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BExcellent Group Holdings Limited
精英匯集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1775)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 JULY 2018

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 July 2018 comparing to that of the year ended 31 July 2017 is as follows:

- The Group's revenue increased by 8.4% from HK\$376.4 million to HK\$408.1 million.
- Total number of session enrollments of private supplementary secondary school education services increased by 0.9% from approximately 658,000 to approximately 664,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services increased by 11.0% from 10.9 to 12.1.
- Net profit for the year decreased by 29.0% from HK\$34.1 million to HK\$24.2 million.
- Adjusted net profit for the year increased by 7.0% from HK\$38.5 million to HK\$41.2 million (*Note*).
- Bank balances and cash were recorded as HK\$167.6 million with no bank borrowings at the year end.
- The Board has resolved to recommend the payment of a final dividend of HK3.0 cents per share and a special dividend of HK1.0 cent per share for the year ended 31 July 2018.

Note: Adjusted net profit was derived from the profit for the year after adjusting for the items which are not indicative of the Group's operating performances, including (i) the listing expenses and (ii) share-based payments. For the details of adjusted net profit, please refer to page 18 under the section headed "Adjusted net profit for the year".

ANNUAL RESULTS

The board of directors (the "**Board**") of BExcellent Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 July 2018, which have been reviewed by the Company's audit committee. Unless specified otherwise, (i) capitalised terms used herein shall have the same meanings as ascribed in the prospectus of the Company dated 30 June 2018 (the "**Prospectus**"); and (ii) where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	408,120	376,396
Other income	4	1,396	1,063
Other losses	4	(335)	(347)
Staff costs	5	(104,650)	(106,008)
Tutor service fees		(106,322)	(83,606)
Operating lease payments		(53,809)	(52,483)
Advertising and promotion expenses		(14,850)	(16,548)
Printing and other operating expenses		(89,320)	(69,039)
Depreciation		(9,166)	(7,479)
		<hr/>	<hr/>
Profit before taxation		31,064	41,949
Taxation	6	(6,899)	(7,898)
		<hr/>	<hr/>
Profit for the year		24,165	34,051
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Fair value (loss)/gain on available-for-sale financial asset		(395)	395
		<hr/>	<hr/>
Total comprehensive income for the year		23,770	34,446
		<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) attributable to			
– Owners of the Company		25,883	34,426
– Non-controlling interests		(1,718)	(375)
		<hr/>	<hr/>
		24,165	34,051
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to			
– Owners of the Company		25,488	34,821
– Non-controlling interests		(1,718)	(375)
		<hr/>	<hr/>
		23,770	34,446
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	7	6.78	9.18
Diluted earnings per share	7	6.78	9.18
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 July 2018*

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		28,928	20,449
Prepayments	<i>9b</i>	9,809	14,099
Deferred tax assets		3,589	1,719
Available-for-sale financial asset		2,000	2,395
		44,326	38,662
CURRENT ASSETS			
Accounts receivables	<i>9a</i>	1,328	976
Deposits, prepayments and other receivables	<i>9b</i>	35,621	29,121
Income tax recoverable		53	55
Amount due from a related company		–	45
Cash and cash equivalents		166,700	52,990
Short-term deposits		914	913
		204,616	84,100
TOTAL ASSETS		248,942	122,762
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	<i>11</i>	120,956	–
Other reserves		10,640	8,799
Retained earnings		63,613	57,730
		195,209	66,529
NON-CONTROLLING INTERESTS		(310)	1,408
TOTAL EQUITY		194,899	67,937

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
LIABILITIES			
CURRENT LIABILITIES			
Amount due to a related company		–	42
Receipts in advance		15,880	19,320
Other payables	<i>10a</i>	26,086	22,035
Current income tax payable		9,412	10,526
		<u>51,378</u>	<u>51,923</u>
NON-CURRENT LIABILITIES			
Other non-current liabilities	<i>10b</i>	2,637	2,885
Deferred tax liabilities		28	17
		<u>2,665</u>	<u>2,902</u>
TOTAL LIABILITIES		<u>54,043</u>	<u>54,825</u>
TOTAL EQUITY AND LIABILITIES		<u>248,942</u>	<u>122,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

1. GENERAL INFORMATION

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 Group principally engages 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.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

2. 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 in compliance with the Hong Kong Companies Ordinance (“**HKCO**”). These consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which is carried at fair value.

Amendments to the existing standards and improvements that are effective during the reporting period have been adopted by the Group.

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 Projects HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle	1 January 2018
Amendment to HKFRS 1	First Time Adoption of HKFRS	1 January 2018
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to HKFRS 15	Clarification to HKFRS 15	1 January 2018
Amendment to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendment to HKAS 40	Transfers of Investment Properties	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28 (2011)	Investments in Associate and Joint Ventures	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
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

3. 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 assess the performance of private supplementary secondary school education services, private secondary day school services and ancillary education services and products.

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

a) Operating segment

	2018	2017
	HK\$'000	HK\$'000
Private supplementary secondary school education services	360,039	333,040
Private secondary day school services	11,213	13,180
Ancillary education services and products	36,868	30,176
	<u>408,120</u>	<u>376,396</u>

b) Geographical information

The Group operates in Hong Kong. All of the Group's revenue from external customers and assets were generated from and located in Hong Kong.

c) Information about major customers

None of the customers contributed 10% or more sales to the Group's revenue for the years ended 31 July 2018 and 2017.

4. OTHER INCOME AND OTHER LOSSES

	2018	2017
	HK\$'000	HK\$'000
Other income		
Sundry income	1,386	1,061
Interest income	10	2
	<u>1,396</u>	<u>1,063</u>
Other losses		
Loss on disposal of property, plant and equipment	(334)	(347)
Exchange differences – net	(1)	–
	<u>(335)</u>	<u>(347)</u>

5. STAFF COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Directors' emoluments	6,781	6,314
Other staff costs	93,752	95,630
Other staff's retirement benefit scheme contributions	4,117	4,064
	<u>104,650</u>	<u>106,008</u>

6. TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax:		
Provision for the year	9,264	7,905
Over-provision in prior year	(506)	–
	<u>8,758</u>	<u>7,905</u>
Deferred income tax	<u>(1,859)</u>	<u>(7)</u>
	<u>6,899</u>	<u>7,898</u>

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2017: 16.5%).

7. EARNINGS PER SHARE

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

	2018	2017
a) Basic		
Profit attributable to owners of the Company (HK\$'000)	25,883	34,426
Weighted average number of shares in issue (thousand shares) <i>Note (i)</i>	<u>381,507</u>	<u>375,000</u>
Total basic earnings per share for profit attributable to owners of the Company (HK cents)	<u><u>6.78</u></u>	<u><u>9.18</u></u>
	2018	2017
b) Diluted		
Profit attributable to owners of the Company (HK\$'000)	25,883	34,426
Weighted average number of shares in issue (thousand shares)	<u>381,900</u>	<u>375,000</u>
Total diluted earnings per share attributable to owners of the Company (HK cents)	<u><u>6.78</u></u>	<u><u>9.18</u></u>

Note (i) The weighted average of 381,507,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 July 2018 comprising: (i) 10 ordinary shares of the Company in issue as at 31 July 2017; (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.

The weighted average of 375,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 July 2017 comprising: (i) 1 share of the Company issued and fully paid as at 15 April 2015 which was subdivided into 10 shares on 2 October 2015; 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 2016, the beginning of the earliest period reported.

8. DIVIDENDS

During the year ended 31 July 2018, the Company declared and paid a dividend of HK\$20,000,000 on 29 December 2017. The dividend was settled in full.

During the year ended 31 July 2017, the Company declared and paid a dividend of HK\$50,000,000 and HK\$25,000,000 on 28 December 2016 and 26 July 2017 respectively. The dividends were settled in full.

9. ACCOUNTS AND OTHER RECEIVABLES

(a) Accounts receivables

Included in this item are accounts receivables (net of provision for impairment recognized) with an ageing analysis based on invoice date as at 31 July 2018 and 2017 as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
1-30 days	1,175	705
31-60 days	2	39
Over 60 days	151	232
	<u>1,328</u>	<u>976</u>

(b) Deposits, prepayments and other receivables

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.

Other receivables	7,440	6,394
Deposits	18,405	17,604
Prepayments	19,585	19,222
	<u>45,430</u>	<u>43,220</u>

10. OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

(a) Other payables

Included in other payables is a current portion of provision of reinstatement cost of HK\$1,984,000 (2017: HK\$1,661,000). Movement of provision of reinstatement cost is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance as at beginning of the year	3,604	3,183
Additions	654	1,087
Utilisation	(59)	(666)
	<u>4,199</u>	<u>3,604</u>
Less: non-current portion (<i>Note 10b</i>)	(2,215)	(1,943)
	<u>1,984</u>	<u>1,661</u>

(b) Non-current liabilities

Provision of reinstatement cost (<i>Note 10a</i>)	2,215	1,943
Unamortised rent-free expenses	422	942
	<u>2,637</u>	<u>2,885</u>

11. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 July and 1 August 2017 (<i>Note a</i>)	38,000,000	380
As at 31 July 2018 (<i>Note a</i>)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 August 2017 (<i>Note a</i>)	10	–
Issue of shares upon Capitalisation (<i>Note b</i>)	374,999,990	–
Issue of shares upon Listing on 13 July 2018 (<i>Note c</i>)	125,000,000	135,000
Listing expenses charged to share premium	–	(14,044)
	500,000,000	120,956

Note:

- 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. 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.
- b) 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**”).
- c) 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.

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 2018, we operated 18 teaching centres, with a total of 128 classrooms, which, in accordance with the Education Bureau of the Government's ("EDB") guidelines, allow a maximum classroom capacity of 3,873 students to attend class at any one time.

Listing

On 13 July 2018, the Company was successfully listed on the Main Board of the Stock Exchange with an offer price of HK\$1.08 per share. We issued a total of 125,000,000 new shares, representing 25.0% of the enlarged share capital of the Company upon Listing. Through the Share Offer, we raised a total gross amount of approximately HK\$135.0 million.

Revenue

Our Group offers 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 for each category of service which we provided for each of the years ended 31 July 2018 and 2017:

	For the year ended 31 July			
	2018		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private supplementary secondary school education services	360,039	88.2%	333,040	88.5%
Private secondary day school services	11,213	2.8%	13,180	3.5%
Ancillary education services and products	36,868	9.0%	30,176	8.0%
Total	<u>408,120</u>	<u>100.0%</u>	<u>376,396</u>	<u>100.0%</u>

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 2018, we had approximately 55,000 (2017: approximately 60,000) unique private supplementary secondary school education student enrollments and approximately 664,000 (2017: approximately 658,000) private supplementary secondary school education session enrollments. Notwithstanding the keen competition within the industry and continuous reduction of the number of candidates attending Hong Kong Diploma of Secondary Education in recent years, our Group was able to achieve revenue growth by our endeavor and concentration in delivering high-quality teaching services and learning supports to our students.

The following table sets forth the gross revenue, the number of session enrolments of each category and the average course fee of secondary tutoring courses for each of the years ended 31 July 2018 and 2017:

	For the year ended 31 July			
	2018		2017	
	Session enrollment	Revenue	Session enrollment	Revenue
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
Regular courses	478	285,449	466	256,156
Intensive courses	86	35,735	95	42,083
Summer courses	100	38,855	97	34,801
Total	664	360,039	658	333,040
Average course fees per session enrolments (HK\$)		542		506

Increasing revenue per classroom capacity

To use more effectively our Group's resources so as to create more values to our shareholders, our Group underwent strategic review on cost and effectiveness of each teaching centre. As a result of the review, our Group scaled down the private supplementary secondary school teaching centres in Tuen Mun and closed down the teaching centre in Tin Hau in late 2016 while the Group subsequently opened new teaching centres in North Point and Causeway Bay and expanded the scale of teaching centre in Tseung Kwan O. The maximum classroom capacity of our Group decreased by 35 or 0.9% from 3,760 for the year ended 31 July 2017 to 3,725 for the year ended 31 July 2018. Nevertheless, our Group was able to achieve an increasing level of revenue per average classroom capacity that was contributed by the increase in average session fee during the year. With the aid of upcoming upgrade of the enrolment system that will provide us with more timely and comprehensive course and classroom information, our Directors believe our Group will be able to better manage resources and hence further enhance the revenue that each classroom capacity can generate.

Establishment of new centres with enhanced teaching centre facilities

Capital expenditure (“**CAPEX**”) of HK\$18.0 million was made for the year ended 31 July 2018 (2017: HK\$6.8 million) which was mainly attributable to (i) the establishment of new teaching centres and (ii) the upgrade of teaching centre facilities. While our Group keeps promoting effective use of classroom resources by optimizing our teaching centre network, we have been looking for locations for new teaching centres to expand our footprint. During the year ended 31 July 2018, centres in Causeway Bay and Tsuen Wan have commenced operations. To strive for the best learning environment, we invested over millions of dollars in equipping the new teaching centres with high-tech and/or advanced facilities including but not limited to digitalized audio-video systems, high resolution recorders and video players, LED lighting systems, etc. Our Directors believe the enhancement will create positive impact to our students and tutors on effective learning and teaching activities within our teaching centre network.

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. Due to the decrease in number of private secondary day school session enrollments as experienced in the private secondary day school industry, revenue declined by approximately 14.9% when compared with the previous financial year. Nevertheless, we are integrating resources across different brands within our Group such as Beacon CAPE, GES, and Beacon BExcellent 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 and tutorial services under our “Beacon Childhood” brand; (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 the Collaboration Arrangement. The table below shows the revenue components of the ancillary education services and products for each of the years ended 31 July 2018 and 2017:

	For the year ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
Mock examination services	12,557	12,285
Beacon Childhood	9,432	5,562
Video Induced Pedagogy (“VIP”) Self-study Services	7,296	6,831
Beacon BExcellent	2,137	2,164
Others	5,446	3,334
	<hr/>	<hr/>
Total	36,868	30,176

Our Group continues to achieve significant 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. Stable growth in revenue from private supplementary secondary school education services has contributed to the increase in mock examination services and VIP self-study services.

Beacon Childhood is one of the growth momentums for revenue in recent few years and achieved approximately 69.6% (2017: 31.5%) revenue growth for the year ended 31 July 2018. Our Group provides course products and mix based on the market needs, which are mainly (i) preparation courses for pre-primary students for the interviews and admission tests for certain primary schools with relatively limited vacancy and low acceptance rate of admission; and (ii) language courses. We have been strengthening our teaching team and the team composition, together with network optimisation and our continuous efforts in widening course variety, the student session enrollments increased by 1,834 or 98.2% from 1,867 for the year ended 31 July 2017 to 3,701 for the year ended 31 July 2018. In view of the market potential in pre-primary education industry experienced in the past few years, our Group intended to capture such market growth by (i) expanding our network through opening new centres or acquisition of existing ones; and (ii) engaging highly qualified tutors to enhance the credibility of our child education services.

FINANCIAL REVIEW

Revenue

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

Our Group’s total revenue increased by HK\$31.7 million, or 8.4%, from HK\$376.4 million for the year ended 31 July 2017 to HK\$ 408.1 million for the year ended 31 July 2018. This was mainly due to the revenue growth from (i) provision of private supplementary secondary school education services by HK\$27.0 million and (ii) provision of the other ancillary services by HK\$6.7 million; partially offset by the decline of revenue from provision of private secondary day school services by HK\$2.0 million.

Revenue from provision of private supplementary secondary school education services increased by HK\$27.0 million, or 8.1% from HK\$333.0 million for the year ended 31 July 2017 to HK\$360.0 million for the year ended 31 July 2018, which was largely attributable to (i) the average tuition fees raised by our Group by 7.1% from HK\$506 to HK\$542; and (ii) the number of our Group’s session enrollments increased by approximately 6,000 or 0.9% from approximately 658,000 for the year ended 31 July 2017 to approximately 664,000 for the year ended 31 July 2018.

Moreover, revenue from the provision of the other ancillary services increased by HK\$6.7 million, or 22.2% from HK\$30.2 million for the year ended 31 July 2017 to HK\$36.9 million for the year ended 31 July 2018. This is due to the remarkable growth in revenue from Beacon Childhood by HK\$3.9 million or 69.6% from HK\$5.6 million for the year ended 31 July 2017 to HK\$9.4 million for the year ended 31 July 2018; the increase was mainly attributable to the increase in number of course types offered as well as the number of student enrollments. Other than Beacon Childhood, general revenue growth was observed for other services including VIP self-study services, mock examination, online retail business, overseas consultation services as well as other educational services.

Nevertheless, the overall revenue growth was partially offset by the decline of revenue from provision of private secondary day school services for HK\$2.0 million or 14.9% from HK\$13.2 million for the year ended 31 July 2017 to HK\$11.2 million for the year ended 31 July 2018 due to the decrease in number of student enrollments.

Staff costs

Staff costs mainly consist of (i) salaries, allowances and bonus; and (ii) pension costs paid to our employees. The staff costs slightly decreased by approximately HK\$1.3 million or 1.3% from HK\$106.0 million for the year ended 31 July 2017 to HK\$104.7 million for the year ended 31 July 2018. 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 the growth of our Group's revenue. Such expense increased from approximately HK\$83.6 million for the year ended 31 July 2017 to approximately HK\$106.3 million for the year ended 31 July 2018. Such increase was mainly attributable to (i) the increase in the number of tutors newly engaged under service agreements; (ii) 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; and (iii) the increase in revenue from provision of private supplementary secondary school education services.

Operating lease payments

Operating lease payments are one of the largest components of our Group's operating costs, accounting for approximately 13.2% (2017: 13.9%) of the Group's total revenue. Such payments increased by approximately HK\$1.3 million or 2.5% from HK\$52.5 million for the year ended 31 July 2017 to HK\$53.8 million for the year ended 31 July 2018. Such increase was mainly attributable to the newly leased centres in Tsuen Wan, Causeway Bay and Yau Ma Tei 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, mobile apps and third party websites. Such expenses decreased from approximately HK\$16.5 million for the year ended 31 July 2017 to approximately HK\$14.9 million for the year ended 31 July 2018 and this was mainly attributable to the effective switch from traditional marketing channels such as advertising in public transit vehicles and outdoor billboards to digital channels such as social media, search engines, mobile apps, etc., which are more cost-effective.

Printing and other operating expenses

Printing and other operating expenses primarily consist of the printing expenses, listing expenses, legal and professional fees, building management fees, utilities and other administrative expenses. These expenses increased by approximately HK\$20.3 million or 29.4% from HK\$69.0 million for the year ended 31 July 2017 to HK\$89.3 million for the year ended 31 July 2018. Such increase was mainly attributable to the increase of (i) listing expenses and legal and professional fees amounted to HK\$14.6 million and (ii) building management fees and school functions. Printing expenses are the largest component within the printing and other operating expenses. However, our Group was able to maintain such expense at more or less the same level of approximately HK\$30.0 million (or 7.4% of the Group's revenue) for the year ended 31 July 2018 while it was approximately HK\$30.4 million (or 8.1% of the Group's revenue) for the year ended 31 July 2017.

Profit for the year

Profit for the year of our Group decreased by 29.0% from HK\$34.1 million for the financial year ended 31 July 2017 to HK\$24.2 million for the financial year ended 31 July 2018.

Adjusted net profit for the year

Adjusted net profit was derived from the profit for the year after adjusting for the items which are not indicative of our Group's operating performances. The following table reconciles profit for the year to adjusted net profit for both financial years:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	24,165	34,051
Add:		
– Listing expenses	14,752	2,200
– Share-based payments	<u>2,236</u>	<u>2,222</u>
Adjusted net profit	<u><u>41,153</u></u>	<u><u>38,473</u></u>
Adjusted net profit margin	<u><u>10.1%</u></u>	<u><u>10.2%</u></u>

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the year ended 31 July 2018, our Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures.

Charges on the Group's Assets

There were no material charges on our Group's assets as at 31 July 2018 and 2017.

Contingent Liabilities

Save as disclosed in the section headed "Litigation" in this announcement below, as at 31 July 2018, the Group did not have any material contingent liability.

LITIGATION

Reference is made to the Prospectus and the Company's announcements dated 1 August 2018 and 22 October 2018 respectively. Capitalised terms used in this section of the announcement shall have the meanings as ascribed therein. On 26 July 2018, the Tutorial Services Provider served a Statement of Claim on Beacon College, an indirect wholly-owned subsidiary of the Company. Pursuant to the Statement of Claim, the Tutorial Services Provider claims against Tutor G and Beacon College for (i)

damages to be assessed by the Court for being liable for breach of the Previous Service Contract (in the case of Tutor G) and in tort for procuring Tutor G in breach of the Previous Service Contract (in the case of Beacon College); (ii) interests; (iii) costs; and (iv) further or other relief as may be ordered by the Court. A Defence against the alleged claims by the Tutorial Services Provider has been filed by Beacon College with the High Court of Hong Kong on 22 October 2018. The Board, having obtained legal advice, considers that the Tutorial Services Provider has a very slim chance of success in holding Tutor G and 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 2018

Save as disclosed in the section headed “Litigation” above, there is no material subsequent events from 31 July 2018 up to the date of this announcement.

OUTLOOK AND FUTURE DEVELOPMENTS

The private supplementary education services market in Hong Kong is evolving and highly competitive. The change in market need resulted from changes in government policy, curriculum or university admission strategy drive us to respond swiftly and efficiently, failing which will adversely affect our financial performance.

Our goal is to maintain and further strengthen our position as a leading private supplementary secondary school education services provider in Hong Kong. As detailed in the Prospectus of the Company, we plan to pursue growth strategies of (i) further expanding and optimizing our network of teaching centres and offering of education services; (ii) further expanding our Beacon Childhood network and products offering; (iii) enhancing our brand strength through continued marketing efforts; and (iv) enhancing and mobilizing our Group’s infrastructure and upgrade of teaching facilities and equipment.

We have been actively looking for premises in different locations for our Group’s new teaching centres to expand our footprint and optimize our teaching centre network. In August 2018, we launched in operation a teaching centre in Yau Ma Tei under the brand of “Beacon Plus” to develop personalized education services for both private supplementary secondary school and primary school students.

Our Directors believe that prompt actions are crucial to capitalize the market potential of child education market which would contribute to the Group’s business diversity and growth. While we work on sourcing new premises to open new child education centres to expand our network of the “Beacon Childhood” brand, we are also open to acquisition opportunities relating to child education business.

Our Group will further invest in equipping our teaching centres with advanced facilities, such as upgrading audio-video systems, high resolution recorders and video players, LED lighting systems, etc. Furthermore, we have been step by step furnishing our enrollment and database system in order to (i) develop more enhanced online services; (ii) provide better learning support to students with reference to their learning behavior analysis; and (iii) develop future personalized course and product offerings when synchronizing with our Group’s marketing and brand promotion initiatives on online platforms.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of the Company in July 2018 amounted to approximately HK\$92.0 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy for the new shares in the Company and the Listing expense in connection with the Share Offer.

During the year ended 31 July 2018, approximately HK\$1.4 million has been utilized. The Group has been striving to achieve the milestone events as stated in the Prospectus 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 announcement as set out below:

	Amount of net proceeds allocated	Amount of net proceeds utilised for the year ended 31 July 2018	Balance as at 31 July 2018	Progress up to the date of this announcement
	<i>approximately HK\$ million</i>	<i>approximately HK\$ million</i>	<i>approximately HK\$ million</i>	
i) Acquisition of premise(s) to be used as teaching centre(s)	31.1	–	31.1	The Group is in progress of locating appropriate premise(s)
ii) Optimization/establishment of teaching centres	23.3	–	23.3	The Group is in progress of locating appropriate premise(s)
iii) Acquisition of established teaching centres or opening new teaching centres for Beacon Childhood	12.8	–	12.8	The Group is still in progress of locating appropriate location(s) and seeking potential partners
iv) Upgrades of teaching centres facilities, IT infrastructure and recruitment of non-teaching staff	16.9	0.3	16.6	The Group has appointed an I.T. company to enhance the overall I.T. infrastructure including but not limited to the student enrolment system, electronic payment gateways, online services management platform, etc. The Group hired 5 additional staff members.
v) Enhancing brand awareness	5.8	1.0	4.8	The Group has engaged a consultancy firm and is approaching several more to launch a series of brand building activities since the end of 2018.
vi) General working capital	2.1	0.1	2.0	N/A
Total	92.0	1.4	90.6	

COMPLIANCE WITH THE 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 shareholders of the Company (“**Shareholders**”) and to enhance corporate value and accountability.

Since the Listing of the Company’s shares on the Main Board of the Stock Exchange on the Listing Date and up to 31 July 2018, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules except code provisions C.2.5 as disclosed in the paragraph headed “Internal Audit Function” below.

Internal Audit Function

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 reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group in respect of the year ended 31 July 2018 and considered the systems effective and adequate.

The Company currently does not have an internal audit and has planned to engage an external consultant to perform the internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group and reports its findings to the Audit Committee and the Board.

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun. The Audit Committee has reviewed the preliminary announcement and the consolidated financial statements of the Company for the year ended 31 July 2018, including the accounting principles and practices adopted by the Company. The figures in respect of the Company’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2018 as set out in this preliminary announcement have been agreed by the Company’s independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong (“**PricewaterhouseCoopers**”) to the amounts set out in the Company’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**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 since the Listing Date and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules since the Listing Date and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK3.0 cents per Share for the year ended 31 July 2018, and a special dividend of HK1.0 cent per Share, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") to be held on Tuesday, 11 December 2018. Together with the HK\$20.0 million of interim dividend paid during the year ended 31 July 2018, the Company declares a total dividend of HK\$40.0 million for the year ended 31 July 2018. The proposed final and special dividend are expected to be paid on or about Friday, 28 December 2018.

ANNUAL GENERAL MEETING

The AGM is to be held on Tuesday, 11 December 2018. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Tuesday, 11 December 2018 (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 6 December 2018 to Tuesday, 11 December 2018, both days inclusive, during which no transfer of shares will be effected. In order to be eligible to attend and vote at the 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 5 December 2018.

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 2018, the register of members of the Company will be closed from Monday, 17 December 2018 to Tuesday, 18 December 2018, both days inclusive, during which 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 December 2018.

PUBLICATION OF PRELIMINARY ANNOUNCEMENT AND ANNUAL REPORT

This preliminary announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bexcellentgroup.com). The annual report of the Company for the year ended 31 July 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the same websites in due course.

By order of the Board
BExcellent Group Holdings Limited
Leung Ho Ki, June
Chairman

Hong Kong, 26 October 2018

As at the date of this announcement, the Company's executive directors are Ms. Leung Ho Ki, June (Chairman), Mr. Tam Wai Lung (Chief Executive Officer), Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai; the non-executive director is Dr. Shen Xu Hui; and the independent non-executive directors are Mr. Kwan Chi Hong, Mr. Li Kai Sing, and Professor Wong Roderick Sue Cheun.