



**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



**年報**  
**ANNUAL**  
**REPORT**  
**2018**

# In Light, We Leap!

光 中 邁 步



# EDUCATION

**AUGUST  
2017**

Opening of  
New Centre in  
Causeway Bay



**APRIL  
2018**

Opening of  
New Centre at  
D·Park (Tsuen Wan)



**AUGUST  
2018**

Opening of  
Beacon Plus

**NOVEMBER  
2017**

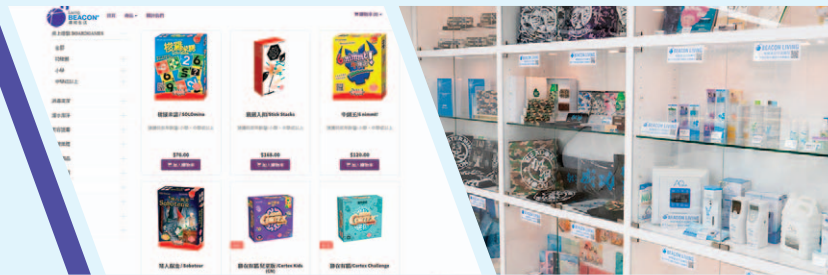
Opening of  
Ascent Prep



**JULY  
2018**  
Listed on  
the Main Board of  
the Stock Exchange  
of Hong Kong



# IS A STAR...





...THAT NEVER FADES WITH TIME.

Thanks to the thirty-year presence in the territory as a dominant incumbent in the private education industry committed to the development of local education, Hong Kong public should be no stranger to BExcellent Group, which was listed on the Main Board of The Stock Exchange of Hong Kong (the "Listing") in July this year.

There have been many changes and replacements in the local tutorial industry over the past three decades, during which more and more people have thought that a thriving tutorial industry is the result of a deficient or even failed mainstream education system. However, my view – formed from the past 20-odd years of teaching experience – is quite to the contrary. In many advanced cities like Hong Kong, people tend to pursue better quality of life after their basic needs have been satisfied. For instance, though Hong Kong is one of the safest cities in the world, nearly all buildings employ security staff to provide 24-hour on-duty services in addition to those provided by the police. Another example is Hong Kong's public medical services. Although they are among the world's best in terms of quality, private medical centres, clinics and practicing doctors are found everywhere in Hong Kong. They provide different kinds of services to suit the different needs of local citizens. Similarly, the booming tutorial sector precisely reflects the public's desire for education, and the demand for services different from those provided by formal education. In this aspect, there is much room for development in the education industry of Hong Kong.



The target for Beacon's large-scale, reasonably priced and lecture-style tutorial services is the general public. For a payment of a few hundred dollars, students can choose from a roster of tutors – including elites from Oxford, PhDs from the University of Hong Kong, first honours degree graduates and experienced exam markers – and attend classes given by world-class scholars. Students enjoy having the freedom of switching tutors in the next session, or they can go with their wishes to stop attending classes altogether. The freedom of choice, which is the most valuable feature in a free market, is just as essential in the education industry.

In the HKDSE 2018, nine of the top scorers had received tutorial services from Beacon, with an average of approximately 54 modules of studies and related services per student. These students had also attended classes at Beacon for two academic years. For the year ended 31 July 2018, the session enrolments of the Group's private supplementary secondary school education services increased by approximately 0.9% to approximately 664,000 students, compared with approximately 658,000 students last year. The average number of sessions enrolled per student increased by approximately 11.0% to 12.1, from the previous 10.9. The Group's revenue increased by approximately 8.4% to approximately HK\$408.1 million from HK\$376.4 million. After excluding the listing expenses and share-based payments incurred from the Listing, the adjusted net profit for this financial year was approximately HK\$41.2 million, representing an increase of approximately 7.0% compared with approximately HK\$38.5 million for the last financial year.

Nowadays, tutorial classes no longer focus on "tips" and "fast learning". Instead, tutoring emphasises examination skills and consolidates learners' foundations of subject knowledge and logical thinking. Tutors must also focus on the pace and atmosphere when giving lectures. Lecture-style tutoring is a profession and its market is competitive. If tutors could not help students achieve noticeable academic improvement, the smart "users" would not spend a penny or another minute on their classes again. Beacon pays a great amount of attention to the quality of teaching not only tutors contribute to the success in education, maintaining an elite teaching team counts as of 31 July 2018, our team had 79 tutors supported by more than 444 teaching team members.

In the past, tutorial classes might be mainly for students with unsatisfactory academic performance. Today, tutorial class has become a choice for top students who aspire to further academic accomplishments, as well as those seeking to consolidate their foundations of subject knowledge. Beacon's teaching team comprises experts who teach elites and train average students. To cope with the students' different needs, Beacon provides not only lecture-style tutorial classes but also small class teaching, one-on-one private tuition, and high-end overseas study consultancy services for individuals. In August this year, Beacon launched Beacon Plus, which is a brand to provide high-end group and individual tutorial services. This new brand aims to provide a wider variety of supplementary education services for the public.

As education promotes social progress and knowledge changes destiny, Beacon hopes that young people can have equal access to quality education. To this end, Beacon Uprising Programme has evolved to subsidise students from disadvantaged families by offering up to 50% subsidy for tutorial services. Nearly a thousand students have benefited from such subsidies in this financial year. The success of the Programme can be seen that a Beacon Education Fund award-winner last year became one of the HKDSE top scorers, with six subjects achieving level 5\*\* and two subjects achieving level 5. With Beacon Uprising application procedures being simplified and computerised this year, our Group hopes that more students from disadvantaged families will benefit from subsidised tutorial services and ultimately grab the opportunity for moving upward.

Nine years have passed since the last education reform in Hong Kong. The public may think that the reform process has basically settled down. However, adjustments to education policy, especially the admission practices of higher education institutions continue to affect the private supplementary education market and to present challenges to us. The Medical School of the University of Hong Kong has recently decided to admit students who are conditionally offered in the interview with 36 points or more for six subjects in the HKDSE exam. The Medical School of the Chinese University has also taken 40 points for 7 subjects in the HKDSE exam as the threshold for admissions. Meanwhile, the Medical Schools of the Chinese University of Hong Kong and the University of Hong Kong will each increase 30 places in the 2019 academic year, which is good news to local students. However, these changes would affect students' exam preparation and strategies for selecting tutorial classes. At the beginning of 2019, the EDB task force responsible for reviewing the overall liberal studies curriculum will give their preliminary views on the subject's teaching and learning, which will affect the liberal studies tutorial market as well as the demand for taking tutorial classes for the other three major subjects and the elective subjects. All the above-mentioned will inevitably subject us to adversity and challenges as well as affecting our business performance. As always, the management team of BExcellent Group will closely monitor such changes in the market and come up with ways to turn adversity into opportunity. This is what our management team has excelled at for the past 29 years.

The education services we provide are not confined to secondary school tutoring, but they also take care of the comprehensive and all-round development of learners of all ages. The various brands under BExcellent Group are growing rapidly, with the service targets ranging from three-year-olds to adults, and with a focus on the high-end consumer market. At Ascent Prep and Glocal Education Services Limited, the emphasis is on local and overseas study consultancy services, while at Beacon Childhood and BeConfident Alliance, the focus is on the provision of growth and developmental services for young children through a combination of classroom teaching and extracurricular activities. In the coming year, our Group will gradually optimize its existing teaching centres while striving to open new centres as planned. At the same time, we will actively consider mergers with and acquisitions of education-related businesses or teaching centres to expand our service coverage – especially in the education business area focusing on pre-school and primary school students. Our Group also recognises 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 utilise our existing massive data to strengthen and enhance our current services, actively study the development of online education services, explore the feasibility of franchising and increase our efforts in domestic and overseas development.

Today, Beacon has a diversity of elites specialising in different academic disciplines. Although Beacon's product offerings are diverse, our philosophy is simple and clear:

Social progress depends on education. We will retain first-class educational talent so that we can offer students more and better choices.

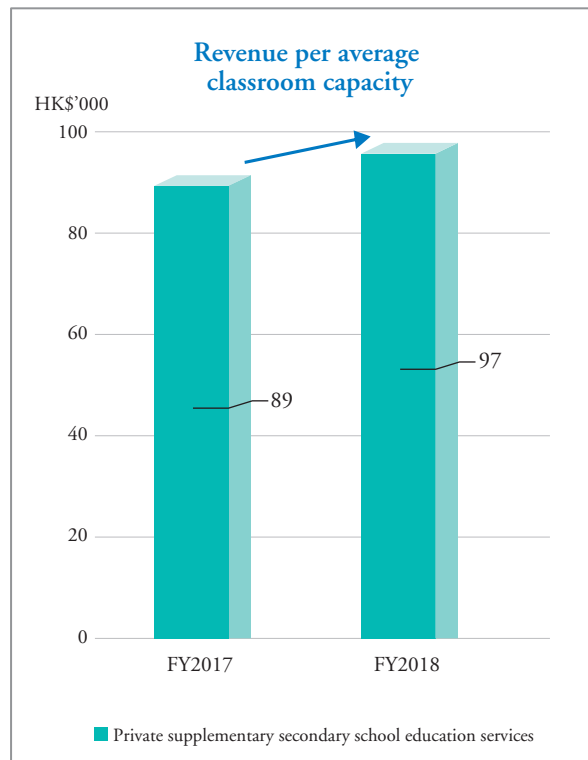
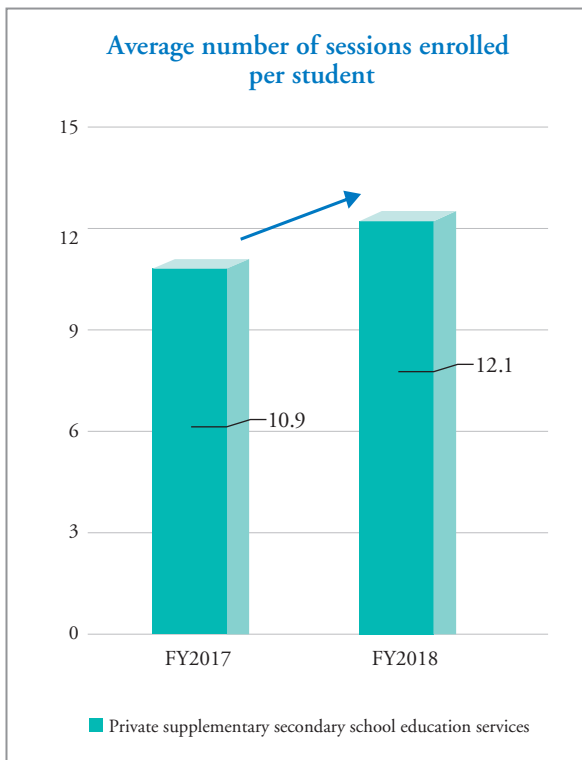
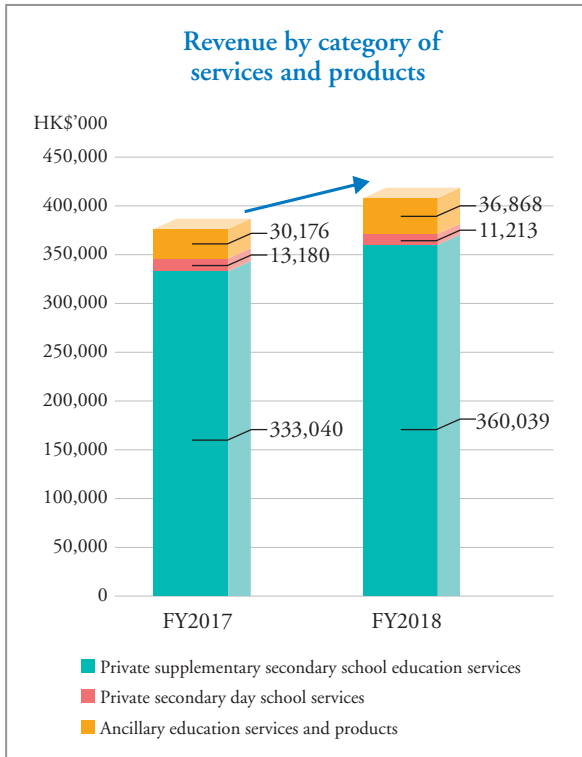
As ever, we hope that young people in Hong Kong can enjoy a multifaceted education and a wide outlook on life. Youth's aspiration should not be bound to banking, real estate and finance, or shall they limit career choices to lawyers, doctors, accountants so as to be successful. They can have an equally promising future in other professions. Electronic sports can be a path to success, as can scholars, academicians and researchers. People from both the frontline and the back office can benefit from development. It is one's performance that determines success or failure, rather than one's seniority. I am proud to say that Beacon has attracted and nurtured countless high achievers. Our reputation is in accord with our contributions, so we are confident to stride into the next quarter century.

We welcome you to the performing stage of BExcellent Group to flex your muscles.

**Leung Ho Ki, June**  
*Chairman*

Hong Kong, 26 October 2018

# Financial and Operational Highlights





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## 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, *CPA*

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

Ms. Leung Ho Ki, June (*Chairman*)  
Professor Wong Roderick Sue Cheun  
Mr. Kwan Chi Hong  
Mr. Li Kai Sing  
Mr. Tam Wai Lung

## AUTHORISED REPRESENTATIVES

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Mr. Choi Shing Wai, *CPA*

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F, Prince's Building, Central, Hong Kong

## COMPLIANCE ADVISER

VMS Securities Limited

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Shanghai Banking Corporation Limited

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Cayman Islands

## HONG KONG SHARE REGISTRAR

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183 Queen's Road East  
Hong Kong

## COMPANY'S WEBSITE

[www.bexcellentgroup.com](http://www.bexcellentgroup.com)

## STOCK CODE

1775

# Management Discussion and Analysis

## BUSINESS REVIEW

### Revenue

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.

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 for each category of service which we provided for each of the year ended 31 July 2018 and 2017:

	For the year ended 31 July			
	2018		2017	
	HK\$'000	%	HK\$'000	%
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	408,120	100.0%	376,396	100.0%

#### 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 (i) 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 '000	Revenue HK\$'000	Session enrollment '000	Revenue HK\$'000
Regular courses	478	285,449	466	256,156
Intensive courses	86	35,735	95	42,083
Summer courses	100	38,855	97	34,081
<b>Total</b>	<b>664</b>	<b>360,039</b>	<b>658</b>	<b>333,040</b>
Average course fees per session enrollment (HK\$)		<b>542</b>		<b>506</b>

#### Increasing revenue per average 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 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, 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 components of the ancillary education services and products for each of the year 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
<b>Total</b>	<b>36,868</b>	<b>30,176</b>

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.

## OUTLOOK AND FUTURE DEVELOPMENT

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 drives 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 behaviour analysis; and (iii) develop future personalized course and product offerings when synchronizing with our Group's marketing and brand promotion initiatives on online platforms.

## 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.

### Major costs component

The summary below shows the major costs components of our Group among which 57.2% (2017: 57.9%) is related to labor costs followed by operating lease payment, advertising and promotion expenses, and printing and other operating expenses:

	2018 HK\$'000	% of Revenue	2017 HK\$'000	% of Revenue
Staff costs	104,650	25.6	106,008	28.2
Tutor service fee	106,322	26.1	83,606	22.2
Operating lease payment	53,809	13.2	52,483	13.9
Advertising and promotion expenses	14,850	3.6	16,548	4.4
Printing and other operating expenses	89,320	21.9	69,039	18.3

### 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 the 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.

### Income Tax expenses

Income tax expense slightly decreased from HK\$7.9 million for the financial year ended 31 July 2017 to HK\$6.9 million for the financial year ended 31 July 2018, 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 2018 and 2017 were 22.2% and 18.8% respectively.

### Profit for the year

Profit for the year of the 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 the Group's operating performances. The following table reconciles profit for the years to adjusted net profit for both financial years:

	Year ended 31 July	
	2018 HK\$'000	2017 HK\$'000
Profit for the year	24,165	34,051
Add:		
– Listing expenses	14,752	2,200
– Share-based payments	2,236	2,222
Adjusted net profit	41,153	38,473
Adjusted net profit margin	10.1%	10.2%

### Contingent liabilities

Save as disclosed in the section headed "Litigation" under "Directors' Report", as at 31 July 2018, the Group did not have any material contingent liability.

### 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 of the Company at the forthcoming annual general meeting ("AGM") to be held on Tuesday, 11 December 2018. Together with the HK\$20.0 million 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 dividend is expected to be paid on or about Friday, 28 December 2018.

### 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 the Group's assets as at 31 July 2018 and 2017.



## 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 of the Company and the Listing expense in connection with the Share Offer as defined in the Prospectus.

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 13 July 2018 (the "Listing Date") to the date of this Annual Report 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 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	–	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
<b>Total</b>	<b>92.0</b>	<b>1.4</b>	<b>90.6</b>	

## EXECUTIVE DIRECTORS

**Ms. LEUNG Ho Ki, June (梁賀琪)**, aged 53, 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 29 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 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 53, 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 14 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 22 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 57, 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 28 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 46, 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 30 subsidiaries of our Group. He has, since the establishment of our Group, acquired experience in the education business, focusing on operation, administration and marketing 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 29 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 39, 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 and the University of Hong Kong.

Dr. Shen is the founder and chairman of the GLOs (Glocal Living Office) Group with various branches of businesses relating to global affairs. 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 46, 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 executive director of Bamboos Health Care Holdings Limited (stock code: 2293), whose shares are listed on the Main Board of the Stock Exchange, and an independent non-executive director of China Brilliant Global Limited (stock code: 8026) and Stream Ideas Group Limited (stock code: 8041), whose shares are listed on the GEM of the Stock Exchange.

**Mr. LI Kai Sing (李啟承)**, aged 56, 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 74, 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 PRC and Chair Professor of Mathematics at City University of Hong Kong. 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)**, *CPA*, aged 36, 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 14 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 of Hong Kong Institute of Certified Public Accountants since April 2008.

**Mr. TAM Lin Bong (譚練邦)**, aged 40, 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 Lin Bong joined our Group as a teaching assistant in September 2002 and became the human resources manager of Beacon College in April 2012. Mr. Tam Lin Bong 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 Lin Bong 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 Lin Bong 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 Lin Bong 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 Lin Bong was awarded the Certificate in Employment Ordinance by the Hong Kong Management Association in April 2013. Mr. Tam Lin Bong has also completed several training workshops organised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications in 2014.

**Mr. NG Wai Lun (吳偉倫)**, aged 30, 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 Wai Lun joined our Group in June 2010 as the administration assistant of Beacon College. Mr. Ng Wai Lun was appointed as the deputy chief operating officer of our Group in July 2013. Mr. Ng Wai Lun obtained a degree of Bachelor of Social Science from Chinese University of Hong Kong in December 2010.

## COMPANY SECRETARY

Mr. Choi Shing Wai, *CPA*, 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.

The Board of BExcellent Group Holdings Limited is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 July 2018.

## INCORPORATION AND LISTING

The Company was incorporated in the Cayman Islands on 15 April 2015 as an exempted company with limited liability. The Company's 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 all 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 14 to the consolidated financial statements on pages 80 to 81.

## BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 July 2018, including discussion and analysis of the Group's financial performance and future business development, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), 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 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 2018" 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 2018. 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 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 2018 by business activities is set out in Note 5 to the consolidated financial statements on page 72.

## RESULTS

The Group's results for the year ended 31 July 2018 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 52 to 92.

## 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 of the Company at the forthcoming AGM to be held on Tuesday, 11 December 2018. Together with the HK\$20.0 million 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 dividend is expected to be paid on or about Friday, 28 December 2018.

## 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 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday 14, December 2018.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's results, assets and liabilities for the last four financial years, as extracted from the Prospectus and the published audited financial statements, is set out on page 93 and 94 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 13 to the consolidated financial statements.

## SIGNIFICANT INVESTMENTS HELD

The Group held available-for-sale investments during the year ended 31 July 2018. Details of available-for-sale investments of the Group as at 31 July 2018 are set out in Note 16 to the consolidated financial statements.

## BANK BORROWINGS

As at 31 July 2018, the Group had no bank borrowings (as at July 2017: nil).

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 24 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 2018 are set out in Note 26 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 87 to 88 and page 55, respectively. As at 31 July 2018, the aggregate amount of reserve available for distribution to equity shareholders of the Company was approximately HK\$136.2 million (2017: HK\$22.5 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 period from the Listing Date and up to the date of the 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 2018.

During the Year, 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 53.9% of our total revenue, and the aggregate remuneration payable to our Top Five Tutors amounted to approximately HK\$68.7 million, accounting for approximately 32.5% of our total staff costs and service fees; and (ii) our Top One Tutor accounted for approximately 28.1% of our total revenue, and the aggregate remuneration payable to our Top One Tutor amounted to approximately HK\$46.2 million, accounting for approximately 21.9% of our total staff costs and service fees. None of our Directors, their respective close associates, or any of the existing shareholder of our Company (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 2018 and up to the date of this Annual Report.

## DIRECTORS

The Directors of the Company during the year ended 31 July 2018 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 (*appointed on 18 September 2017*)

### Independent Non-executive Directors

Mr. Kwan Chi Hong (*appointed on 17 November 2017*)  
Mr. Li Kai Sing (*appointed on 21 June 2018*)  
Professor Wong Roderick Sue Cheun (*appointed on 21 June 2018*)

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 of the Company, Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai shall retire by rotation at the forthcoming AGM and, being eligible, would offer themselves for re-election at the 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 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

During the year ended 31 July 2018, save for those disclosed in Note 29 to the consolidated financial statements, the Group had no significant transactions with related or connected parties that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules. The transactions disclosed in Note 29 to the consolidated financial statements fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 29 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 2018 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 2018, 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 Company

Name of Company	Name of Director	Nature of interest	Number of Shares held	Position	Percentage of shareholding (%)
The Company	Ms. Leung Ho Ki, June <i>Note 1</i>	Interests held jointly with another person; interest in a controlled corporation	375,000,000	Long	75%
	Mr. Tam Wai Lung <i>Note 1</i>	Interests held jointly with another person; interest in a controlled corporation	375,000,000	Long	75%
Beacon Enterprise Limited <i>Note 2</i>	Ms. Leung Ho Ki, June	Beneficial owner	3,600	Long	60%
	Mr. Tam Wai Lung	Beneficial owner	1,560	Long	26%
	Mr. Chan Tsz Ying, Wister	Beneficial owner	180	Long	3%
	Mr. Li Man Wai	Beneficial owner	180	Long	3%
Glocal Development Group Limited <i>Note 3</i>	Dr. Shen Xu Hui	Beneficial owner	3,000	Long	30%

*Note:*

- 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 our 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 our 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.
- 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.
- 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 2018, neither the chief executives nor any of the Directors of the Company 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 2018, 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 Shares held	Position	Percentage of shareholding (%)
Beacon Enterprise Limited	Beneficial Owner	375,000,000	Long	75%
Ms. Leung Ho Yan, Irene <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Mr. Ng King Hang <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Max Wisdom Development Limited <i>Note 2</i>	Beneficial owner	25,000,000	Long	5%
Mr. Lam Yat Yan <i>Note 2</i>	Interest in controlled corporation	25,000,000	Long	5%

*Note:*

- Our 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 our Core Shareholders has agreed to jointly control their respective interests in our Company and decisions as to the business and operations of our Group shall be in accordance with the unanimous consent of all our Core Shareholders. Each of our Core Shareholders shall exercise their respective voting rights in our Company in the same way. Hence, each of our Core Shareholders is deemed to be interested in all the Shares held by our Core Shareholders in aggregate by virtue of the SFO.
- 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 our Company immediately after the Listing. As at 31 July 2018 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 our 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 2018, 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 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 2018 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 a participant "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;

- (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 a grantee on 27 June 2018. As at 31 July 2018 and the date of this Annual Report, no options granted under the Pre-IPO Share Option Scheme 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 with the rights for the subscription of in aggregate 25,000,000 Shares at the exercise price of HK\$0.54 per Share were granted on 13 July 2018. Commencing from the first anniversary of the Grant Date, the grantee may exercise options by stages during the applicable option periods 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 all grantees under the Pre-IPO Share Option Scheme.

Grantee	Number of options held at 31 July 2017	Options granted during the year (number of underlying Shares)	Exercised, lapsed or cancelled during the year	Number of options held as at 31 July 2018 (number of underlying Shares)
Max Wisdom Development Limited <i>Note</i>	–	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 our Group.

All the options under the Pre-IPO Share Option Scheme will not be exercisable within first 12 months after the Grant Date. The options granted under the Pre-IPO Share Option Scheme would have a dilutive effect on the earnings per share for the year ended 31 July 2018.

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 ten (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 (a "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 five (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 of 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 which 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 of our Company during the periods or times in which our Directors of our Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules 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 twenty-eight (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 ten (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 one (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 twelve (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 fourteen (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 five (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 of our Company 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 (o) 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.

As at the date of this Annual Report, no Option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 July 2018, the Group has 381 full time employees (2017: 355) and 672 part-time employees (2017: 567) 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 Company's Articles of Association 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 since the Listing Date 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 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\$1.4 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 2018 amounted to approximately HK\$76,000 (2017: approximately HK\$39,000).

## PERMITTED INDEMNITY PROVISION

Under the Articles of Association and subject to the provisions of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), 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 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 2018.

## 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 this Annual Report 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 paragraph "Litigation" above, there is no material subsequent events from 31 July 2018 up to the date of this Annual Report.

## AUDITORS

The consolidated financial statements for the year ended 31 July 2018 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, 26 October 2018

The board (the “Board”) of directors (“Directors”) of BExcellent Group Holdings Limited (the “Company”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31 July 2018.

## 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 (the “Shares”) on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 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 Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) except code provisions C.2.5 as disclosed in the section headed “Risk Management and Internal Control” of “Corporate Governance Report” in this Annual Report.

## 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 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 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 Company and its subsidiaries (collectively, 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. (“Chairman” and “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, *CPA*, 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 2018.

### BOARD MEETINGS

As the Company was only listed on 13 July 2018, there had not been any Board meeting held during the period from the Listing Date and up to 31 July 2018. Up to the date of this Annual Report, one regular Board meeting was held for the purposes of, among others, considering and approving the audited annual results of the Group for the year ended 31 July 2018. 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 at the 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 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.

### 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 of the Company (“Articles”) requires that at every annual general meeting of the Company 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 as stated to be disclosed in the Annual Report in the Prospectus.

## 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 from the Listing Date and up to 31 July 2018.

## 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.

There had not been any Audit Committee meeting held during the period from the Listing Date and up to 31 July 2018. Up to date of this Annual Report, one Audit Committee meeting was held and all the members of the Audit Committee were present at the meeting. During the relevant meeting, 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 draft 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; and (v) 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.

## REMUNERATION COMMITTEE

The Company established a remuneration committee (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.

There had not been any Remuneration Committee meeting held during the period from the Listing Date and up to 31 July 2018. Up to date of this Annual Report, one Remuneration Committee meeting was held and all the members of the Remuneration Committee were present at the meeting. During the meeting, 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 2018 are set out in Note 7(b) 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 2018 is set out below:

Remuneration Bands	Number of individuals
HK\$1 – HK\$500,000	–
HK\$500,001 – HK\$1,000,000	3
HK\$1,000,001 – HK\$1,500,000	2
HK\$1,500,001 – HK\$2,000,000	2
Total	7

## 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.

There had not been any Nomination Committee meeting held during the period from the Listing Date and up to 31 July 2018. Up to date of this Annual Report, one Nomination Committee meeting was held and all the members of the Nomination Committee were present at the meeting. The Nomination Committee reviewed the structure, size and composition and diversity of the Board and assessed the independence of the independent non-executive Directors.

## BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “Diversity Policy”) pursuant to the Board meeting held on 26 October 2018, 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.

## 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.

Prior to the Listing, all Directors received training conducted by the legal advisor of the Company which covered topics including directors’ duties and responsibilities under the Listing Rules and relevant statutory requirements, the Company’s continuing compliance obligations under the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the requirements on disclosure of price-sensitive information, the reporting obligations of the Directors and notifiable and connected transactions under the Listing Rules.

Training on business ethics and directors’ responsibility in listed companies was delivered by the Hong Kong Independent Commission Against Corruption (“ICAC”) to all Directors subsequent to the year ended 31 July 2018.

Regular training on intellectual properties, code of conduct and anti-bribery conducted by external consultants are provided to senior management, the teaching team and staff from time to time.

## 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 2018.

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 48 to 51 in this Annual Report.



## AUDITORS' REMUNERATION

During the year ended 31 July 2018, the total fees payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's independent auditors are set out below:

Services rendered for the Group	Fees payable HK\$'000
<b>Audit services:</b>	
Annual audit services	1,400
Reporting accountants' services in relation to the Listing	2,750
<b>Non-audit services:</b>	
Tax advisory services	100
Total	4,250

## 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, such as expansion of the teaching centre network into new geographic areas and the entering into cooperative business relationships with third parties are 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, 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 Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group including the follow up progress in relation to the recommendation under the internal control review conducted by the external consultant during the Listing process 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.

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 Company's shares on the market.

As disclosed in the paragraph headed "Risk Management and Internal Control" in the "Business" section of the Prospectus, the Company engaged an independent internal control consultant to conduct review of our internal control system during the Listing process. Prior to the Listing, there were no material internal control issues outstanding. The Board will conduct a review on the effectiveness of the internal control and risk management systems of the Group annually. Such review shall cover all material controls, including financial, operational and compliance controls and risk management functions.

## 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, 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 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](mailto: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 annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum and articles of association (the "M&A") of the Company on 21 June 2018 and which took effect from the Listing Date. No changes have been made to the M&A since the Listing. An up-to-date version of the M&A is available on the websites of the Company and the Stock Exchange respectively.

# Environment, Social and Governance (ESG) Report

## INTRODUCTION & APPROACH TO ESG AND REPORTING

BExcellent Group Holdings Limited (the “Company”), together with its subsidiaries (collectively the “Group”), is a leading provider of private supplementary secondary school education services through a network of 18 teaching centers in Hong Kong.

For the year ended 31 July 2018, the Group had (i) approximately 55,000 unique private supplementary secondary school education student enrollments; (ii) 380 unique private secondary day school student enrollments; and (iii) approximately 37,000 enrollments/registrations in our ancillary education services and products. All teaching delivery is managed by a professional team of 523 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.

Early in 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 2018).

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 Manager.

### Reporting Period and Scope

This is the first Environment, Social and Governance Report (“ESG Report”) issued by the Company, summarizing 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 2018 (the “Reporting Period”) in compliance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 88.2% 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 2.8% of 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 9.0% of total of the Group revenue), which target 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](mailto: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 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 centers 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 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 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 centers 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 Government for improper waste handling or disposal.

**Air emissions**

The air emissions were mainly from vehicles (Approx.) and based on our internal estimation of the kilometers travelled.

Nitrogen oxides	Sulphur oxides	Particulate Matter
22,652 g	446 g	1,668 g

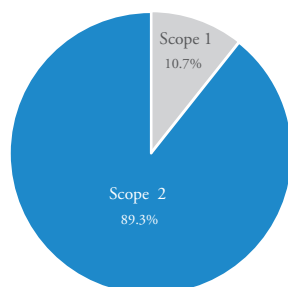
**Greenhouse gas emissions**

Scope 1 emissions were mainly from vehicles (Approx.) and based on our internal estimation of the kilometers travelled.

	Carbon dioxide	Methane	Nitrous oxide
CO <sub>2</sub> equivalent emissions	71.565 tonnes	0.161 tonnes	10.387 tonnes

For Scope 2 energy indirect emissions, the CO<sub>2</sub> equivalent emissions mainly from purchased electricity were approximately 687.157 tonnes. The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 769.27 tonnes. We do not report Scope 3 emissions because of lacking complete and accurate data.

**Total Greenhouse Gas Emission: 769 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 about 15.188 tonnes. Hazardous wastes of batteries and toners were recorded at about 0.190 tonnes and 0.176 tonnes respectively. Most of them were disposed to recycling companies, but some were disposed as domestic wastes, which will be properly handled in the financial year 2018/19.

**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 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 18 teaching centers 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 centers 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 paper consumption in our teaching centres. The Group continues to upgrade computer systems to minimize manual, paper-based tasks in different streams of work flow. 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. Consumption of water is thus considered immaterial from our standpoint. Moreover, 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.)
Electricity	kWh	1,266,759
Electricity intensity	kWh per HK\$ million revenue	3,104
Water	Cubic meter	681
Water intensity	Cubic meter per HK\$ million revenue	1.67

Since the Group is engaged in the service industry, the traceable packaging materials are mainly paper and plastics (e.g. folders) used in gift premiums.

Paper	Plastic
0.14355 tonnes	2.016 tonnes

### A3: THE ENVIRONMENT AND NATURAL RESOURCES

Our policy on environment protection centers 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, 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 2018, the Group had 381 full-time employees and 672 part-time employees helping to make our success happen.

Having a high-quality teaching team is a key success factor 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 523 individuals, comprising 79 tutors, 9 day school teachers, 71 full-time and 364 part-time teaching assistants. They worked diligently and taught responsibly to serve a sizable group of students which made a total of approximately 704,000 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.

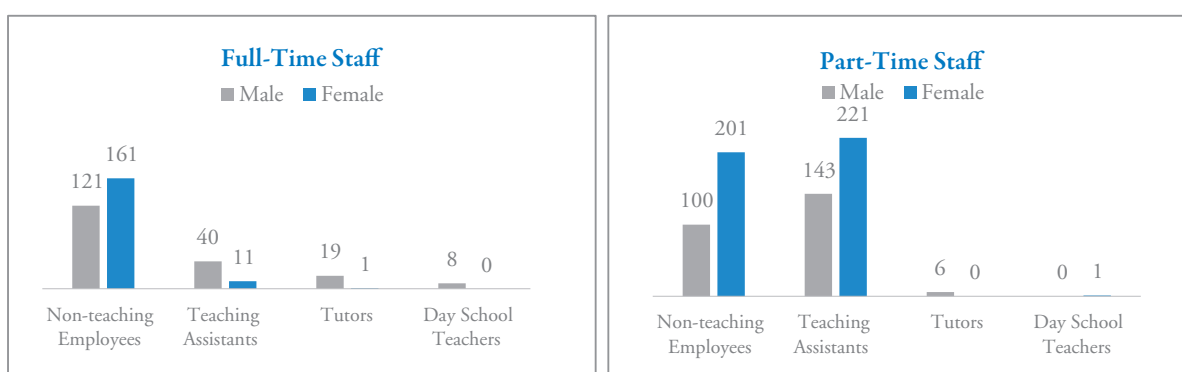
The Group has developed an Employee Handbook with reference to the Employment Ordinance (Cap.57) in Hong Kong. It contains our human resources policy that covers various matters related to wages and compensation, rest days and other types of leaves, termination of employment, other benefits and welfare,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

We offer competitive remuneration and benefits, with reference to the market conditions, individual responsibilities, performance and qualifications. All of our tutors are engaged under (full 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 Ordinance (Cap.485) (“MPF Schemes Ordinance”). 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, birthday and anniversary 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 in recruitment. Our Directors confirmed that the Group was in full compliance with the Employment Ordinance of Hong Kong during the Reporting Period.

As disclosed in the Company’s listing prospectus, the Group had compliance irregularities in 2015 under the MPF Schemes Ordinance, in respect of underpayment of mandatory provident fund contribution to our employees, due to unintentional misreporting of relevant wages and inadvertent oversight. These compliance irregularities were remediated accordingly by the Group.

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 No.1 responsibility to ensure the safety of our employees and students in our facilities. All of our teaching centers 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.

During the Reporting Period, the Group had a minor non-compliance incident under the Occupational Safety and Health Ordinance, involving a licensed repair worker who suffered a fall whilst performing his day-to-day duties. The Group has since 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. This measure has been adopted in response to two non-compliance incidents related to fire safety requirement in this aspect.

Save as mentioned above, 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.

Early in 2018, the Group received the “Smiling Employer Award” by the Mystery Shopper Service Association, which signifies the Group’s efforts in caring for the employees.



### B3: DEVELOPMENT AND TRAINING

Training and retaining the 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, are sometimes paired 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 intellectual property, which covers ethics, copyrights in education and its legal consequences for infringement or plagiarism. A workshop was conducted in September 2018 by ICAC and a university professor at our head office. Similar internal training/seminar will be conducted from time to time in the future.

We are also a supporter of the Labour Department's Youth Employment and Training Programme" or "展翅青見計劃" ("YETP"). This year, we had two employees from YETP being nominated as YETP Most Improved Employees in 2018.

### 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 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 centers 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 the 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 and help greatly reduce the number of DVDs made for video courses). We have also implemented complaints-handling procedures to address customer complaints in respect of issues relating to our services and operations. In September 2017, there was a customer complaint about a cancelled class without prior notice. The matter was satisfactorily resolved by assisting the student to switch to another timeslot for the course. 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 the past, we also invited the ICAC to conduct an anti-corruption workshop for our employees. A corporate training on anti-bribery regulations and good practices relevant to the education industry was delivered to the tutors, the teaching team and our employee by the ICAC in September 2018. In October this year, our Directors also received training from the ICAC on director and business ethics for listed companies.

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 of Hong Kong, 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.



- *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 initiated the “Beacon Uprising Programme (‘遵理起義計劃’)” since 2012 to provide financial assistance to low-income families or families under Comprehensive Social Security Assistance for enrolling their children in our tutorial classes. Approximately 1,000 students have benefited from this financial assistance scheme in the 2017/18 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 Fund, which was established in 2014, sponsors “Upward Mobility Scholarship Programme” (‘向上游獎勵計劃’) which supports students who have strived for success despite facing challenges and difficult circumstances. Last year, we had around 500 applicants, among whom we selected 41 nominees. Among the 41 nominees, 25 of them received the scholarship.

- *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 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.

We partnered with a local charity, Lifelong Animal Protection Charity to draw the public’s attention to animal rights. We set up donation boxes at our schools to raise funds and organized seminars to introduce the work of protecting animals and advocating animal rights by such group.

In 2018, the Group partnered with the Hong Kong Jockey Club to participate and sponsor the Homeless World Cup Soccer Tournament. 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.

- *Scholarships to develop academic talents*

The Group also established merit-based scholarships to non-first-year students studying Chinese and Chinese Literature at Chinese University of Hong Kong (CUHK) 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 2018, our contribution to society earned us the “10 Year Plus Caring Company Logo” awarded by the Hong Kong Council of Social Services.

- *Recent Awards and Recognitions*

Year of Award	Award/Recognition	Issuing organisation
2018	ListCo Excellence Awards 2018	am730, RoadShow and PR ASIA
2018	Enterprise Market Leadership Award – Market Leadership in Education Business 2017/2018	Hong Kong Institute of Marketing
2017	2017 Top 10 Outstanding Individual Brand Award	Asia Branding and Franchising Association
2008-2018	Caring Company	Hong Kong Council of Social Service



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 52 to 92, which comprise:

- the consolidated statement of financial position as at 31 July 2018;
- 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 2018, 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 (“HKSA”) 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.

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## 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.

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
<p><b>Revenue recognition</b></p> <p>Revenue 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 receipts in advance. Given the significant amount to the financial statements, as well as the volume of transactions and the risk of overstatement of revenue, we considered it a key audit matter.</p> <p>For the year ended 31 July 2018, revenue amounted to approximately HK\$408 million. Refer to note 5 (Revenue and Segment Information) and notes 2.13 and 2.17 (Summary of Significant Accounting Policies) to the consolidated financial statements.</p>	<p>We understood and tested the key controls over revenue recognition.</p> <p>We selected tuition fees received on a sample basis and checked to supporting evidence such as student enrolment forms, student payment records, payment receipts, course details and attendance records during site visits.</p> <p>We selected tuition courses scheduled across the year end date and checked to the student enrolment records and the course schedules; and recalculated the proportion of tuition fees recognised in receipts in advance as at year end. We traced the posting of receipts in advance to the general ledger.</p> <p>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.</p> <p>Based on our procedures performed, we found no material exceptions.</p>
<p><b>Recoverability of other receivables from tutors</b></p> <p>Other receivables mainly comprises amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors. Significant judgement is required by management in determining whether the receivables are recoverable, taking into consideration the settlement history and the outstanding contract period of the individual tutors, and the current market conditions. We identified this as key audit matter due to the judgements made by management in assessing the recoverability of the receivables due from tutors.</p> <p>As at 31 July 2018, other receivables amounted to approximately HK\$7.4 million. Refer to note 18 (Deposits, Prepayments and Other Receivables), note 2.10 (Summary of Significant Accounting Policies), and note 4(a) (Critical Accounting Estimates and Judgements) to the consolidated financial statements.</p>	<p>We understood and assessed management's impairment assessment including the identification of impairment indicators and the judgements involved.</p> <p>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.</p> <p>On a sample basis, we evaluated management's judgements used in assessing the likelihood of collecting the receivables based on the settlement history and the outstanding contract period of the individual tutors, and the current market conditions such as the number of student enrolments and revenue sharing arrangements with the individual tutors.</p> <p>Based on our procedures, we found that the judgements made by management in determining the recoverability of other receivables from tutors are reasonable.</p>

### 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 Ip Koon Wing, Ernest.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 October 2018



# Consolidated Statement of Comprehensive Income

For the year ended 31 July 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5	408,120	376,396
Other income	6	1,396	1,063
Other losses	6	(335)	(347)
Staff costs	7	(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	13	(9,166)	(7,479)
<b>Profit before taxation</b>	9	<b>31,064</b>	<b>41,949</b>
Taxation	10	(6,899)	(7,898)
<b>Profit for the year</b>		<b>24,165</b>	<b>34,051</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Fair value (loss)/gain on available-for-sale financial asset		(395)	395
<b>Total comprehensive income for the year</b>		<b>23,770</b>	<b>34,446</b>
Profit/(loss) attributable to			
– Owners of the Company		25,883	34,426
– Non-controlling interests		(1,718)	(375)
		<b>24,165</b>	<b>34,051</b>
<b>Total comprehensive income/(loss) attributable to</b>			
– Owners of the Company		25,488	34,821
– Non-controlling interests		(1,718)	(375)
		<b>23,770</b>	<b>34,446</b>
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	11(a)	6.78	9.18
Diluted earnings per share	11(b)	6.78	9.18

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 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	28,928	20,449
Prepayments	18	9,809	14,099
Deferred tax assets	15	3,589	1,719
Available-for-sale financial asset	16	2,000	2,395
		<u>44,326</u>	<u>38,662</u>
<b>Current assets</b>			
Accounts receivables	17	1,328	976
Deposits, prepayments and other receivables	18	35,621	29,121
Income tax recoverable		53	55
Amount due from a related company	19	–	45
Cash and cash equivalents	20	166,700	52,990
Short-term deposits	20	914	913
		<u>204,616</u>	<u>84,100</u>
<b>Total assets</b>		<u><b>248,942</b></u>	<u><b>122,762</b></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	120,956	–
Other reserves	26	10,640	8,799
Retained earnings	25	63,613	57,730
		<u>195,209</u>	<u>66,529</u>
Non-controlling interests	27	(310)	1,408
<b>Total equity</b>		<u><b>194,899</b></u>	<u><b>67,937</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amount due to a related company	19	–	42
Receipts in advance	21	15,880	19,320
Other payables	22	26,086	22,035
Current income tax payable		9,412	10,526
		<u>51,378</u>	<u>51,923</u>
<b>Non-current liabilities</b>			
Other non-current liabilities	23	2,637	2,885
Deferred tax liabilities	15	28	17
		<u>2,665</u>	<u>2,902</u>
<b>Total liabilities</b>		<u><b>54,043</b></u>	<u><b>54,825</b></u>
<b>Total equity and liabilities</b>		<u><b>248,942</b></u>	<u><b>122,762</b></u>

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

The consolidated financial statements on pages 52 to 92 were approved by the Board of Directors on 26 October 2018 and were signed on its behalf.

Mr. Tam Wai Lung  
Director

Ms. Leung Ho Ki, June  
Director

# Statement of Financial Position

As at 31 July 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
<b>Assets</b>			
<b>Non-current asset</b>			
Investment in a subsidiary	14	20,700	20,700
<b>Current assets</b>			
Amount due from a subsidiary	19	8,000	1,836
Deposits, prepayments and other receivables		72	–
Cash and cash equivalents		128,404	–
		<u>136,476</u>	<u>1,836</u>
<b>Total assets</b>		<u>157,176</u>	<u>22,536</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	120,956	–
Other reserves	26	25,629	23,393
Accumulated losses	25	(5,400)	(857)
<b>Total equity</b>		<u>141,185</u>	<u>22,536</u>
<b>Current liabilities</b>			
Amount due to a subsidiary	19	15,938	–
Other payables		53	–
<b>Total liabilities</b>		<u>15,991</u>	<u>–</u>
<b>Total equity and liabilities</b>		<u>157,176</u>	<u>22,536</u>

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

The financial statements on pages 52 to 92 were approved by the Board of Directors on 26 October 2018 and were signed on its behalf.

Mr. Tam Wai Lung  
Director

Ms. Leung Ho Ki, June  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 July 2018

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital and share premium	Other reserves	Retained earnings	Total			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 August 2016		–	6,182	98,304	104,486	(275)	104,211	
Profit/(loss) for the year		–	–	34,426	34,426	(375)	34,051	
Other comprehensive income								
Fair value gain on available-for-sale financial asset	16	–	395	–	395	–	395	
<b>Total comprehensive income/(loss)</b>		–	395	34,426	34,821	(375)	34,446	
Transactions with owners in their capacity as owners								
Change in ownership interests in subsidiaries		–	–	–	–	2,058	2,058	
Dividend	12/28(b)	–	–	(75,000)	(75,000)	–	(75,000)	
Share-based compensation-value of employee services	8	–	2,222	–	2,222	–	2,222	
<b>Total transactions with owners in their capacity as owners</b>		–	2,222	(75,000)	(72,778)	2,058	(70,720)	
Balance at 31 July 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 income								
Fair value loss on available-for-sale financial asset	16	–	(395)	–	(395)	–	(395)	
<b>Total comprehensive income/(loss)</b>		–	(395)	25,883	25,488	(1,718)	23,770	
Transactions with owners in their capacity as owners								
Dividend	12/28(b)	–	–	(20,000)	(20,000)	–	(20,000)	
Shares issued pursuant to the Listing	24	135,000	–	–	135,000	–	135,000	
Listing expenses charged to share premium	24	(14,044)	–	–	(14,044)	–	(14,044)	
Share-based compensation – value of employee services	8	–	2,236	–	2,236	–	2,236	
<b>Total transactions with owners in their capacity as owners</b>		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	

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 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28(a)	48,388	35,827
Income tax paid		(9,871)	(6,793)
<b>Net cash from operating activities</b>		<u>38,517</u>	<u>29,034</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(17,979)	(6,782)
Purchases of available-for-sale financial asset	16	–	(2,000)
Increase in bank deposits with maturities over three months		(1)	(2)
Interest received		10	2
<b>Net cash used in investing activities</b>		<u>(17,970)</u>	<u>(8,782)</u>
<b>Cash flows from financing activities</b>			
Issuance of new shares	24	135,000	–
Listing expenses paid in connection with the share offer		(21,834)	(2,200)
Dividend paid	12/28(b)	(20,000)	(34,069)
Capital injection from non-controlling interests		–	2,058
<b>Net cash from/(used in) financing activities</b>		<u>93,166</u>	<u>(34,211)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		113,713	(13,959)
Cash and cash equivalents at the beginning of the year		52,990	66,949
Exchange losses on cash and cash equivalents		(3)	–
<b>Cash and cash equivalents at end of the year</b>		<u>166,700</u>	<u>52,990</u>

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.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. 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 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 of Hong Kong Limited (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.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

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:

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

		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 <i>Financial Instrument</i> with HKFRS 4 <i>Insurance Contracts</i>	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

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 2018, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

(i) *HKFRS 9 “Financial instruments”*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, for equity instruments currently classified as available-for-sale financial assets, satisfy the conditions for classifying as fair value through other comprehensive income (FVOCI). However, all fair value changes recognised in other comprehensive income can no longer be recycled to profit or loss under the new standard.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets arising from expected credit loss model, except for the prohibition from recycling of changes in fair value to profit or loss upon derecognition of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the “hedged ratio” to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. As the Group does not have any current hedge relationships, the Group does not expect a significant impact on the accounting resulted from the adoption of HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on management’s initial assessment, the adoption of the new standard may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply HKFRS 9 from 1 August 2018, with the practical expedients permitted under the standard, and accordingly will not restate the comparative year in the year of initial application. Based on the historical experience, the Group did not encounter any default cases. Thus, the implementation of HKFRS 9 is not expected to result in any significant impact on the amounts reported in respect of the Group’s financial performance and position.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

(ii) *HKFRS 15 “Revenue from contracts with customers”*

The new standard replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts, and the related literatures. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Based on management’s initial assessment, the application of HKFRS 15 is not expected to have a significant impact as majority of the revenue is contributed from private supplementary secondary school education services and private secondary day school services, while education services are considered as a single performance obligation and recognised when services are rendered. The ancillary education services, such as interview preparation and supplementary primary school education and tutorial services under “Beacon Childhood” brand, IELTS and general interest under “Beacon BExcellent” brand, are also considered as single performance obligation and recognised when services are rendered. While certain occasional separate performance obligations could affect the timing of the recognition of revenue and the amount is insignificant to the total revenue of the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1 August 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group plans to adopt the new standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognized in the opening retained earnings at 1 August 2018 and comparative information for the year ended 31 July 2018 will not be restated. Based on the Group’s assessment, the new standard will unlikely to have any material impact on the amounts reported in the consolidated financial statements.

(iii) *HKFRS 16 “Leases”*

The new standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group’s operating leases. The Group’s current accounting policy for such leases is set out in note 2.20. The Group’s non-cancellable operating lease commitments as at 31 July 2018 and 2017, are amounting to HK\$87,960,000 and HK\$82,893,000 respectively, which are not reflected in the consolidated statements of financial position, are set out in note 30(b). 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 lease, though the effect is not expected to be significant.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 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.

### 2.4 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.

### 2.5 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.

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 2.6).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Impairment of non-financial assets

Assets that are subject to amortisation 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.

### 2.7 Financial assets

#### (a) Classification

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.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'accounts and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 2.10 and 2.11).

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

### 2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of financial assets

#### (a) *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.

#### (b) *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.

### 2.10 Accounts and other receivables

Accounts and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

### 2.11 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.

### 2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Receipts in advance

Receipts in advance represent the tuition fee received while tuition services are not yet provided. The amount is recognised or amortised into the consolidated statement of comprehensive income as revenue when the tuition services are rendered.

### 2.14 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.

### 2.15 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.

### 2.16 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 statement of financial position date 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Taxation (continued)

#### (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.

### 2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service rendered, stated net of bursaries/allowances. The Group recognises revenue when the amount of revenue and costs can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

- (i) Income from private supplementary secondary school education services and private secondary day school services are recognised when courses are rendered;
- (ii) Income from ancillary education services and products are recognised when the services and products are rendered or sold; and
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 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.

(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.

### 2.19 Tutor service fees

(a) *Service agreements*

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.

(b) *Share-based compensation expenses*

The Group operates an equity-settled pre-initial public offering share option scheme (the "Scheme") under which the Group receives services from a tutor in exchange of equity instruments (options) of the Group. The fair value of the tutor services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options.

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 the statement of comprehensive income, 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.

### 2.20 Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 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.

### 2.22 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.

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.

### 2.23 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.

Risk management is carried out by management who identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Management provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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*

The Group's interest rate risk arises from bank balances. The Group's interest income will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. However, the relevant interest rate risk is insignificant to the Group.

(b) *Credit risk*

The credit risk of the Group mainly arises from deposits with banks, accounts receivables and deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

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.

Accounts receivables mainly comprise of digital receipts generated from operations with no recent history of material defaults. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(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.

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

	Within 1 year/ on demand HK\$'000	Over 1 year HK\$'000	Total HK\$'000
<b>At 31 July 2017</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	20,374	942	21,316
Amount due to a related company	42	–	42
<b>At 31 July 2018</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	24,102	422	24,524

#### 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's debt to equity ratio. During the years ended 31 July 2018 and 2017, 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 2018 and 2017 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 assets that is measured at fair value and classified as level 3 instruments for the year ended 31 July 2018 and 2017.

	Available for sale financial asset HK\$'000
<b>Balance as at 1 August 2016</b>	–
Purchase of equity share of an unlisted Hong Kong company ( <i>Note 16</i> )	2,000
Fair value gain on available-for-sale financial asset included in other comprehensive income	395
<b>Balance as at 31 July and 1 August 2017</b>	2,395
Fair value loss on available-for-sale financial asset included in other comprehensive income	(395)
<b>Balance as at 31 July 2018</b>	<b>2,000</b>

The valuation 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) Recoverability of other receivables

Management determines the provision for impairment of other receivables based on the credit history of the tutor, the outstanding contract period, the current market conditions, the valuation of the pledged collaterals, if any. 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) Recognition of share-based compensation expenses

As mentioned in Note 2.19(b) and Note 8, the Group and a tutor's service company ("Service Company") entered into a service agreement (the "Agreement") dated 3 June 2016 pursuant to which share options are subsequently granted to the Service Company under the Scheme on 27 June 2018. Judgement was used to determine the grant date of the share options.

The directors have used the Black Scholes Model to determine the total fair value of the options granted to a tutor's service company, 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 directors in applying the Black Scholes model.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (c) 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.

##### (d) Estimated useful lives of property, plant and equipment

Management determines the estimated lives and related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge 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 consider 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 consider that the Group is operated and managed as a single operating segment.

	2018 HK\$'000	2017 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>

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong. Ancillary education services and products mainly represent education related income including interview preparation and supplementary primary school education and tutorial services under "Beacon Childhood" brand, IELTS and general interest under "Beacon BExcellent" brand, mock examination services, VIP self-study services and online course scheduling and management services.

## 6 OTHER INCOME AND OTHER LOSSES

	2018 HK\$'000	2017 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>

## 7 STAFF COSTS

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and bonus	100,461	101,872
Pension costs – defined contribution retirement plans ( <i>note a</i> )	4,189	4,136
	<u>104,650</u>	<u>106,008</u>

## (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) Directors’ and chief executive’s emoluments

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

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses ( <i>Note (i)</i> ) HK\$'000	Other benefit ( <i>Note (ii)</i> ) HK\$'000	Employer’s contribution to pension scheme HK\$'000	Other emolument ( <i>Note (iii)</i> ) HK\$'000	Total HK\$'000
<i>Executive directors</i>							
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
<i>Non-executive director</i>							
Dr. Shen Xu Hui	–	342	–	–	–	–	342
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	–	–	–	–	–	–	–
Mr. Kwan Chi Hong	–	127	–	–	–	–	127
Mr. Li Kai Sing	–	–	–	–	–	–	–
	<u>–</u>	<u>5,653</u>	<u>–</u>	<u>1,056</u>	<u>72</u>	<u>–</u>	<u>6,781</u>

## 7 STAFF COSTS (CONTINUED)

## (b) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 July 2017 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	Total HK\$'000
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	1,354	-	1,046	18	-	2,418
Mr. Chan Tsz Ying, Wister	-	974	-	228	18	-	1,220
Ms. Leung Ho Ki, June	-	1,680	-	-	18	-	1,698
Mr. Li Man Wai	-	960	-	-	18	-	978
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	-	-	-	-	-	-
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	4,968	-	1,274	72	-	6,314

- (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) No director waived or agreed to waive any emoluments during the years ended 31 July 2018 and 2017.

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

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 years ended 31 July 2018 and 2017.

## 7 STAFF COSTS (CONTINUED)

### (d) Five highest paid individuals

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

	2018 HK\$'000	2017 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	7,728	10,934
Pension costs – defined contribution retirement plans	90	90
Bonus	–	–
Compensation for loss of office	–	–
	<u>7,818</u>	<u>11,024</u>

The five individuals whose emoluments were the highest in the Group included 3 directors, (2017: 3 directors) for the year ended 31 July 2018, whose emoluments are reflected in the analysis presented in above. The emoluments of the remaining individuals fell within the following bands:

	2018 HK\$'000	2017 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	–	–
HK\$2,500,001-HK\$3,000,000	–	1
HK\$3,000,001-HK\$3,500,000	–	1
	<u>2</u>	<u>2</u>

During the year ended 31 July 2018, no emolument was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

## 8 SHARE-BASED COMPENSATION EXPENSES

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. During the year ended 31 July 2018, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately HK\$2,236,000 (2017: HK\$2,222,000) and were included in tutor service fees.



## 8 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Set out below are summaries of options granted under the contract with a tutor's service company:

	2018		2017	
	Exercise price per share option HK cents	Number of options	Exercise price per share option HK cents	Number of options
At beginning of the year	54	25,000,000	54	25,000,000
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
At end of the year	<u>54</u>	<u>25,000,000</u>	<u>54</u>	<u>25,000,000</u>
Vested and exercisable at end of the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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.

## 9 PROFIT BEFORE TAXATION

	2018 HK\$'000	2017 HK\$'000
<b>Profit before taxation has been arrived at after charging:</b>		
Auditor's remuneration	1,506	526
Listing expenses	14,752	2,200
Rental expenses under operating leases	51,237	50,133
Printing and stationary	<u>30,048</u>	<u>30,445</u>

## 10 TAXATION

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

	2018 HK\$'000	2017 HK\$'000
Current income tax		
– Hong Kong profits tax	8,758	7,905
– Deferred income tax ( <i>Note 15</i> )	<u>(1,859)</u>	<u>(7)</u>
	<u>6,899</u>	<u>7,898</u>

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 July 2018.

## 10 TAXATION (CONTINUED)

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:

	2018 HK\$'000	2017 HK\$'000
Profit before taxation	<u>31,064</u>	<u>41,949</u>
Calculated at a taxation rate of 16.5%	5,126	6,922
Income not subject to taxation	(2)	–
Expenses not deductible for taxation purposes	2,236	1,069
Utilisation of previously unrecognised tax losses	–	(17)
Tax losses with no deferred tax assets recognised	1	–
Over-provision in prior year	(506)	–
Others	<u>44</u>	<u>(76)</u>
Income tax expense	<u>6,899</u>	<u>7,898</u>

## 11 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:

	2018	2017
Profit attributable to owners of the Company (HK\$'000)	25,883	34,426
Weighted average number of shares in issue (thousand shares) (note (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>6.78</u>	<u>9.18</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; and (ii) 374,999,990 ordinary shares of the Company issued and allotted to Beacon Enterprise 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 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.

## 11 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.

	2018	2017
Profit attributable to owners of the company (HK\$'000)	25,883	34,426
Total diluted earnings per share attributable to owners of the company (HK cents)	6.78	9.18

#### Weighted average number of shares used as the denominator

	2018	2017
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	381,506,849	375,000,000
Adjustments for calculation of diluted earnings per share:		
Options	393,122	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	381,899,971	375,000,000

## 12 DIVIDENDS

During the year ended 31 July 2018, the Company declared and paid a dividend of HK\$20,000,000 to its then shareholders of the Company prior to Listing 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 to its then shareholders of the Company on 28 December 2016 and 26 July 2017 respectively. The dividends were settled in full.

## 13 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
<b>As at 1 August 2016</b>					
Cost	32,297	7,337	20,203	2,413	62,250
Accumulated depreciation	(17,344)	(5,552)	(16,142)	(1,719)	(40,757)
Net book amount	<u>14,953</u>	<u>1,785</u>	<u>4,061</u>	<u>694</u>	<u>21,493</u>
<b>Year ended 31 July 2017</b>					
Opening net book amount	14,953	1,785	4,061	694	21,493
Additions	4,528	208	2,046	–	6,782
Depreciation	(4,856)	(634)	(1,774)	(215)	(7,479)
Disposals	(167)	(59)	(121)	–	(347)
Closing net book amount	<u>14,458</u>	<u>1,300</u>	<u>4,212</u>	<u>479</u>	<u>20,449</u>
<b>As at 31 July 2017</b>					
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	<u>14,458</u>	<u>1,300</u>	<u>4,212</u>	<u>479</u>	<u>20,449</u>
<b>Year ended 31 July 2018</b>					
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	<u>18,887</u>	<u>1,283</u>	<u>7,837</u>	<u>921</u>	<u>28,928</u>
<b>As at 31 July 2018</b>					
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	<u>18,887</u>	<u>1,283</u>	<u>7,837</u>	<u>921</u>	<u>28,928</u>

## 14 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2018 and 2017 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	
				2018	2017
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 activity 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 research and development within the education indirectly	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%
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 Tsui Sha Tsui	100%	100%
JR (ST) Limited	Hong Kong 29 May 2002	HK\$2,000	Operation of teaching centres located in Shatin	100%	100%

## 14 SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at 31 July 2018 and 2017 are as follows: (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	
				2018	2017
JR (TM) Limited	Hong Kong 19 June 2002	HK\$2,000	Operation of teaching centres located in Tuen Man, Tsuen Wan and Tseung Kwan O	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 available-for-sale financial assets.

## 15 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.

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets	3,589	1,719
Deferred income tax liabilities	(28)	(17)
	<u>3,561</u>	<u>1,702</u>
At beginning of the year	1,702	1,695
Credited to profit or loss	1,859	7
At end of the year	<u>3,561</u>	<u>1,702</u>

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 2016	1,536	159	–	1,695
(Charged)/credited to profit or loss	(205)	229	–	24
At 31 July 2017	1,331	388	–	1,719
Credited to profit or loss	110	946	814	1,870
At 31 July 2018	<u>1,441</u>	<u>1,334</u>	<u>814</u>	<u>3,589</u>

## 15 DEFERRED INCOME TAX (CONTINUED)

## Deferred income tax liabilities

	Accelerated accounting depreciation	
	2018 HK\$'000	2017 HK\$'000
At beginning of the year	(17)	–
Charged to profit or loss	(11)	(17)
At end of the year	(28)	(17)

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\$1,000 (2017: nil) in respect of losses amounting to HK\$9,000 (2017: nil) as at 31 July 2018 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.

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2018 HK\$'000	2017 HK\$'000
<b>Unlisted security</b>		
At beginning of year	2,395	–
Additions	–	2,000
Fair value (loss)/gain ( <i>Note 26</i> )	(395)	395
At end of year	2,000	2,395

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).

## 17 ACCOUNTS RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Accounts receivables	1,468	976
Less: Provision for impairment	(140)	–
Accounts receivables – net	1,328	976

## 17 ACCOUNTS RECEIVABLES (CONTINUED)

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 2018 and 2017, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2018 HK\$'000	2017 HK\$'000
1-30 days	1,175	705
31-60 days	2	39
Over 60 days	291	232
	<u>1,468</u>	<u>976</u>

As at 31 July 2018, accounts receivables of HK\$1,328,000 (2017: HK\$976,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the over due amount can be recovered. As at 31 July 2018 and 2017, the ageing analysis of these receivables is as follows:

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

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	–	–
Provision for impairment recognised during the year	140	–
At end of the year	<u>140</u>	<u>–</u>

The maximum exposures of the Group to credit risk as at 31 July 2018 and 2017 are the carrying value of accounts receivables mentioned above.

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	1,345	976
Australian dollar	106	–
British pound	17	–
	<u>1,468</u>	<u>976</u>

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



## 18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Other receivables	<i>i</i>	7,440	6,394
Deposits and prepayments	<i>ii</i>	37,990	36,826
		<u>45,430</u>	<u>43,220</u>
Less: non-current portion		<u>9,809</u>	<u>14,099</u>
Deposits, prepayments and other receivables – current portion		<u>35,621</u>	<u>29,121</u>

*Notes:*

- (i) Other receivables mainly represent amounts due from a cash collection company and 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 2018, no other receivables were past due but not impaired (2017: nil).

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

## 19 AMOUNTS DUE FROM/(TO) A SUBSIDIARY AND RELATED COMPANIES

	2018 HK\$'000	2017 HK\$'000
<b>Group</b>		
Amount due from a related company	–	45
Amount due to a related company	–	(42)
<b>Company</b>		
Amount due from a subsidiary	8,000	1,836
Amount due to a subsidiary	(15,938)	–

Balance with a subsidiary and related companies are unsecured, have no fixed repayment terms and interest-free. The balances are also non-trade in nature.

## 20 CASH AND BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Cash and cash equivalents	166,700	52,990
Short-term bank deposits maturing over 3 months	914	913
	<u>167,614</u>	<u>53,903</u>

## 20 CASH AND BANK BALANCES (CONTINUED)

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	167,486	53,873
Renminbi	30	30
British pound	73	–
Australian dollar	25	–
	<u>167,614</u>	<u>53,903</u>

## 21 RECEIPTS IN ADVANCE

Receipts in advance represents the tuition fee collected for tutoring services that have not yet been rendered before respective year ends.

## 22 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 HK\$'000	2017 HK\$'000
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 23</i> )	(2,215)	(1,943)
	<u>1,984</u>	<u>1,661</u>

## 23 OTHER NON-CURRENT LIABILITIES

	2018 HK\$'000	2017 HK\$'000
Provision of reinstatement cost ( <i>Note 22</i> )	2,215	1,943
Unamortised rent-free expenses	422	942
	<u>2,637</u>	<u>2,885</u>

## 24 SHARE CAPITAL

	Note	2018		2017	
		Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Authorised:</b>					
At beginning of the year	(a)	38,000,000	380	38,000,000	380
Increase in authorised share capital	(b)	9,962,000,000	99,620	-	-
At end of the year		<u>10,000,000,000</u>	<u>100,000</u>	<u>38,000,000</u>	<u>380</u>
<b>Issued and fully paid:</b>					
At beginning of the year	(a)	10	-	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		<u>500,000,000</u>	<u>120,956</u>	<u>10</u>	<u>-</u>

- (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.
- (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.

## 25 RETAINED EARNINGS

### Group

Movements in retained earnings were as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	57,730	98,304
Profit for the year	25,883	34,426
Dividends ( <i>Note 12/28(b)</i> )	(20,000)	(75,000)
At end of the year	<u>63,613</u>	<u>57,730</u>

### Company

Movements in accumulated losses were as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	(857)	(10,335)
Profit for the year	15,457	9,478
Dividends ( <i>Note 12/28(b)</i> )	(20,000)	–
At end of the year	<u>(5,400)</u>	<u>(857)</u>

## 26 OTHER RESERVES

### Group

	Available-for-sale financial asset reserve HK\$'000	Share-based compensation reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1 August 2016	–	471	5,711	6,182
Share-based compensation ( <i>Note 8</i> )	–	2,222	–	2,222
Fair value gain on available-for-sale financial asset ( <i>Note 16</i> )	395	–	–	395
At 31 July 2017	395	2,693	5,711	8,799
Share-based compensation ( <i>Note 8</i> )	–	2,236	–	2,236
Fair value loss on available-for-sale financial asset ( <i>Note 16</i> )	(395)	–	–	(395)
At 31 July 2018	<u>–</u>	<u>4,929</u>	<u>5,711</u>	<u>10,640</u>

## 26 OTHER RESERVES (CONTINUED)

## Company

	Share-based compensation reserve HK\$'000	Other reserve (Note) HK\$'000	Total HK\$'000
At 1 August 2016	471	95,700	96,171
Share-based compensation (Note 8)	2,222	–	2,222
Dividend (Note 12)	–	(75,000)	(75,000)
At 31 July 2017	2,693	20,700	23,393
Share-based compensation (Note 8)	2,236	–	2,236
At 31 July 2018	4,929	20,700	25,629

*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 2018 (Note 12).

## 27 NON-CONTROLLING INTERESTS

As at 31 July 2018, the total non-controlling interests was HK\$(310,000) (2017:HK\$1,408,000). As at 31 July 2018, non-controlling interests amounting to approximately HK\$1,329,000 (2017: HK\$1,901,000) was attributed to Ascent Prep International Education Limited, which is a new subsidiary set up during the year ended 31 July 2017. The non-controlling interests as at 31 July 2018 and 2017 in respect of Ascent Prep International Education Limited, Glocal Education Services Limited, Glocal Development Group Limited, Glocal Research and Development Company Limited and BEE-2-BEE Limited are not 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.

## 27 NON-CONTROLLING INTERESTS (CONTINUED)

## Summarised statement of financial position

	Ascent Prep International Education Limited	
	2018 HK\$'000	2017 HK\$'000
<b>Current</b>		
Assets	1,110	3,545
Liabilities	(2,218)	(137)
Total current net (liabilities)/assets	<u>(1,108)</u>	<u>3,408</u>
<b>Non-current</b>		
Assets	2,480	690
Liabilities	(207)	(220)
Total non-current net assets	<u>2,273</u>	<u>470</u>
Net assets	<u>1,165</u>	<u>3,878</u>

## Summarised statement of comprehensive income

	Ascent Prep International Education Limited	
	2018 HK\$'000	2017 HK\$'000
Revenue	2,014	115
Staff costs	(2,128)	(198)
Operating lease payments	(1,230)	(204)
Advertising and promotion expenses	(134)	–
Printing and other operating expenses	(1,551)	(96)
Depreciation	(215)	–
Loss before taxation	(3,244)	(383)
Income tax credit	531	61
Loss for the year	<u>(2,713)</u>	<u>(322)</u>
Loss and total comprehensive loss attributable to		
– Owners of the Company	(1,384)	(164)
– Non-controlling interests	(1,329)	(158)
	<u>(2,713)</u>	<u>(322)</u>

## 27 NON-CONTROLLING INTERESTS (CONTINUED)

## Summarised statement of cash flows

	Ascent Prep International Education Limited	
	2018 HK\$'000	2017 HK\$'000
Net cash generated from/(used in) operating activities	79	(1,796)
Net cash used in investing activity	(1,628)	–
Net cash generated from financing activity	–	4,200
Net (decrease)/increase in cash and cash equivalents	(1,549)	2,404
Cash and cash equivalents at end of the year	855	2,404

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

## 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Cash generated from operations

	2018 HK\$'000	2017 HK\$'000
Profit before taxation	31,064	41,949
Adjustments for:		
– Depreciation of property, plant and equipment	9,166	7,479
– Loss on disposal of property, plant and equipment	334	347
– Share-based compensation expenses	2,236	2,222
– Interest income	(10)	(2)
– Exchange differences	1	–
Change in working capital		
– Accounts receivables	(349)	(507)
– Deposits, prepayments and other receivables	4,318	(9,746)
– Amount due from a related company	45	(45)
– Amount due to a related company	(42)	12
– Receipts in advance	(3,441)	(868)
– Other payables	5,066	(5,014)
Cash generated from operations	48,388	35,827

## 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

## (b) Non-cash transaction

Among the dividends of HK\$75,000,000 declared and settled during the year ended 31 July 2017, approximately HK\$34,069,000 was settled in cash while the remaining was settled by offsetting the amounts due from shareholders of Beacon College Limited.

	Liabilities from financing activities		Total HK\$'000
	Accrual for listing expenses HK\$'000	Dividend payable HK\$'000	
Balance as at 1 August 2016	3,005	–	3,005
Cash flows	(2,200)	(34,069)	(36,269)
Non-cash movements	619	34,069	34,688
Balance as at 31 July 2017	1,424	–	1,424
Cash flows	(1,263)	(20,000)	(21,263)
Non-cash movements	5,309	20,000	25,309
Balance as at 31 July 2018	5,470	–	5,470

## 29 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 2018 and 2017:

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 2018 and 2017 carried out by the Group in the normal course of its business:

	2018 HK\$'000	2017 HK\$'000
Service fees to Hong Kong International Affairs Consultancy Company Limited ( <i>note i</i> )	60	240
Licence income from Jiangxi Dragonway Bliss ( <i>note ii</i> )	(59)	(45)
	1	195



## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

*Note iii:* The Group considers the executive directors as the key management and their compensation are disclosed in Note 7(b).

## 30 COMMITMENTS

### (a) Capital commitments – Office and laboratory equipment

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for	289	360

### (b) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases in respect of teaching centres, offices and warehouse are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	46,903	40,599
Later than one year but within five years	41,057	42,294
	87,960	82,893

## 31 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 July 2018 (2017: Nil).

## 32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The event occurring after the reporting period is disclosed as follow:

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 has been filed by Beacon College Limited with the High Court of Hong Kong on 22 October 2018. For details of the litigation please refer to the Company’s announcements dated 1 August 2018 and 22 October 2018, respectively.

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

	2018 HK\$'000	For the year ended 31 July		2015 HK\$'000
		2017 HK\$'000	2016 HK\$'000	
Revenue	408,120	376,396	376,225	327,817
Other income	1,396	1,063	244	185
Other losses – net	(335)	(347)	(489)	(122)
Operating expenses	(378,117)	(335,163)	(338,181)	(290,965)
Profit before taxation	31,064	41,949	37,799	36,915
Profit for the year	24,165	34,051	30,268	30,769
Adjusted net profit ( <i>Note 1</i> )	41,153	38,473	40,603	32,814
Adjusted net profit margin	10.1%	10.2%	10.8%	10.0%

### *Note 1:*

Adjusted net profit was derived from the profit for the year after adjusting for those items which are not indicative of the Group's operating performances such as listing expenses and share-based payments.

## 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.

	2018	For the year ended 31 July		2015
		2017	2016	
Number of unique student enrollments ('000)	55	60	64	62
Total number of session enrollments ('000)	664	658	681	600
Average number of sessions enrolled per student	12.1	10.9	10.7	9.6
Maximum classroom capacity ( <i>Note 2</i> )	3,725	3,760	4,145	4,390
Revenue (HK\$'000) per average classroom capacity	97	89	81	65
Occupancy rate ( <i>Note 3</i> )	38.0	39.3	34.6	28.9

### *Note 2:*

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 3:*

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

	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets	44,326	38,662	34,216	27,015
Current assets	204,616	84,100	129,539	97,987
<b>Total assets</b>	<b>248,942</b>	<b>122,762</b>	<b>163,755</b>	<b>125,002</b>
Total equity	194,899	67,937	104,211	73,469
Current liabilities	51,378	51,923	55,890	50,210
Non-current liabilities	2,665	2,902	3,654	1,323
<b>Total equity and total liabilities</b>	<b>248,942</b>	<b>122,762</b>	<b>163,755</b>	<b>125,002</b>
<b>Net Current assets</b>	<b>153,238</b>	<b>32,177</b>	<b>73,649</b>	<b>47,777</b>

## OPERATING CASH FLOWS

	2018 HK\$'000	For the year ended 31 July		2015 HK\$'000
		2017 HK\$'000	2016 HK\$'000	
Net cash from operating activities	38,517	29,034	53,867	32,018

## CAPITAL EXPENDITURES

	2018 HK\$'000	For the year ended 31 July		2015 HK\$'000
		2017 HK\$'000	2016 HK\$'000	
Payments for property, plant and equipment	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
“EDB”	the Education Bureau of the Government
“Education (Exemption) Order” or “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
“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
“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
“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)
“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

