors, including, among others, the credit history and outstanding contract period of the individual tutors, current market conditions, as well as forward-looking estimates. We focused on this area because of the significant judgements and estimates involved.	Our audit procedures in relation to the recoverability of other receivables from tutors included: • We obtained management's assessment on the recoverability of other receivables from tutors, assessed its reasonableness in making the assumptions with reference to the credit history and outstanding contract period of the individual tutors, current market conditions, such as the number of student enrollments and revenue sharing arrangements with the individual tutors, as well as forward-looking estimates, such as expected significant changes in the general economic environment. • We tested the ageing of other receivables from tutors and traced to the suppliers invoices on a sample basis. • We checked the acknowledgement of expenses paid by the Group on behalf of the respective tutors and the settlement of receivables to the monthly recharge statements to individual tutors on a sample basis. Based on our procedures, we found that the judgements and assumptions made by management in determining the recoverability of other receivables from tutors are supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Nim Tsz, Elizabeth.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*5*	**371,728**	408,120
Other income	*6*	**5,290**	1,396
Other losses	*6*	**(29)**	(335)
Staff costs	*7*	**(103,695)**	(104,650)
Tutor service fees		**(105,257)**	(106,322)
Operating lease payments		**(56,322)**	(53,809)
Advertising and promotion expenses		**(16,890)**	(14,850)
Printing and other operating expenses		**(72,037)**	(89,180)
Depreciation and amortisation expenses	*15, 17*	**(10,316)**	(9,166)
Finance costs	*10*	**(12)**	—
Impairment loss on accounts receivables	*21*	**(47)**	(140)
Profit before taxation	*11*	**12,413**	31,064
Taxation	*12*	**(1,883)**	(6,899)
Profit for the year		**10,530**	24,165
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Change in the fair value of available-for-sale financial asset	*19*	**—**	(395)
Item that will not be reclassified to profit or loss			
Change in the fair value of equity investment at fair value through other comprehensive income	*19*	**(85)**	—
Other comprehensive loss for the year		**(85)**	(395)
Total comprehensive income for the year		**10,445**	23,770
Profit/(loss) is attributable to			
– Owners of the Company		**11,928**	25,883
– Non-controlling interests		**(1,398)**	(1,718)
		10,530	24,165
Total comprehensive income/(loss) for the year is attributable to			
– Owners of the Company		**11,843**	25,488
– Non-controlling interests		**(1,398)**	(1,718)
		10,445	23,770
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	*13(a)*	**2.39**	6.78
Diluted earnings per share	*13(b)*	**2.37**	6.78

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*15*	**23,375**	28,928
Investment property	*16*	**23,347**	—
Intangible assets	*17*	**3,776**	—
Available-for-sale financial asset	*19*	**—**	2,000
Financial assets at fair value through other comprehensive income	*19*	**1,915**	—
Deferred income tax assets	*20*	**5,050**	3,589
Prepayments	*22*	**10,671**	9,809
		68,134	44,326
Current assets			
Accounts receivables	*21*	**1,493**	1,328
Deposits, prepayments and other receivables	*22*	**32,045**	35,621
Income tax recoverable		**1,857**	53
Short-term deposits	*24*	**—**	914
Cash and cash equivalents	*24*	**145,857**	166,700
		181,252	204,616
Total assets		**249,386**	248,942
Equity			
Share capital	*30*	**120,956**	120,956
Other reserves	*32*	**12,731**	10,640
Retained earnings	*31*	**55,541**	63,613
Equity attributable to owners of the Company		**189,228**	195,209
Non-controlling interests	*33*	**(1,707)**	(310)
Total equity		**187,521**	194,899
Liabilities			
Current liabilities			
Other payables	*26*	**21,459**	26,086
Amount due to a related company	*23*	**2,000**	—
Receipts in advance	*25*	**—**	15,880
Contract liabilities	*25*	**17,951**	—
Current income tax payable		**8,211**	9,412
Borrowings	*28*	**8,573**	—
		58,194	51,378
Non-current liabilities			
Other non-current liabilities	*27*	**3,666**	2,637
Deferred income tax liabilities	*20*	**5**	28
		3,671	2,665
Total liabilities		**61,865**	54,043
Total equity and liabilities		**249,386**	248,942

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 50 to 98 were approved by the Board of Directors on 21 October 2019 and were signed on its behalf.

Mr. Tam Wai Lung	**Ms. Leung Ho Ki, June**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2019

	Note	Share capital and share premium HK$'000	Other Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company					
Balance at 1 August 2017		—	8,799	57,730	66,529	1,408	67,937
Profit/(loss) for the year		—	—	25,883	25,883	(1,718)	24,165
Other comprehensive loss for the year							
Change in the fair value of available-for-sale financial asset	*19*	—	(395)	—	(395)	—	(395)
Total comprehensive income/(loss) for the year		—	(395)	25,883	25,488	(1,718)	23,770
Transactions with owners in their capacity as owners							
Dividend	*14/34(b)*	—	—	(20,000)	(20,000)	—	(20,000)
Shares issued pursuant to the Listing	*30*	135,000	—	—	135,000	—	135,000
Listing expenses charged to share premium	*30*	(14,044)	—	—	(14,044)	—	(14,044)
Share-based compensation - value of employee services	*9*	—	2,236	—	2,236	—	2,236
Total transactions with owners in their capacity as owners		120,956	2,236	(20,000)	103,192	—	103,192
Balance at 31 July 2018		120,956	10,640	63,613	195,209	(310)	194,899
Profit/(loss) for the year		—	—	11,928	11,928	(1,398)	10,530
Other comprehensive loss for the year							
Change in the fair value of equity investment at fair value through other comprehensive income	*19*	—	(85)	—	(85)	—	(85)
Total comprehensive income/(loss) for the year		—	(85)	11,928	11,843	(1,398)	10,445
Transactions with owners in their capacity as owners							
Dividends approved in respect of the previous year	*14/34(b)*	—	—	(20,000)	(20,000)	—	(20,000)
Share-based compensation - value of employee services	*9*	—	2,176	—	2,176	—	2,176
Non-controlling interests on acquisition of subsidiary	*36(a)*	—	—	—	—	1	1
Total transactions with owners in their capacity as owners		—	2,176	(20,000)	(17,824)	1	(17,823)
Balance at 31 July 2019		120,956	12,731	55,541	189,228	(1,707)	187,521

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**25,660**	48,388
Income tax paid		**(6,360)**	(9,871)
Net cash from operating activities		**19,300**	38,517
Cash flows from investing activities			
Net outflow of cash and cash equivalents in respect of business combinations	*36(a)*	**(1,071)**	—
Purchase of property, plant and equipment	*15*	**(4,598)**	(17,979)
Purchase of investment property	*16*	**(23,347)**	—
Decrease/(increase) in bank deposits with maturities over three months		**914**	(1)
Dividend received		**192**	—
Interest received		**1,920**	10
Purchase of intangible assets	*17*	**(2,744)**	—
Net cash used in investing activities		**(28,734)**	(17,970)
Cash flows from financing activities			
Issuance of new shares	*30*	**—**	135,000
Listing expenses paid in connection with the share offer		**—**	(21,834)
Dividend paid	*14/34(b)*	**(20,000)**	(20,000)
Proceed from borrowings	*34(b)*	**8,573**	—
Interest paid		**(1)**	—
Net cash (used in)/from financing activities		**(11,428)**	93,166
Net (decrease)/increase in cash and cash equivalents		**(20,862)**	113,713
Cash and cash equivalents at the beginning of the year		**166,700**	52,990
Exchange gain/(losses) on cash and cash equivalents		**19**	(3)
Cash and cash equivalents at end of the year		**145,857**	166,700

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

BExcellent Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2018. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together "the Group") are principally engaged in the provision for private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. The ultimate holding company is Beacon Enterprise Limited, a company incorporated in the British Virgin Islands.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange.

The following new or amended Hong Kong Financial Reporting Standards are mandatory for the first time for the financial year beginning 1 August 2018 and the impacts of the adoption are disclosed in note 2.2.

– HKFRS 9 (2014) "Financial Instruments"

– HKFRS 15 "Revenue from Contracts with Customers"

The following new and amended HKFRSs are mandatory for the first time for the financial year beginning 1 August 2018, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

– Amendments to HKAS 40 "Investment Property"

– Amendments to HKFRS 2 "Share-based Payment"

– Amendments to HKFRS 4 "Insurance Contracts"

– HK(IFRIC) – Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

– Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New standards, amendments and interpretations published by the HKICPA that are not yet effective and have not been early adopted by the Group are as follows:

		Effective for accounting years beginning on or after
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19 (2011)	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28 (2011)	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9 (2014)	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

Certain new standards and amendments, which are effective after 31 July 2019, have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant effect on the Group's consolidated financial statements except as set out below.

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed, with a right-of-use assets capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce through rental payments over the same period with an appropriate interest charge recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 will affect primarily the accounting for Group's operating leases. The Group's current accounting policy for such leases is set out in note 2.24. As disclosed in note 37(b), the Group's future minimum lease payments under non-cancellable operating leases in respect of properties as at 31 July 2019, are amounting to HK$83,101,000, which are not reflected in the consolidated statements of financial position. Based on management's initial assessment, the application of the new standard is expected to result in a significant increase in both assets and liabilities in the consolidated statement of financial position. The adoption will also front-load the expense recognition in the consolidated statement of comprehensive income over the period of the leases, though the effect is not expected to be significant.

HKFRS 16 is mandatory for financial years commencing on or after 1 August 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group plans to apply the modified retrospective transition method under which comparative information will not be restated and has elected to use the following practical expedients and/or recognition exemption permitted by the standard:

– on initial application, HKFRS 16 will be only applied to contracts that were previously classified as leases;

– lease contracts with a duration of less than 12 months and leases of low-value assets will continue to be expensed to the income statement on a straight-line basis over the lease term; and

– the lease term has been determined with the use of hindsight where the contract contains options to extend or terminate the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

HKFRS 16 "Leases" (continued)

HKFRS 16 is not expected to impact significantly on the way that the Group accounts for its rights and obligations under a lease when it is the lessor under the lease. However, some additional disclosures will be required from next year.

The consolidated financial statements have been prepared under the historical cost basis, except for the following:

– investment property (see note 16); and

– financial assets at fair value through other comprehensive income ("FVOCI") (see note 19).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 (2014) "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the consolidated financial statements.

(a) Impact on the consolidated financial statements

As explained in notes 2.2(b) and 2.2(c) below, the Group elected to adopt HKFRS 9 (2014) and HKFRS 15 without restating comparative information.

The following tables show the amounts by each individual line item affected in current year by the application of HKFRS 9 (2014) and HKFRS 15 as compared to the previous requirements in HKFRSs that were in effect before the adoption of HKFRS 9 (2014) and HKFRS 15. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	As at 31 July 2019 Reported under current accounting polices HK$'000	HKFRS 9 (2014) (note 2.2(b)) HK$'000	HKFRS 15 (note 2.2(c)) HK$'000	As at 31 July 2019 Balance without the adoption of HKFRS 9 (2014) and HKFRS 15 HK$'000
Assets				
Non-current assets				
Financial assets at FVOCI	1,915	(1,915)	—	—
Available-for-sale financial asset	—	1,915	—	1,915
Liabilities				
Current liabilities				
Receipts in advance	—	—	17,951	17,951
Contract liabilities	17,951	—	(17,951)	—

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) Impact on the consolidated financial statements (continued)

Consolidated statement of financial position (extract)	As at 1 August 2018 Restated HK$'000	HKFRS 9 (2014) (note 2.2(b)) HK$'000	HKFRS 15 (note 2.2(c)) HK$'000	As at 31 July 2018 As originally presented HK$'000
Assets				
Non-current assets				
Financial assets at FVOCI	2,000	(2,000)	—	—
Available-for-sale financial asset	—	2,000	—	2,000
Liabilities				
Current liabilities				
Receipts in advance	—	—	15,880	15,880
Contract liabilities	15,880	—	(15,880)	—

The adjustments to the consolidated statement of financial position described above do not affect the cash and cash equivalents, but do alter the categorisation of some items in the consolidated statement of cash flows. The adjustments are principally within monetary working capital movements.

(b) HKFRS 9 (2014) "Financial Instruments"

The Group has adopted HKFRS 9 (2014) "Financial Instruments" from 1 August 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 2.10. In accordance with the transition provisions, the Group has adopted HKFRS 9 (2014) retrospectively, with no restatements to the comparatives.

HKFRS 9 (2014) replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1 August 2018 (the date of initial application of HKFRS 9 (2014)), the Group's management assessed the Group's business models of management, and the contractual cash flow characteristics, of each of the Group's financial instruments, and classified them into the appropriate categories under HKFRS 9 (2014).

Accordingly, an investment previously classified as available-for-sale financial asset with a carrying amount of HK$2,000,000 was reclassified to financial assets at FVOCI on 1 August 2018 as this investment is held as long-term strategic investment that is not expected to be sold in the short to medium term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(b) HKFRS 9 (2014) "Financial Instruments (continued)

(i) Classification and measurement (continued)

On 1 August 2018 (the date of initial application of HKFRS 9 (2014)), the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original HK$'000	New HK$'000	Difference HK$'000
Non-current financial assets					
Equity investment	Available-for-sale	FVOCI	2,000	2,000	—
Current financial assets					
Accounts receivables	Amortised cost	Amortised cost	1,328	1,328	—
Deposits and other receivables	Amortised cost	Amortised cost	25,845	25,845	—
Short-term deposits	Amortised cost	Amortised cost	914	914	—
Cash and cash equivalents	Amortised cost	Amortised cost	166,700	166,700	—
Current financial liabilities					
Other payables (exclude provision for reinstatement cost)	Amortised cost	Amortised cost	24,102	24,102	—
Non-current financial liabilities					
Other non-current liabilities (exclude provision for reinstatement cost)	Amortised cost	Amortised cost	422	422	—

(ii) Impairment of financial assets

The Group's financial assets classified at amortised cost, including accounts receivables, deposits and other receivables, are subject to the new expected credit loss model for impairment assessment. The adoption of the new impairment model as at 1 August 2018 has not resulted in material impact on the carrying amount of the Group's financial assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 (2014), the identified impairment loss was immaterial.

– *Accounts receivables*

The Group applies the HKFRS 9 (2014) simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivables. This resulted in no material impact on the loss allowance on 1 August 2018.

– *Other financial assets at amortised cost*

Other financial assets at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. Applying the expected credit loss model resulted in no material impact on the loss allowance on 1 August 2018 and on 31 July 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(c) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 August 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard, which the comparative information for prior periods is not restated.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at the date of initial application, 1 August 2018:

Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 August 2018 to be consistent with the terminology used under HKFRS 15:

– Contract liabilities relating to receipts in advance which were the tuition fee received while tuition services are not yet provided.

2.3 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (continued)

(i) Business combinations (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar which is the functional and the presentation currency of the Group's entities.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other losses'.

Translation differences on non-monetary financial assets and liabilities such as assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fixtures	5 years
Office and laboratory equipment	5 years
Leasehold improvements	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

2.7 Investment properties

Investment properties which are land and buildings which are held for long-term rental yields and/or for capital appreciation, and which are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.3(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software so that it will be available for use;

– management intends to complete the software and use or sell it;

– there is an ability to use or sell the software;

– it can be demonstrated how the software will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software are available; and

– the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(b) Software (continued)

Capitalised development costs are recorded as intangible assets and are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 2.9).

Amortisation of intangible assets with finite useful life is charged to profit or loss on a straight-line method over the estimated useful life of 5 to 10 years from the point at which the asset is ready for use.

2.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, which are not subject to depreciation or amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Investments and other financial assets

(a) Classification

On 1 August 2018 (the date of initial application of HKFRS 9 (2014)), the Group's management assessed the Group's business models of management, and the contractual cash flow characteristics, of each of the Group's financial instruments, and classified them into the following measurement categories under HKFRS 9 (2014):

– those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

– those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownerships.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(d) Subsequent measurement

Subsequent measurement of debt instruments measured at amortised cost as below:

– Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, less loss allowance for expected credit losses (note 2.10(e)). Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

– Liabilities are measured at amortised cost using the effective interest method.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment of financial assets

From 1 August 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 21 for further details.

For other financial assets at amortised cost, the provision for these financial assets will be determined based on whether their credit risk are low at each reporting date, and, if so, by recognising a 12-month expected losses amount. If the financial asset is not subsequently of a low credit risk, the corresponding provision for doubtful debts will be recognised as equal to lifetime expected losses.

(f) Accounting policies applied until 31 July 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 July 2018, the Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group classifies its financial liabilities, including other payables, as those to be other liabilities.

Financial instruments are recognised at the contract date and initially measured at fair value. See note 29 for details about each type of financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(f) Accounting policies applied until 31 July 2018 (continued)

(i) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and other liabilities were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

(ii) Impairment of financial assets

– *Assets carried at amortised costs*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

– *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future assets and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Accounts and other receivables

Accounts receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Accounts and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds accounts and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

See notes 21 and 22 for further information about the Group's accounting for accounts and other receivables and note 2.10(e) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and demand deposits held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the places where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities. Revenue is recognised when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

The Group recognised revenues on the following bases:

(a) Private supplementary secondary school education services

The Group provides private supplementary secondary school education services for students from Secondary 1 to Secondary 6. Revenue is recognised over contract period in which the courses are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. A contract liability is recognised for tuition fee received while tuition services are not yet provided at the end of the reporting period. Except for classification of contract liabilities, there is no change in revenue recognition policy from the adoption of HKFRS 15.

(b) Private secondary day school services

The Group operates private secondary day schools. Revenue is recognised over contract period in which the courses are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. A contract liability is recognised for tuition fee received while tuition services are not yet provided at the end of the reporting period. Except for classification of contract liabilities, there is no change in revenue recognition policy from the adoption of HKFRS 15.

(c) Ancillary education services and products

The Group offers various ancillary education services and products. Revenue is recognised in which the related services and products are rendered or sold.

2.20 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.21 Tutor service fees

Tutor service fees are calculated based on certain percentage of revenue from education services, net of certain variable expenses attributable to such tutor.

The tutor service fees are recognised as expense as incurred.

2.22 Employee benefits

The Group operates a single defined contribution pension plan as post-employment scheme

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's employees after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.23 Share-based compensation expenses

The Group operates share option schemes (the "Scheme") under which the Group receives services from its directors, employees and tutors in exchange of equity instruments (options) of the Group to acquire the shares of the Company at specified exercise prices. The fair value of the services received in exchange for the grant of the options to acquire the shares of the Company is recognised as an expense in profit or loss with a corresponding increase in share-based compensation reserve under equity. The total amount to be expensed is determined by reference to the fair value of the options.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 37(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.25 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.27 Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

(1) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control of the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(2) An entity is related to the company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (1).

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under direction by the Boards of Directors. The directors and management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk

(i) **Foreign exchange risk**

Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. However, the Group's operations are mainly in Hong Kong. Foreign currency transactions and monetary assets and liabilities that are denominated in a currency that is not the functional currency of the entities within the Group are insignificant to the Group.

(ii) **Interest rate risk**

Other than bank balances, the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primary from borrowings. Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

At 31 July 2019, if interest rate had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$686,000 (2018: approximately HK$834,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point (2018: 50 basis point) increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the end of next annual reporting period.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of deposits with banks, accounts receivables and deposits and other receivables.

Deposits are mainly placed with high-credit-quality financial institutions. Management considers that the credit risk associated with the deposits with banks and financial institution is low.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivables and deposits and other receivables are disclosed in notes 21 and 22 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient working capital. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate working capital is available for operating, investing and financing activities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year/on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 July 2018					
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	24,102	422	—	—	24,524
At 31 July 2019					
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	**19,481**	**1,247**	**102**	**—**	**20,830**
Borrowings	**8,584**	**—**	**—**	**—**	**8,584**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to enhance returns for shareholders and benefits for other stakeholders.

With regard to maintenance and enhancement of capital structure, the Group considers relevant economic and market conditions and takes necessary measures for the beneficial interest of the Group and its shareholders.

The Group monitors capital on the basis of the Group total debt to equity ratio. The Group aims to maintain a manageable total debt to total equity ratio. At 31 July 2019, the total debt-to-total equity ratio is 4.6%. (At 31 July 2018, the Group has no debt and the capital of the Group is total equity as shown on the consolidated statement of financial position.)

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 July 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that is measured at fair value and classified as level 3 instruments as at 31 July 2019 and 2018.

	Available for sale financial asset HK$'000	FVOCI HK$'000
Balance as at 1 August 2017	2,395	—
Change in the fair value included in other comprehensive income	(395)	—
Balance as at 31 July 2018	2,000	—
Change in accounting policies (note 2.2)	(2,000)	2,000
Balance as at 1 August 2018	—	2,000
Change in the fair value included in other comprehensive income	—	(85)
Balance as at 31 July 2019	—	**1,915**

As at 31 July 2019, the fair value of unlisted financial assets at FVOCI is referenced to the recent transaction price of the shares without adjustment, and therefore no disclosure on quantitative information on unobservable input and sensitivity analysis is required. There were also no transfers between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of other receivables

The loss allowance for other receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the credit history and outstanding contract period of the individual tutors, the current market conditions, the valuation of the pledged collaterals, if any, as well as forward looking estimates at the end of each reporting period. Management reassesses the other receivables regularly and provision could change significantly as a result of changes in the financial position and payment status of the counterparties and in response to the local economic conditions.

(b) Assessment of goodwill impairment

The Group tests annually whether goodwill have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 2.8(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions were disclosed in note 17.

(c) Recognition of share-based compensation expenses

The Group has used the Black Scholes Model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimates on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, are required to be made by the Group in applying the Black Scholes model.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Income taxes

The Group is principally subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(e) Estimated useful lives of property, plant and equipment and intangible assets (other than goodwill)

Management determines the estimated lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). Management will revise the depreciation and amortisation charges where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors are the Group's chief operating decision-maker ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business by nature of business activities and assesses as the performance of private supplementary secondary school education services, private secondary day school services and ancillary education services and products. Ancillary education services and products mainly represent education related income including interview preparation and supplementary primary school education and tutorial services under "Beacon Childhood", "BeConfident" and "Glocal" brands, IELTS and general interest under "Beacon BExcellent" brand, overseas study consultancy services under "GES" brand, mock examination services, VIP self-study services, online course scheduling and management services and other education services.

The CODM considers that the Group is operated and managed as a single operating segment.

In the following table, revenue recognised during the year is disaggregated by major products/service lines and timing of revenue recognition.

	2019 **HK$'000**	2018 HK$'000
Major products/service lines		
Private supplementary secondary school education services	**317,696**	360,039
Private secondary day school services	**11,207**	11,213
Ancillary education services and products	**42,825**	36,868
	371,728	408,120

	2019 **HK$'000**
Timing of revenue recognition ***(Note (i))*****:**	
Over time	**350,249**
At a point in time	**21,479**
	371,728

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Note:

(i) The Group has initially applied HKFRS 15 using modified retrospective method. Under this method, the comparative information for the year ended 31 July 2018 is not provided.

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong. All unsatisfied contracts of the Group related to education service contract and those contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 OTHER INCOME AND OTHER LOSSES

	2019 HK$'000	2018 HK$'000
Other income		
Interest income	2,055	10
Advertising income	1,759	1,186
Sundry income	1,243	200
Dividend income from equity investments held at FVOCI (note 19(b))	192	—
Rental income from investment property	41	—
	5,290	1,396
Other losses		
Loss on disposal of property, plant and equipment	—	(334)
Exchange differences - net	(29)	(1)
	(29)	(335)

7 STAFF COSTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Salaries, allowances and bonus	99,130	100,461
Share-based compensation expenses *(note 9)*	372	—
Pension costs - defined contribution retirement plans *(note a)*	4,193	4,189
	103,695	104,650

(a) Pension costs - defined contribution retirement plans

The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month commencing on or after 1 June 2014 to the MPF Scheme.

(b) Five highest paid individuals

The emoluments payable to the five highest paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	8,454	7,728
Pension costs - defined contribution retirement plans	90	90
Bonus	800	—
	9,344	7,818

7 STAFF COSTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (CONTINUED)

(b) Five highest paid individuals (continued)

The five individuals whose emoluments were the highest in the Group included 4 directors (2018: 3 directors) for the year ended 31 July 2019, whose emoluments are reflected in the analysis presented in note 8(a). The emoluments of the remaining individuals fell within the following bands:

	2019 **HK$'000**	2018 HK$'000
HK$1 - HK$500,000	—	—
HK$500,001 - HK$1,000,000	—	—
HK$1,000,001 - HK$1,500,000	—	2
HK$1,500,001 - HK$2,000,000	—	—
HK$2,000,001 - HK$2,500,000	**1**	—
	1	2

During the year ended 31 July 2019, no emolument was paid by the Group to any of the Directors or the five higher paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018:Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 July 2019 is set out below:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses *(Note (i))* HK$'000	Other benefit *(Note (ii))* HK$'000	Employer's contribution to pension scheme HK$'000	Other emolument *(Note (iii))* HK$'000	Non-cash benefit *(Note (iv))* HK$'000	Total HK$'000
Executive directors								
Mr. Tam Wai Lung	—	1,344	—	1,537	18	—	70	2,969
Mr. Chan Tsz Ying, Wister	—	1,200	—	—	18	—	36	1,254
Ms. Leung Ho Ki, June	—	1,680	—	—	18	—	20	1,718
Mr. Li Man Wai	—	960	—	—	18	—	20	998
Non-executive director								
Dr. Shen Xu Hui	—	456	—	—	—	—	—	456
Independent non-executive directors								
Prof. Wong Roderick Sue Cheun	—	180	—	—	—	—	—	180
Mr. Kwan Chi Hong	—	180	—	—	—	—	—	180
Mr. Li Kai Sing	—	180	—	—	—	—	—	180
	—	6,180	—	1,537	72	—	146	7,935

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 July 2018 is set out below:

Name	Fees	Salary	Discretionary bonuses *(Note (i))*	Other benefit *(Note (ii))*	Employer's contribution to pension scheme	Other emolument *(Note (iii))*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. Tam Wai Lung	—	1,344	—	1,056	18	—	2,418
Mr. Chan Tsz Ying, Wister	—	1,200	—	—	18	—	1,218
Ms. Leung Ho Ki, June	—	1,680	—	—	18	—	1,698
Mr. Li Man Wai	—	960	—	—	18	—	978
Non-executive director							
Dr. Shen Xu Hui	—	342	—	—	—	—	342
Independent non-executive directors							
Prof. Wong Roderick Sue Cheun	—	—	—	—	—	—	—
Mr. Kwan Chi Hong	—	127	—	—	—	—	127
Mr. Li Kai Sing	—	—	—	—	—	—	—
	—	5,653	—	1,056	72	—	6,781

(i) Discretionary bonuses are determined on individual performance and approved by the Board of Directors.

(ii) Other benefit represents rental allowance.

(iii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iv) Emoluments include estimated money value of non-cash benefits of share options.

(v) No director waived or agreed to waive any emoluments during the years ended 31 July 2019 and 2018.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any director during the year ended 31 July 2019 by a defined contribution retirement plan operated by the Group in respect of services as a director of the Company and its subsidiaries (2018: Nil). No other retirement benefits were paid to or receivable by any director in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended 31 July 2019 (2018: Nil).

(c) Directors' termination benefits

No directors' emoluments, retirements benefits, payments or benefits in respect of the termination of directors' services were paid to or receivable by the directors during the year ended 31 July 2019 (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the year ended 31 July 2019 (2018: Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

(e) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertakings of the Company, where applicable, in favour of directors

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year ended 31 July 2019 (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 35 to the consolidated financial statements, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 July 2019 (2018: Nil).

9 SHARE-BASED COMPENSATION EXPENSES

(a) Share option plan with a tutor's service company

On 3 June 2016, the Group entered into a contract with a tutor's service company, pursuant to which the service company will be granted share options of the Company. The exercise price of all options to be granted to the tutor's service company is 50% of the offer price of the final initial public offering of the Company. The total number of shares which may be issued upon exercise of all share options shall be an aggregate of 5% of the issued share capital of the Company immediately upon completion of the initial public offering of the Company's shares and capitalisation of certain sums standing to credit of the share premium account of the Company. 30% of the share options shall vest on the first anniversary of the option legal grant date; another 30% of the share options shall vest on the second anniversary of the option legal grant date; and the remaining 40% of the share options shall vest on the third anniversary of the option legal grant date. The options are exercisable within a period of three years once the options become vested subject to service condition. Share-based compensation expenses are recognised over the options' respective vesting period starting from the contract signing date.

Movements of the share options are set out below:

	2019		2018	
	Average exercise price per share option HK cents	**Number of options**	Average exercise price per share option HK cents	Number of options
At beginning and end of the year	**54**	**25,000,000**	54	25,000,000
Vested and exercisable at end of the year	**54**	**7,500,000**	—	—

No options is granted, exercised, forfeited and expired during the years covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	2019	2018
27 June 2018	26 June 2022	HK$0.54	**7,500,000**	7,500,000
27 June 2018	26 June 2023	HK$0.54	**7,500,000**	7,500,000
27 June 2018	26 June 2024	HK$0.54	**10,000,000**	10,000,000
			25,000,000	25,000,000

9 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

(a) Share option plan with a tutor's service company (continued)

Based on the fair value of the underlying ordinary share, the directors have used Black-Scholes valuation model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Risk-free interest rate	0.858% - 1.276%
Volatility	35%
Dividend yield	0%

The fair value of the share option as at the grant date was HK$0.6504.

During the year ended 31 July 2019, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately HK$1,804,000 (2018: HK$2,236,000) and were included in tutor service fees.

(b) Share option plan with staff (including directors)

On 21 June 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The 2018 Share Option Scheme is designed to provide long-term incentives for staff (including directors) to deliver long-term shareholder returns. No consideration was paid by the grantees for the acceptance of share options. Under the 2018 Share Option Scheme, the options are exercisable once the options become vested subject to service conditions and expiring after ten years from the date of grant. 30% of the share options shall vest on the first anniversary of the option legal grant date; another 30% of the share options shall vest on the second anniversary of the option legal grant date; and the remaining 40% of the share options shall vest on the third anniversary of the option legal grant date. Share-based compensation expenses are recognised over the options' respective vesting period starting from the contract signing date.

Movements of the share options are set out below:

	2019		2018	
	Average exercise price per share option HK cents	**Number of options**	Average exercise price per share option HK cents	Number of options
At beginning of the year	—	—	—	—
Granted during the year	**54.7**	**19,400,000**	—	—
At end of the year	**54.7**	**19,400,000**	—	—
Vested and exercisable at end of the year	—	—	—	—

No options expired during the years covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	**2019**	2018
23 January 2019	22 January 2029	HK$0.493	**15,000,000**	—
1 April 2019	3 March 2029	HK$0.73	**4,400,000**	—

Based on the fair value of the underlying ordinary share, the directors have used Black-Scholes valuation model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.421% - 1.845%
Volatility	35%
Dividend yield	8%

The fair values of the share option as at 23 January 2019 and as at 1 April 2019 were HK$0.49 and HK$0.70 respectively.

During the year ended 31 July 2019, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately HK$372,000 (2018: Nil) and were included in staff costs.

10 FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on bank loan	11	—
Other finance costs	1	—
	12	—

11 PROFIT BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit and audit-related services	1,616	1,506
– non-audit services	175	125
Listing expenses	—	14,752
Rental expenses under operating leases	53,861	51,237
Printing and stationary	25,591	30,048

12 TAXATION

The amounts of taxation charged to the profit or loss represent:

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax		
– provision for current year	3,816	9,264
– over-provision in prior year	(449)	(506)
Current income tax	3,367	8,758
Deferred income tax	(1,484)	(1,859)
	1,883	6,899

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 July 2019.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	12,413	31,064
Calculated at a taxation rate of 16.5% (2018: 16.5%)	2,048	5,126
Income not subject to taxation	(339)	(2)
Expenses not deductible for taxation purposes	327	2,236
Tax losses with no deferred tax assets recognised	462	1
Over-provision in prior year	(449)	(506)
Others	(166)	44
Income tax expense	1,883	6,899

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares, the followings have been accounted for:

	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	11,928	25,883
Weighted average number of shares in issue (thousand shares) (Note (i))	500,000	381,507
Total basic earnings per share for profit attributable to owners of the Company *(HK cents)*	2.39	6.78

Note:

(i) The weighted average of 500,000,000 and 381,507,000 ordinary shares used in the calculation of basic earnings per share for the years ended 31 July 2019 and 31 July 2018 comprising: (i) 10 ordinary shares of the Company in issue as at 31 July 2017; and (ii) 374,999,990 ordinary shares of the Company issued and allotted to Beacon Enterprise Limited credited as fully-paid shares pursuant to the shareholders' resolution dated 21 June 2018 as if these shares had been issued at 1 August 2017, the beginning of the earliest period reported; and (iii) 125,000,000 ordinary shares offered to the public were issued on 13 July 2018.

13 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**11,928**	25,883
Total diluted earnings per share attributable to owners of the Company *(HK cents)*	**2.37**	6.78

Weighted average number of shares used as the denominator

	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share *(thousand shares)*	**500,000**	381,507
Adjustments for calculation of diluted earnings per share:		
Options *(thousand shares)*	**2,425**	393
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share *(thousand shares)*	**502,425**	381,900

14 DIVIDENDS

During the year ended 31 July 2019, the Company declared and paid a dividend of HK$20,000,000 to its shareholders in respect of the retained earnings for the year ended 31 July 2018. The dividend was settled in full.

A final dividend of HK1.0 cent per share and a special dividend of HK2.0 cents, totalling HK$15,000,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The amount will be reflected as an appropriation of retained earnings for the year ending 31 July 2020.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office and laboratory equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 August 2017					
Cost	31,761	6,756	20,940	2,413	61,870
Accumulated depreciation	(17,303)	(5,456)	(16,728)	(1,934)	(41,421)
Net book amount	14,458	1,300	4,212	479	20,449
Year ended 31 July 2018					
Opening net book amount	14,458	1,300	4,212	479	20,449
Additions	11,329	620	5,373	657	17,979
Depreciation	(6,566)	(637)	(1,748)	(215)	(9,166)
Disposals	(334)	—	—	—	(334)
Closing net book amount	18,887	1,283	7,837	921	28,928
As at 31 July 2018					
Cost	42,178	7,376	26,313	3,070	78,937
Accumulated depreciation	(23,291)	(6,093)	(18,476)	(2,149)	(50,009)
Net book amount	18,887	1,283	7,837	921	28,928
Year ended 31 July 2019					
Opening net book amount	**18,887**	**1,283**	**7,837**	**921**	**28,928**
Additions upon business combination *(note 36)*	**—**	**3**	**5**	**—**	**8**
Additions	**1,701**	**105**	**2,188**	**604**	**4,598**
Depreciation	**(6,771)**	**(523)**	**(2,446)**	**(419)**	**(10,159)**
Closing net book amount	**13,817**	**868**	**7,584**	**1,106**	**23,375**
As at 31 July 2019					
Cost	**43,879**	**7,485**	**28,503**	**3,674**	**83,541**
Accumulated depreciation	**(30,062)**	**(6,617)**	**(20,919)**	**(2,568)**	**(60,166)**
Net book amount	**13,817**	**868**	**7,584**	**1,106**	**23,375**

16 INVESTMENT PROPERTY

	2019 HK$'000	2018 HK$'000
At 1 August	—	—
Acquisition *(Note (i))*	**23,347**	—
At 31 July *(Notes (ii), (iii) and (iv))*	**23,347**	—

Notes:

(i) On 11 July 2019, the Group completed the acquisition of a commercial property with a tenancy at a consideration of approximately HK$21,433,000 and the ancillary costs, such as stamp duty, legal costs and commission amounted to approximately HK$1,914,000, resulting a carrying value of approximately HK$23,347,000. The tenancy is expiring in August 2021 upon the tenant's exercise of the option of renewal. The Group intends to use the commercial property as its teaching center after the expiration of the tenancy.

16 INVESTMENT PROPERTY (CONTINUED)

Notes: (continued)

(ii) The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 July 2019 was determined based on management's assessment with reference to the recent market transaction price.

The Group's investment property carried at fair value of HK$23,347,000 are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

The valuation method used by the Group to measure the fair value of the investment property is direct comparison method. It is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The significant unobservable input used is the unit price, which is HK$10,218 per square feet.

(iii) As at 31 July 2019, the Group's investment property with carrying value of approximately HK$23,347,000 were pledged to secure bank facilities of the Group as set out in note 28 to the consolidated financial statements.

(iv) Particulars of the Group's investment property as at the date of this Annual Report are as follows:

Location	Usage	Lease term
Offices 1, 2 and 3 on the 3rd Floor of Tai Shing Commercial (Yaumati) Building, Nos. 498 & 500, Nathan Road, Kowloon, Hong Kong	Commercial	Medium

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
As at 31 July 2018			
Cost	—	—	—
Accumulated amortisation	—	—	—
Net book amount	—	—	—
Year ended 31 July 2019			
Opening net book amount	—	—	—
Additions	—	2,744	2,744
Additions upon business combination (note 36)	1,189	—	1,189
Amortisation	—	(157)	(157)
Closing net book amount	1,189	2,587	3,776
As at 31 July 2019			
Cost	1,189	2,744	3,933
Accumulated amortisation	—	(157)	(157)
Net book amount	1,189	2,587	3,776

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from the acquisition of Vioo Company Limited. Impairment testing is performed annually on goodwill allocated to the CGUs included in its IT solutions operation.

For the year ended 31 July 2019, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use cash flow projections based on the financial budget approved by management covering ten-year period and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using an estimated average revenue growth rate of 9.6%, average operating margin of 8.4% and terminal growth rate of 2.6%. Future cash flows are discounted at a pre-tax rate of 17.0% (equivalent to a post-tax rate of 14.0%).

18 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2019 and 2018 are as follows:

Name of company	Place and date of incorporation	Issued and paid-up capital	Principal activities and place of operation	Effective interest held as at 31 July 2019	2018
Directly owned:					
Beacon Group Limited	BVI 6 March 2015	US$1	Investment holding company	**100%**	100%
Indirectly owned:					
Advance Bestway Limited	Hong Kong 11 February 2014	HK$10,000	General business, operation under sub-brand "Beacon BExcellent"	**100%**	100%
Ascent Prep International Education Limited	Hong Kong 7 February 2017	HK$4,200,000	Operation of a teaching centre located in Causeway Bay	**51%***	51%*
Beacon College Limited	Hong Kong 13 July 1993	HK$30,000	Provision of school business management services	**100%**	100%
Beacon Childhood Education Centre Company Limited	Hong Kong 21 April 2011	HK$1	Operation of childhood education centres in Prince Edward and Causeway Bay	**100%**	100%
Beacon Continuing and Professional Education Limited	Hong Kong 18 September 2000	HK$2,000	Operation under sub-brand "Beacon CAPE"	**100%**	100%
Beacon Holdings Limited	Hong Kong 11 May 2001	HK$2	Investment holding company	**100%**	100%
Beacon Learning and Development Centre Limited	Hong Kong 19 June 2002	HK$2,000	Operation of ancillary education services	**100%**	100%
Easy Sky Limited	Hong Kong 9 March 2001	HK$2	Operation of teaching centres in Kowloon Bay	**100%**	100%
Glocal Development Group Limited	Hong Kong 28 February 2014	HK$10,000	Engaged in child education under sub-brand "Glocal Education"	**70%**	70%
Glocal Education Services Limited	Hong Kong 2 June 2015	HK$1,000	Engaged in the operations of overseas study consultancy services	**70%**	70%
New Creation Advertising Agency Limited	Hong Kong 17 November 2005	HK$10,000	Advertising agency	**100%**	100%
Vioo Company Limited	Hong Kong 17 April 2008	HK$10,000	Engaged in the provision of information technology services	**60%**	0%
JR (CB) Limited	Hong Kong 27 September 2002	HK$10,000	Operation of teaching centres located in Causeway Bay and North Point	**100%**	100%
JR (MK) Limited	Hong Kong 31 July 2002	HK$2	Operation of teaching centres located in Mongkok and Tsim Sha Tsui	**100%**	100%

18 SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation	Issued and paid-up capital	Principal activities and place of operation	Effective interest held as at 31 July 2019	2018
JR (ST) Limited	Hong Kong 29 May 2002	HK$2,000	Operation of teaching centres located in Shatin	**100%**	100%
JR (TM) Limited	Hong Kong 19 June 2002	HK$2,000	Operation of teaching centres located in Tuen Man, Tsuen Wan, Tseung Kwan O and Sheung Shui	**100%**	100%
JR (YL) Limited	Hong Kong 19 June 2002	HK$2,000	Operation of teaching centres located in Yuen Long	**100%**	100%
Top News Limited	Hong Kong 11 March 2004	HK$2	Operation of teaching centres located in Tai Po	**100%**	100%

* *The remaining 49% of equity interest is wholly owned by an unlisted Hong Kong company, which is owned as to 2.4% by Beacon Holdings Limited and recognized as the Group's financial assets at fair value through other comprehensive income. Subsequent to the end of the reporting period, the Group acquired the remaining 49% of equity interest from other shareholder.*

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSET

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(b) Equity investments at FVOCI

	2019 HK$'000	2018* HK$'000
Unlisted security		
At beginning of year	**2,000**	—
Change in fair value recognised in other comprehensive income (note 32)	**(85)**	—
At end of year	**1,915**	—

* These investments were classified as available-for-sale financial assets in 2018, see Note (c) below. All of the investments were also held in the previous year.

The unlisted security represents equity share of an unlisted Hong Kong company, which is denominated in HK dollar.

The fair value is within level 3 of the fair value hierarchy (see note 3.3).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSET (CONTINUED)

(c) Financial assets previously classified as available-for-sale financial assets (2018)

	2019 HK$'000	2018 HK$'000
Unlisted security		
At beginning of year	—	2,395
Change in fair value recognised in other comprehensive income (note 32)	—	(395)
At end of year	—	2,000

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2019 HK$'000	2018 HK$'000
Deferred income tax assets	5,050	3,589
Deferred income tax liabilities	(5)	(28)
	5,045	3,561
At beginning of the year	3,561	1,702
Credited to profit or loss	1,484	1,859
At end of the year	5,045	3,561

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

Deferred income tax assets

	Decelerated accounting depreciation HK$'000	Tax Loss HK$'000	Share-based compensation HK$'000	Total HK$'000
At 1 August 2017	1,331	388	—	1,719
Credited to profit or loss	110	946	814	1,870
At 31 July 2018	1,441	1,334	814	3,589
Credited to profit or loss	710	393	358	1,461
At 31 July 2019	2,151	1,727	1,172	5,050

20 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Accelerated accounting depreciation	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	**(28)**	(17)
Credited/(charged) to profit or loss	**23**	(11)
At end of the year	**(5)**	(28)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$462,424 (2018: HK$1,000) in respect of losses amounting to HK$2,802,571 (2018: HK$9,000) as at 31 July 2019 that can be carried forward for offsetting against future taxable income. These tax losses have no expiry dates but the management considered not to recognise as those companies with losses carried forward are not expected to generate future taxable income.

21 ACCOUNTS RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Accounts receivables	**1,680**	1,468
Less: Allowance for impairment	**(187)**	(140)
Accounts receivables – net	**1,493**	1,328

There is no credit period granted as the income from private supplementary secondary school education services and private secondary day school services are normally received in advance. As at 31 July 2019 and 2018, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2019	2018
	HK$'000	HK$'000
1 - 30 days	**773**	1,175
31 - 60 days	**34**	2
Over 60 days	**873**	291
	1,680	1,468

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due.

In the prior years, the impairment of accounts receivables was assessed based on the incurred loss model. The accounts receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The adoption of the new impairment model as at August 1, 2018 has not resulted in material impact on the carrying amount of the loss allowance.

21 ACCOUNTS RECEIVABLES (CONTINUED)

The movements in the loss allowance during the year are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**140**	—
Net impairment loss recognised	**47**	140
Uncollectable amounts written off	**—**	—
At end of the year	**187**	140

The maximum exposures of the Group to credit risk as at 31 July 2019 and 2018 are the carrying value of accounts receivables mentioned above.

The carrying amount of the Group's accounts receivables was denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**1,524**	1,345
Australian dollar	**77**	106
British Pound	**79**	17
	1,680	1,468

The Group does not hold any collateral as security for accounts receivables.

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Other receivables	*i*	**7,080**	7,440
Deposits and prepayments	*ii*	**35,636**	37,990
		42,716	45,430
Less: non-current portion		**10,671**	9,809
Deposits, prepayments and other receivables – current portion		**32,045**	35,621

Notes:

(i) Other receivables mainly represent amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors.

(ii) Deposits and prepayments mainly represent deposits for utilities, operating lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.

As at 31 July 2019, deposits of HK$10,464,000 (2018: HK$9,635,000), prepayments of HK$14,501,000 (2018: HK$18,546,000) and other receivables of HK$7,080,000 (2018: HK$7,440,000) are expected to be recovered within one year. The Group applies the expected credit loss model or deposits and other receivables which resulted in no material impact on the loss allowance on 1 August 2018 and on 31 July 2019.

The carrying amount of the Group's other receivables and deposits was denominated in Hong Kong dollars.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

23 AMOUNT DUE TO A RELATED COMPANY

Balance with a related company is unsecured, has no fixed repayment terms and interest-free. The balance is also non-trade in nature.

24 CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**145,857**	166,700
Short-term bank deposits maturing over 3 months	**—**	914
	145,857	167,614

The carrying amounts of cash and bank balances approximate their fair values and are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**145,493**	167,486
Renminbi	**30**	30
British pound	**172**	73
Australian dollar	**162**	25
	145,857	167,614

25 CONTRACT LIABILITIES/RECEIPTS IN ADVANCE

As at 31 July 2019 and 2018, contract liabilities/receipts in advance represents the tuition fee collected for tutoring services that have not yet been rendered before respective year ends.

On 1 August 2018, the Group changed the presentation of the advance tuition fee collected for tutoring services from receipts in advance to contract liabilities in the consolidated statement of financial position to reflect the terminology of HKFRS 15.

26 OTHER PAYABLES

	Note	**2019 HK$'000**	2018 HK$'000
Other payables	*i*	**18,477**	22,187
Provision of reinstatement cost	*ii*	**1,977**	1,984
Unamortised rent-free expenses		**1,005**	1,915
Current portion		**21,459**	26,086

Note (i):

Other payables mainly represent accrued staff costs, printing expenses, and advertising expenses, etc.

26 OTHER PAYABLES (CONTINUED)

Note (ii):

Included in other payables is a current portion of provision of reinstatement cost of HK$1,977,000 (2018: HK$1,984,000). Movement of provision of reinstatement cost is as follows:

	2019 HK$'000	2018 HK$'000
Balance as at beginning of the year	**4,199**	3,604
Additions	**135**	654
Utilisation	**(39)**	(59)
Balance as at closing of the year	**4,295**	4,199
Less: non-current portion *(note 27)*	**(2,318)**	(2,215)
Current portion	**1,977**	1,984

27 OTHER NON-CURRENT LIABILITIES

	2019 HK$'000	2018 HK$'000
Provision of reinstatement cost *(note 26)*	**2,318**	2,215
Unamortised rent-free expenses	**1,348**	422
Other non-current liabilities	**3,666**	2,637

28 BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured bank loan	**8,573**	—

As at 31 July 2019, the bank loan bears interest on a floating basis and its effective interest rate is 2.275% per annum. The bank loan was classified as current liabilities because the corresponding bank facilities agreement contains a repayment on demand clause. The carrying amount of bank loan approximates its fair value and is denominated in HK$.

As at 31 July 2019, the Group had access to an undrawn bank overdraft facility amounted to HK$6,000,000. This facility may be drawn at any time and may be terminated by the bank without notice.

As at 31 July 2019, the bank loan and bank overdraft facility were secured by a pledge of the investment property of the Group (note 16(iii)) and corporate guarantee given by the Company.

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost		
Accounts receivables	**1,493**	1,328
Deposits and other receivables	**27,259**	25,845
Short-term deposits	**—**	914
Cash and cash equivalents	**145,857**	166,700
Financial assets at FVOCI	**1,915**	—
Available-for-sale financial assets	**—**	2,000
Total	**176,524**	196,787
Financial liabilities:		
Financial liabilities at amortised cost		
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	**20,830**	24,524
Amount due to a related company	**2,000**	—
Borrowings	**8,573**	—
Total	**31,403**	24,524

30 SHARE CAPITAL

	Note	2019 Number of shares	2019 HK$'000	2018 Number of shares	2018 HK$'000
Authorised:					
At beginning of the year	*(a)*	**10,000,000,000**	**100,000**	38,000,000	380
Increase in authorised share capital	*(b)*	**—**	**—**	9,962,000,000	99,620
At end of the year		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
At beginning of the year	*(a)*	**500,000,000**	**120,956**	10	—
Issue of shares pursuant to the Capitalisation	*(c)*	**—**	**—**	374,999,990	—
Issue of shares pursuant to the Listing	*(d)*	**—**	**—**	125,000,000	135,000
Listing expenses charged to share premium		**—**	**—**	—	(14,044)
At end of the year		**500,000,000**	**120,956**	500,000,000	120,956

Notes:

(a) On 15 April 2015, the Company was incorporated in the Cayman Islands as an exempted company under the laws of the Cayman Islands with authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the same day, 1 share was allotted and issued to the initial subscriber, and was subsequently transferred to Beacon Enterprise Limited at par. On 2 October 2015, every issued and unissued share of par value of HK$0.10 in the share capital of the Company was subdivided into 10 shares of HK$0.01. Upon completion of the subdivision of the shares, the Company had an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and the issued share capital of the Company increased from 1 share to 10 shares.

(b) On 21 June 2018, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 10,000,000,000 shares of HK$0.01 each, by the creation of an additional 9,962,000,000 shares, ranking pari passu in all respects with the existing shares.

30 SHARE CAPITAL (CONTINUED)

Notes: (continued)

(c) Pursuant to the written resolution passed by the shareholders on 21 June 2018 and conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 374,999,990 shares, credited as fully-paid, at par by way of capitalisation for the sum of HK$3,749,999.90 standing to the credit of the share premium account of the Company (the "Capitalisation").

(d) On 13 July 2018, the Company issued 125,000,000 ordinary shares of HK$0.01 each at a price of HK$1.08 per share pursuant to the initial public offering and Listing of the Company's shares on the Main Board.

31 RETAINED EARNINGS

Movements in retained earnings were as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**63,613**	57,730
Profit for the year	**11,928**	25,883
Dividends *(notes 14/34(b))*	**(20,000)**	(20,000)
At end of the year	**55,541**	63,613

32 OTHER RESERVES

	Available-for-sale financial asset reserve HK$'000	**Financial assets at FVOCI** HK$'000	**Share-based compensation reserve** HK$'000	**Other reserve** HK$'000	**Total** HK$'000
At 1 August 2017	395	—	2,693	5,711	8,799
Share-based compensation *(note 9)*	—	—	2,236	—	2,236
Change in fair value of available-for-sale financial asset *(note 19(c))*	(395)	—	—	—	(395)
At 31 July 2018	—	—	4,929	5,711	10,640
Share-based compensation *(note 9)*	—	—	2,176	—	2,176
Change in fair value of equity investment at FVOCI *(note 19(b))*	—	(85)	—	—	(85)
At 31 July 2019	—	(85)	7,105	5,711	12,731

33 NON-CONTROLLING INTERESTS

As at 31 July 2019, the total non-controlling interests was HK$(1,707,000) (2018:HK$(310,000)). For the year ended 31 July 2019, the total comprehensive loss attributable to non-controlling interests was HK$1,398,000 (2018: HK$1,718,000), of which HK$980,000 (2018: HK$1,329,000) was attributed to Ascent Prep International Education Limited. The non-controlling interests as at 31 July 2019 and 2018 in respect of Glocal Education Services Limited, Glocal Development Group Limited, Glocal Research and Development Company Limited, BEE-2-BEE Limited, Vioo Company Limited, Assessment International (HK) Limited and Music Origin Limited are not individually material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that is material to the Group.

33 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised statement of financial position

	Ascent Prep International Education Limited	
	2019	2018
	HK$'000	HK$'000
Current		
Assets	**1,518**	1,110
Liabilities	**(4,409)**	(2,218)
Total current net liabilities	**(2,891)**	(1,108)
Non-current		
Assets	**2,192**	2,480
Liabilities	**(136)**	(207)
Total non-current net assets	**2,056**	2,273
Net (liabilities)/assets	**(835)**	1,165

Summarised statement of comprehensive income

	Ascent Prep International Education Limited	
	2019	2018
	HK$'000	HK$'000
Revenue	**2,951**	2,014
Staff costs	**(2,048)**	(2,128)
Operating lease payments	**(1,226)**	(1,230)
Advertising and promotion expenses	**(46)**	(134)
Printing and other operating expenses	**(1,343)**	(1,551)
Depreciation	**(326)**	(215)
Loss before taxation	**(2,038)**	(3,244)
Income tax credit	**38**	531
Loss for the year	**(2,000)**	(2,713)
Loss and total comprehensive loss attributable to		
– Owners of the Company	**(1,020)**	(1,384)
– Non-controlling interests	**(980)**	(1,329)
	(2,000)	(2,713)

33 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised statement of cash flows

	Ascent Prep International Education Limited	
	2019	2018
	HK$'000	HK$'000
Net cash generated from operating activities	**393**	79
Net cash used in investing activity	**—**	(1,628)
Net cash generated from financing activity	**—**	—
Net increase/(decrease) in cash and cash equivalents	**393**	(1,549)
Cash and cash equivalents at end of the year	**1,248**	855

The information above is the amount before inter-company eliminations.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019	2018
	HK$'000	HK$'000
Profit before taxation	**12,413**	31,064
Adjustments for:		
– Amortisation of intangible assets	**157**	—
– Depreciation of property, plant and equipment	**10,159**	9,166
– Loss on disposal of property, plant and equipment	**—**	334
– Share-based compensation expenses	**2,176**	2,236
– Dividend income	**(192)**	—
– Interest income	**(2,055)**	(10)
– Exchange differences - net	**(29)**	1
– Interest expenses	**12**	—
Change in working capital		
– Accounts receivables	**49**	(349)
– Deposits, prepayments and other receivables	**3,777**	4,318
– Amount due from a related company	**—**	45
– Amount due to a related company	**2,000**	(42)
– Contract liabilities/(receipts in advance)	**1,902**	(3,441)
– Other payables	**(4,876)**	5,066
– Other non-current deposits	**(862)**	—
– Other non-current liabilities	**1,029**	—
Cash generated from operations	**25,660**	48,388

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Non-cash transaction

The dividends of HK$20 million in respect of the retained earnings for the year ended 31 July 2018 declared during the year ended 31 July 2019 was wholly settled in cash.

	Liabilities from financing activities		
	Dividend payable HK$'000	Borrowings HK$'000	Total HK$'000
Balance at 1 August 2017	—	—	—
Cash flows	(20,000)	—	(20,000)
Non-cash movements	20,000	—	(20,000)
Balance at 31 July 2018	—	—	—
Cash flows	(20,000)	8,573	(11,427)
Non-cash movements	20,000	—	20,000
Balance at 31 July 2019	—	8,573	8,573

35 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Group are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 July 2019 and 2018:

Name of the related party	**Relationship with the Group**
Hong Kong International Affairs Consultancy Company Limited	A related company partially owned by Dr. Shen Xu Hui
Dragonway Bliss Limited ("Dragonway Bliss")	A related company partially owned by Ms. Leung Ho Ki, June

The following is a summary of significant related party transactions during the years ended 31 July 2019 and 2018 carried out by the Group in the normal course of its business:

	2019 HK$'000	2018 HK$'000
Service fees to Hong Kong International Affairs Consultancy Company Limited *(Note i)*	—	60
Licence income from Jiangxi Dragonway Bliss (*Note ii*)	**(68)**	(59)
	(68)	1

Notes:

i Service fees are paid with reference to market rates of similar projects.

ii Licence income are recognised with reference to market rates of similar projects.

(b) The Group considers the executive directors as the key management and their compensation are disclosed in note 8(a).

36 BUSINESS COMBINATION

Pursuant to the share purchase agreement dated 22 January 2019, the Group acquired 60% of the entire issued share capital in Vioo Company Limited ("Vioo"), a company incorporated in the Hong Kong, at a total consideration of HK$1,200,000. Vioo is principally engaged in the provision of innovative digital solutions which computerize business operation to enhance business achievement. Vioo provides products and services including e-commerce advisory and platform implementation, payment gateway integration, mobile applications, data analysis and e-marketing strategy. The purpose of the acquisition is to expedite the Group's strategy of enhancing its information infrastructure to strengthen the education services. Through upgrading the information infrastructure, the Group will (i) develop more enhanced online services; (ii) provide better learning support to students by analyzing their learning behaviour with reference to big data; and (iii) develop personalized courses and products with possible machine learning and assessment mechanism.

(a) Details of net assets acquired and goodwill in respect of the acquisition of Vioo at the acquisition date were as follows:

	Net assets acquired and goodwill as at the acquisition date HK$'000
Total purchase consideration	1,200
Less: Fair value of net assets acquired	(11)
Goodwill on acquisition	1,189

The goodwill is attributable to the expected future profits generated from the expansion beyond its current market and cost savings on the digital transformation through the support from Vioo's dedicated and talented team.

None of the goodwill is expected to be deductible for tax purposes.

The assets and liabilities of Vioo at the acquisition date were as follows:

	Fair value as at the acquisition date HK$'000
Property, plant and equipment	8
Accounts receivables	203
Deposits and other receivables	69
Cash and cash equivalents	129
Income tax recoverable	12
Other payables	(409)
	12
Less: Non-controlling interests	(1)
Net assets acquired	11

	Net cash outflow HK$'000
Purchase consideration settled in cash	1,200
Less: Cash and cash equivalents acquired	(129)
Total net cash outflow for the year ended 31 July 2019	1,071

36 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition-related costs

Acquisition-related costs of approximately HK$160,000 were included in printing and other operating expenses in the consolidated statement of comprehensive income for the year ended 31 July 2019.

(c) Revenue and profit contribution

Vioo contributed revenue of approximately HK$783,000 and profit before taxation of approximately HK$121,000 to the Group for the period from the completion date of the acquisition on 22 January 2019 to 31 July 2019. If the acquisition had occurred on 1 August 2018, the revenue and profit before taxation for the year ended 31 July 2019 would have been approximately HK$2.0 million and approximately HK$300,000, respectively.

37 COMMITMENTS

(a) Capital commitments – Office and laboratory equipment

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for	**229**	289

(b) Operating lease arrangements – where the Group is the lessee

As at 31 July 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of teaching centres, offices and warehouse are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**49,707**	46,903
Later than one year but within five years	**33,394**	41,057
	83,101	87,960

The Group is the lessee in respect of teaching centres, offices and warehouse under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases when all terms are renegotiated. The contingent rental expenses relating to operating leases for the year ended 31 July 2019 are HK$73,000 (2018: HK$407,000).

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position

As at 31 July 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current asset			
Investment in a subsidiary		**20,700**	20,700
Current assets			
Amounts due from subsidiaries		**58,970**	8,000
Deposits, prepayments and other receivables		**118**	72
Cash and cash equivalents		**93,060**	128,404
		152,148	136,476
Total assets		**172,848**	157,176
Equity			
Equity attributable to owners of the Company			
Share capital		**120,956**	120,956
Other reserves	*(a)*	**27,805**	25,629
Retained earnings/(accumulated losses)	*(b)*	**24,004**	(5,400)
Total equity		**172,765**	141,185
Current liabilities			
Amount due to a subsidiary		—	15,938
Other payables		**83**	53
Total liabilities		**83**	15,991
Total equity and liabilities		**172,848**	157,176

The statement of financial position of the Company was approved by the Board of Directors on 21 October 2019 and were signed on its behalf.

Mr. Tam Wai Lung
Director

Ms. Leung Ho Ki, June
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Other reserves

	Share-based compensation reserve HK$'000	Other reserve *(Note)* HK$'000	Total HK$'000
At 1 August 2017	2,693	20,700	23,393
Share-based compensation	2,236	—	2,236
At 31 July 2018	4,929	20,700	25,629
Share-based compensation	2,176	—	2,176
At 31 July 2019	7,105	20,700	27,805

Note:

Other reserve of the Company mainly represents the difference between the value of the issued share capital of Beacon Group Limited acquired and the value of the Company's shares in exchange, adjusted for dividends declared and settled during the year ended 31 July 2019.

(b) Retained earnings/(accumulated losses)

Movements in retained earnings/(accumulated losses) were as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**(5,400)**	(857)
Profit for the year	**49,404**	15,457
Dividends	**(20,000)**	(20,000)
At end of the year	**24,004**	(5,400)

39 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 July 2019 (2018: Nil).

In March 2018, another education services provider (the "Tutorial Services Provider") filed a writ of summons with an indorsement of claims against Beacon College Limited, a wholly owned subsidiary of the Group, claiming for procuring, inducing, encouraging or facilitating a Group's newly joined tutor on the breach of the previous service contract and damages arising from such breach. A defence against the alleged claims by the Tutorial Services Provider was filed by Beacon College Limited with the High Court of Hong Kong on 22 October 2018. The legal action of the alleged claims by the Tutorial Services Provider is now in discovery stage and a Case Management Summons Hearing has been fixed in April 2020. The Directors have obtained independent legal advice and considered that it is not probable that the Group will incur any material losses resulted from this litigation.

A summary of the audited results and of the assets and liabilities of the last four financial years as extracted from the prospectus and the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	For the year ended 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**371,728**	408,120	376,396	376,225	327,817
Other income	**5,290**	1,396	1,063	244	185
Other losses – net	**(29)**	(335)	(347)	(489)	(122)
Operating expenses	**(364,576)**	(378,117)	(335,163)	(338,181)	(290,965)
Profit before taxation	**12,413**	31,064	41,949	37,799	36,915
Profit for the year	**10,530**	24,165	34,051	30,268	30,769

OPERATIONAL INFORMATION

The below summary lists out the number of unique private supplementary secondary school education students enrolling in at least one of our private supplementary secondary school education sessions in the last four financial years.

	For the year ended 31 July				
	2019	2018	2017	2016	2015
Number of unique student enrollments ('000)	**50**	55	60	64	62
Total number of session enrollments ('000)	**546**	664	658	681	600
Average number of sessions enrolled per student	**10.9**	12.1	10.9	10.7	9.6
Maximum classroom capacity *(Note 1)*	**3,866**	3,725	3,760	4,145	4,390
Revenue (HK$'000) per average classroom capacity	**96**	97	89	81	65
Occupancy rate *(Note 2)*	**30.1**	38.0	39.3	34.6	28.9

Note 1:

Being the average of the maximum number of students permitted in our classrooms as at beginning and closing of the year pursuant to the certificates of accommodation issued to our schools, and for school(s) in which the application for the certificate(s) of accommodation is/are being made, the maximum number of students in our classrooms that we have applied for.

Note 2:

The occupancy rate is calculated as being (a) the total session enrollments for the respective financial year multiplied by four (assuming one session consists of four lessons), divided by (b) the maximum classroom capacity approved by the EDB for all teaching centres multiplied by the number of lessons that can be conducted throughout the respective year (assuming the classrooms are occupied on the basis that four lessons daily can be conducted from Monday to Friday and eight lessons daily can be conducted on Saturday and Sunday).

ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Non-current assets	**68,134**	44,326	38,662	34,216	27,015
Current assets	**181,252**	204,616	84,100	129,539	97,987
Total assets	**249,386**	248,942	122,762	163,755	125,002
Total equity	**187,521**	194,899	67,937	104,211	73,469
Current liabilities	**58,194**	51,378	51,923	55,890	50,210
Non-current liabilities	**3,671**	2,665	2,902	3,654	1,323
Total equity and total liabilities	**249,386**	248,942	122,762	163,755	125,002
Net Current assets	**123,058**	153,238	32,177	73,649	47,777

OPERATING CASH FLOWS

	For the year ended 31 July				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Net cash from operating activities	**19,300**	38,517	29,034	53,867	32,018

CAPITAL EXPENDITURES

	For the year ended 31 July				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Payments for property, plant and equipment	**4,598**	17,979	6,782	10,551	6,945

Unless specified otherwise, capitalised terms used in this Annual Report shall have the same meanings as ascribed in the Prospectus. This glossary contains certain definitions and other terms used in this Annual Report in connection with our Group and our business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

"academic year(s)"	the academic school year in Hong Kong which typically commences in September and concludes in June of the following year
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended or supplemented from time to time
"Board"	the board of Directors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	BExcellent Group Holdings Limited 精英匯集團控股有限公司(formerly known as Beacon Group Holdings Limited 遵理集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 April 2015
"Deed of Acting in Concert"	the deed of acting in concert dated 2 October 2015 executed by the Core Shareholders, whereby they confirmed the existence of their acting in concert arrangements
"Director(s)"	the director(s) of the Company
"EDB"	the Education Bureau of the Government
"Exemption Order"	the Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Education Ordinance"	the Education Ordinance (Chapter 279 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Group", "our Group", "we", "our", or "us"	the Company and its subsidiaries
"HKDSE"	Hong Kong Diploma of Secondary Education
"HKDSE Examinations"	examinations administered by the HKEAA in each subject offered under the HKDSE curriculum
"HKEAA"	the Hong Kong Examinations and Assessment Authority, an independent, self-financing statutory body which administers public examinations in Hong Kong
"intensive course(s)"	courses which are normally organised several months before school assessments or the HKDSE Examinations are held, and they are designed to help students review the key areas of a subject. The courses focus on specific topics of each subject, and provide insight on examination techniques and topics as well as providing additional preparation materials. Intensive courses typically comprise three to four individual lessons, or an individual lesson each running for approximately 75 to 90 minutes
"International English Language Testing System" or "IELTS"	an international standardised test of English language proficiency
"IT"	information technology
"lesson(s)"	a lesson typically runs for approximately 60 to 75 minutes
"Listing"	the listing of the Shares on the Main Board on the Listing Date
"Listing Date"	13 July 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"maximum classroom capacity"	the maximum number of students permitted in our classrooms pursuant to the certificates of accommodation issued to our schools, and for school(s) in which the application for the certificate(s) of accommodation is/are being made, the maximum number of students in our classrooms that we have applied for
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated 30 June 2018
"QCF"	Qualification and Credit Framework, the national credit transfer system for education qualification in England, Northern Ireland and Wales, which recognises qualifications and units by awarding credits
"regular course(s)"	courses which are offered from September to June. In general, regular course consists of four individual lessons, each running for approximately 60 to 75 minutes
"Secondary (1, 2, 3, 4, 5 or 6)" or "S (1, 2, 3, 4, 5 or 6)"	the respective secondary 1 to 6 (as the case may be) school levels under the 334 System
"secondary day school education"	secondary school education under the formal secondary school curriculum set forth by the EDB
"session(s)"	for supplementary secondary school education services, a session represents an independent course which consists of a number of lessons each running for no longer than a month; for day school services, a session represents a monthly duration of a course which runs in the academic year
"session enrollment(s)"	a student may enroll in a number of our sessions resulting in a number of enrollments. As such, the number of enrollment(s) may not correspond to the number of student(s)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"summer course(s)"	courses which are designed to prepare students for the forthcoming academic year and are typically offered from mid-July until August and occasionally ended in September. In general, a summer course typically comprises three to six individual lessons, each running for approximately 60 to 75 minutes
"Top Five Tutors"	our tutors who generated the top five highest revenues for our Group from courses and products provided during the four financial years ended 31 July 2015, 2016, 2017 and 2018 respectively
"Top One Tutor"	our tutor who generated the highest revenue for our Group from courses and products provided during the four financial years ended 31 July 2015, 2016, 2017 and 2018 respectively
"unique student(s)"	students who paid for at least one session
"VIP self-study service(s)"	"video-induced-pedagogy" self study services, which enable students to view pre-recorded lessons on an individual basis on computer terminals at selected teaching centres

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