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BExcellent Group Holdings Limited

精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1775)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2019

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the six months ended 31 January 2019 comparing to that of the same period in the previous financial year is as follows:

- The Group's revenue decreased by 10.7% from HK\$243.7 million to HK\$217.5 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by 17.0% from approximately 405,000 to approximately 336,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services decreased by 10.9% from 9.2 to 8.2.
- Net profit for the period decreased by 35.4% from HK\$41.1 million to HK\$26.5 million.
- Bank balances and cash were recorded at HK\$191.3 million with no bank borrowings as at the end of period.
- The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2019 (2018: HK\$ 20 million).

INTERIM RESULTS (UNAUDITED) FOR THE SIX MONTHS ENDED 31 JANUARY 2019

The board (“**Board**”) of directors (“**Directors**”) of BExcellent Group Holdings Limited (“**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 January 2019 together with the comparative unaudited figures for the comparable period in 2018, which have been reviewed by the Company's audit committee. Unless specified otherwise, (i) capitalised terms used herein shall have the same meanings as used in the immediately preceding annual report of the Company; and (ii) where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31 January 2019

	<i>Note</i>	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Revenue	3	217,546	243,710
Other income	4	2,881	387
Other losses		(8)	(329)
Staff costs	5	(52,919)	(53,197)
Tutor service fees		(52,973)	(54,740)
Operating lease payments		(27,057)	(26,851)
Advertising and promotion expenses		(9,125)	(8,996)
Printing and other operating expenses		(41,042)	(45,601)
Depreciation and amortisation		(5,464)	(4,085)
Profit before taxation		31,839	50,298
Taxation	6	(5,308)	(9,226)
Profit for the period		26,531	41,072
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Fair value (loss)/gain on available-for-sale financial asset		—	—
Total comprehensive income for the period		26,531	41,072
Profit/(loss) attributable to			
– Owners of the Company		27,250	42,089
– Non-controlling interests		(719)	(1,017)
		26,531	41,072
Total comprehensive income/(loss) attributable to			
– Owners of the Company		27,250	42,089
– Non-controlling interests		(719)	(1,017)
		26,531	41,072
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	7	5.45	11.22
Diluted earnings per share	7	5.42	11.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2019

		31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		25,373	28,928
Intangible assets		2,531	–
Prepayments	<i>9b</i>	11,969	9,809
Deferred tax assets		4,364	3,589
Other investment		2,000	2,000
		<u>46,237</u>	<u>44,326</u>
Current assets			
Accounts receivables	<i>9a</i>	1,115	1,328
Deposits, prepayments and other receivables	<i>9b</i>	36,857	35,621
Income tax recoverable		–	53
Cash and cash equivalents		68,413	166,700
Short-term deposits		122,914	914
		<u>229,299</u>	<u>204,616</u>
		<u>275,536</u>	<u>248,942</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>11</i>	120,956	120,956
Other reserves		11,555	10,640
Retained earnings		70,863	63,613
		203,374	195,209
Non-controlling interests		(1,029)	(310)
Total equity		<u>202,345</u>	<u>194,899</u>

		31 January	31 July
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Amounts due to related companies		2,000	–
Receipts in advance		30,681	15,880
Other payables	<i>10a</i>	27,522	26,086
Current income tax payable		9,067	9,412
		<u>69,270</u>	<u>51,378</u>
Non-current liabilities			
Other non-current liabilities	<i>10b</i>	3,885	2,637
Deferred tax liabilities		36	28
		<u>3,921</u>	<u>2,665</u>
Total liabilities		<u>73,191</u>	<u>54,043</u>
TOTAL EQUITY AND LIABILITIES		<u>275,536</u>	<u>248,942</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

1. GENERAL INFORMATION

BExcellent Group Holdings Limited (“**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 (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (“**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 condensed consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 July 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) and interpretation issued by the HKICPA as noted below.

Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendment to HKFRS 15	Clarification to HKFRS 15
Amendment to HKAS 28	Investments in Associates and Joint Ventures
Amendment to HKAS 40	Transfers of Investment Properties
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendment to HKFRS 1 and HKAS28

The Group has not early adopted the new and revised standards and amendments to HKFRSs that have been issued but are yet to be effective. The Group is in the process of making an assessment of their impact on the Group’s results of operations and financial position.

Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial instruments and HKFRS 15 Revenue from contracts with customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

HKFRS 9 “Financial Instruments”

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed as at 1 August 2018 in accordance with the transition requirements.

The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity as at 1 August 2018. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“**FVPL**”), amortised cost, or fair value through other comprehensive income (“**FVOCI**”). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding (the “**SPPI criterion**”).

The new classification and measurement of the Group's financial assets are as follows:

1. Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
2. Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 August 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 August 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The Group's unlisted equity investments of HK\$2,000,000 included within other investment were previously classified as available-for-sale investments and measured at FVOCI under HKAS 39. Under HKFRS 9, they have been classified and measured as financial assets at FVPL. HKFRS 9 requires an impairment on trades receivables, amounts due from associates, and deposits and other receivables that are not accounted for at FVPL under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which means that the cumulative impact of the adoption will be recognized in the opening retained earnings as at 1 August 2018 and did not restate the comparative information. Based on the Group’s assessment, the adoption of HKFRS 15 has no significant impact on the amounts reported in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

The CODM 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.

a) Operating segment

	Six months ended 31 January	
	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)
Private supplementary secondary school education services	189,353	218,753
Private secondary day school services	6,387	6,300
Ancillary education services and products	21,806	18,657
	<u>217,546</u>	<u>243,710</u>

b) Geographical information

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

4. OTHER INCOME

	Six months ended 31 January	
	2019	2018
	<i>HK\$'000</i>	HK\$'000
	(unaudited)	(unaudited)
Other income		
– Advertising income	1,433	367
– Interest income	927	1
– Sundry income	521	19
	2,881	387

5. STAFF COSTS

	Six months ended 31 January	
	2019	2018
	<i>HK\$'000</i>	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and bonus	50,874	51,075
Pension costs-defined contribution	2,033	2,122
Share-based payments	12	–
	52,919	53,197

6. TAXATION

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax:		
– Hong Kong profits tax	6,075	9,775
– Deferred income tax	(767)	(549)
	<u>5,308</u>	<u>9,226</u>

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for both periods.

7. EARNINGS PER SHARE

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

a) Basic

	Six months ended 31 January	
	2019	2018
	(unaudited)	(unaudited)
Profit attributable to owners of the Company (HK\$'000)	27,250	42,089
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>375,000</u>
Total basic earnings per share for profit attributable to owners of the Company (HK cents)	<u>5.45</u>	<u>11.22</u>

b) Diluted

	2019	2018
	(unaudited)	(unaudited)
Profit attributable to owners of the Company (HK\$'000)	27,250	42,089
Weighted average number of shares in issue (thousand shares)	<u>502,439</u>	<u>375,000</u>
Total diluted earnings per share attributable to owners of the Company (HK cents)	<u>5.42</u>	<u>11.22</u>

8. DIVIDENDS

During the current interim period, a final dividend of HK3.0 cents per share (total final dividend of HK\$15,000,000), and a special dividend of HK1.0 cents per share (total special dividend of HK\$5,000,000) in respect of the year ended 31 July 2018 were paid to shareholders.

The Directors do not recommend the payment of interim dividend for the six months ended 31 January 2019 (2018: HK\$20,000,000).

9. ACCOUNTS AND OTHER RECEIVABLES

(a) Accounts receivables

	31 January 2019 <i>HK\$'000</i> (unaudited)	31 July 2018 <i>HK\$'000</i> (audited)
Accounts receivables	1,302	1,468
Less: Provision for impairment	(187)	(140)
	<hr/>	<hr/>
Accounts receivables – net	1,115	1,328
	<hr/> <hr/>	<hr/> <hr/>

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

	31 January 2019 <i>HK\$'000</i> (unaudited)	31 July 2018 <i>HK\$'000</i> (audited)
1-30 days	792	1,175
31-60 days	58	2
Over 60 days	452	291
	<hr/>	<hr/>
	1,302	1,468
	<hr/> <hr/>	<hr/> <hr/>

(b) Deposits, prepayments and other receivables

Other receivables	9,689	7,440
Deposits and prepayments	39,137	37,990
	<hr/>	<hr/>
	48,826	45,430
	<hr/> <hr/>	<hr/> <hr/>

10. OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

(a) Other payables

Included in other payables is a current portion of provision of reinstatement cost of HK\$2,014,000 (31 July 2018: HK\$1,984,000). Movement of provision of reinstatement cost is as follows:

	31 January 2019 <i>HK\$'000</i> (unaudited)	31 July 2018 <i>HK\$'000</i> (audited)
Balance as at beginning of the period/year	4,199	3,604
Additions	42	654
Utilisation	—	(59)
	<hr/>	<hr/>
Balance as at closing of the period/year	4,241	4,199
Less: non-current portion (<i>Note 10b</i>)	(2,227)	(2,215)
	<hr/>	<hr/>
Current portion	<u>2,014</u>	<u>1,984</u>

(b) Non-current liabilities

Provision of reinstatement cost (<i>Note 10a</i>)	2,227	2,215
Unamortised rent-free expenses	<u>1,658</u>	<u>422</u>
	<hr/>	<hr/>
Other non-current liabilities	<u>3,885</u>	<u>2,637</u>

11. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 July 2018 (audited) and 31 January 2019 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 31 July 2018 (audited) and 31 January 2019 (unaudited)	<u>500,000,000</u>	<u>120,956</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 31 January 2019, the Group's principal business remained unchanged which include the provision of private supplementary secondary school education services and the operation of private secondary day school 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 January 2019, we operated 19 teaching centres, with a total of 131 classrooms, which, in accordance with the Education Bureau of the Government of Hong Kong's guidelines, allow a maximum classroom capacity of 3,918 students to attend class at any one time.

Set out below is a summary of revenue and session enrollments for each category of services which we provided and the number of unique students for private supplementary secondary school education services and private secondary day school services for each of the six months ended 31 January 2019 and 2018:

	For the six months ended 31 January	
	2019	2018
	(unaudited)	(unaudited)
Private supplementary secondary school education services		
– Revenue (<i>HK\$'000</i>)	189,353	218,753
– Unique student enrollment (<i>'000</i>)	41	44
– Session enrollment (<i>'000</i>)	336	405
Private secondary day school services		
– Revenue (<i>HK\$'000</i>)	6,387	6,300
– Unique student enrollment (<i>'000</i>)	0.4	0.4
– Session enrollment (<i>'000</i>)	1.7	1.7
Ancillary education services and products		
– Revenue (<i>HK\$'000</i>)	21,806	18,657
– Session enrollment (<i>'000</i>)	17	19

i) Private supplementary secondary school education services

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

	For the six months ended 31 January			
	2019		2018	
	Session enrollment '000	Revenue HK\$'000 (unaudited)	Session enrollment '000	Revenue HK\$'000 (unaudited)
Regular courses	247	150,641	291	173,154
Intensive courses	38	14,245	44	17,611
Summer courses	51	24,467	70	27,988
Total	<u>336</u>	<u>189,353</u>	<u>405</u>	<u>218,753</u>
Average course fees per session enrollment (HK\$)		<u>564</u>		<u>540</u>

Mainly due to the decline in session enrollments as experienced in the private supplementary secondary school industry, revenue declined by 13.4% when compared with the same period in the previous financial year.

ii) Private secondary day school services

Due to the slight increase in the number of private secondary day school unique student enrollments, revenue increased by approximately 1% when compared with the same period in the previous financial year. We will continue to integrate resources across different brands within our Group such as Beacon CAPE, GES, Beacon BExcellent and Beacon College to create more values and opportunities to our day school students who, for example, are interested to study abroad.

iii) Ancillary education services and products

The table below shows the components of the ancillary education services and products for each of the six months ended 31 January 2019 and 2018:

	For the six months ended 31 January	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Mock examination services	4,476	6,068
Beacon Childhood	6,759	4,285
Video Induced Pedagogy self-study services	3,533	3,886
Beacon BExcellent	1,388	970
Others	5,650	3,448
Total	<u>21,806</u>	<u>18,657</u>

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

Beacon Childhood is one of the growth momentums for revenue in recent few years and achieved 57.7% (2018: 85.7%) revenue growth for the six months ended 31 January 2019. We have been strengthening our teaching team and the team composition together with network optimisation and our continuous efforts in widening course variety. A new teaching centre namely Diverse Learning Centre was established under Beacon Childhood and in progress of obtaining the necessary school license. In view of the market potential in childhood education industry experienced in the past few years, our Group will continue to capture such market growth by (i) expanding our network through opening new centres or acquisition of existing ones; (ii) engaging highly qualified tutors to enhance the credibility of our child education services; and (iii) collaborating with reputable education brands in launching various educational programs.

OUTLOOK AND FUTURE DEVELOPMENTS

The Group has initiated new moves to pursue its growth strategies of (i) further expanding and optimizing its network of teaching centres and offering of education services and (ii) further expanding the Beacon Childhood network and products offering.

In March 2019, the Group is in the preparation of the launch of its 20th teaching centre, which is a diverse learning centre under the Beacon Childhood brand, offering various child education activities and training in relation to academic achievement, emotional intelligence, STEAM and global vision. The Group also seeks to maintain close-knit collaboration with reputable education institutions to provide more offerings of academic assessment and language education services to its students and clients.

At the same time, the Group continues to invest in the enhancement of the Group's information technology infrastructure to strengthen the Group's education services and expand its offering of education services with the goal to maintain and further strengthen its position as a leading private supplementary secondary school education services provider in Hong Kong. Subsequent to the acquisition of an information technology company, Vioo Company Limited, and the engagement of a Chief Information Officer in the Group's management team in January 2019, the Group continues its effort in upgrading the information technology infrastructure in the Group's management and student enrollment systems. In mid-March, the Group launched an Online to Offline (O2O) platform, www.BOnLine.com.hk ("**BOnLine**") with the aim to extend its offline classroom teaching to an online, anytime, self-tracking study platform for the benefit of its students. It enhances students' learning experience by encouraging academic interaction between tutors and learners on the internet and at the same time provides knowledge assessment referencing learners' performance statistics. The Directors believe that the launch of BOnLine will not only lead the Group into the new market of online learning and further enhance tutors' market exposure, but also kick-start a new era of education in combination with big data.

In line with the development of digital learning and assessment offerings, in March 2019, the Group has signed a strategic memorandum of understanding with China Mobile Hong Kong Limited, a wholly-owned subsidiary of China Mobile Limited (Stock Code: 941), to jointly develop high-value-added supplementary education services and solutions in the Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**"), in particular digital education product(s) and/or platform(s) integrated with big data to facilitate learning assessment and progress-tracking, via multi-media communications and technological solutions. The Directors are optimistic that the Group will benefit from the potential expansion of its influences over its targeted customers from Hong Kong to the whole of the Greater Bay Area.

In the near future, the Group aspires to further leverage on the abovementioned synergetic resources and platforms, engage and join hands with different experts, and endeavor to utilize technologies in the collection, application and analysis of multi-perspective information to develop and provide even more effective learning and assessment tools to local students and even students and education institutions in the Greater Bay Area.

Directors maintain a positive view on the future development of the Group's business and believe that such prospect may possibly be immense.

FINANCIAL REVIEW

Revenue

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

Our Group’s total revenue decreased by HK\$26.2 million, or 10.7%, from HK\$243.7 million for the six months ended 31 January 2018 to HK\$217.5 million for the six months ended 31 January 2019. This was mainly due to the revenue decline from provision of private supplementary secondary school education services by HK\$29.4 million partially offset by the continuous growth in revenue from ancillary education services and products.

Revenue from provision of private supplementary secondary school education services decreased by HK\$29.4 million, or 13.4% from HK\$218.8 million for the six months ended 31 January 2018 to HK\$189.4 million for the six months ended 31 January 2019, which was largely due to the decrease in number of our Group’s session enrollments by approximately 69,000 or 17.0% from approximately 405,000 for the six months ended 31 January 2018 to approximately 336,000 for the six months ended 31 January 2019.

Revenue from the provision of the ancillary education services and products increased by HK\$3.1 million, or 16.9% from HK\$18.7 million for the six months ended 31 January 2018 to HK\$21.8 million for the six months ended 31 January 2019.

This is due to the growth in revenue from Beacon Childhood by HK\$2.5 million or 57.7% from HK\$4.3 million for the six months ended 31 January 2018 to HK\$6.8 million for the six months ended 31 January 2019 and the increase was mainly attributable to the increase in number of course types offered as well as the number of student enrollments. Mock examination services is the second largest component of our ancillary education services. Such revenue dropped by HK\$1.6 million from HK\$6.1 million for the six months ended 31 January 2018 to HK\$4.5 million for the six months ended 31 January 2019. The decrease was mainly caused by the timing difference which the relevant services were rendered during the two periods respectively. Other services including online retail business, overseas consultation services as well as other educational services recorded growth in the current period.

Other income

Other income consists primarily of advertising income, interest income from bank deposit and dividend income from unlisted investment.

Other income significantly increased by 643.7% from HK\$0.4 million for the six months ended 31 January 2018 to HK\$2.9 million for the six months ended 31 January 2019. This increase was primarily attributable to the increase in advertising income and income from bank deposits of the unutilized listing proceeds.

Major costs component

The summary below shows the major costs components of our Group among which 57.8% (2018:57.0%) is related to labor costs followed by operating lease payment, advertising and promotion expenses, and printing and other operating expenses.

	For the six months ended 31 January			
	2019 <i>HK\$'000</i> (unaudited)	% of <i>revenue</i>	2018 <i>HK\$'000</i> (unaudited)	% of <i>Revenue</i>
Staff costs	52,919	24.3	53,197	21.8
Tutor service fee	52,973	24.4	54,740	22.5
Operating lease payment	27,057	12.4	26,851	11.0
Advertising and promotion expenses	9,125	4.2	8,996	3.7
Printing and other operating expenses	41,042	18.9	45,601	18.7

Staff costs

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

The staff costs slightly decreased by HK\$0.3 million or 0.5% from HK\$53.2 million for the six months ended 31 January 2018 to HK\$52.9 million for the six months ended 31 January 2019. Such decrease was mainly attributable to the net effect of (i) a number of tutors with service fees remunerated having their contracts renewed and switched from employment contracts to service agreements; and (ii) the increase in general staff benefit as well as recruitment of more staff to cope with our business expansion and development.

Tutor service fees

Tutor service fees include service agreements and share-based payments.

Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to the growth of our Group's revenue. Such expense decreased from HK\$54.7 million for the six months ended 31 January 2018 to HK\$53.0 million for the six months ended 31 January 2019.

The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services partially offset by the increase in the number of the existing tutors being engaged under employment contracts switching to service agreements after the expiration of their respective employment contracts.

Operating lease payments

Operating lease payments are one of the largest components of the Group's operating costs, accounting for 12.4% (2018: 11.0%) of the Group's total revenue. Such payments slightly increased by HK\$0.2 million or 0.8% from HK\$26.9 million for the six months ended 31 January 2018 to HK\$27.1 million for the six months ended 31 January 2019. Such increase was mainly attributable to the newly leased centres in Tsuen Wan and Prince Edward which was partially offset by the closing of another teaching centre in Causeway Bay.

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. The Group incurred HK\$0.9 million as part of the usage of listing proceeds for advertising and promotion expenses during the six months ended 31 January 2019.

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 decreased by HK\$4.6 million or 10.0% from HK\$45.6 million for the six months ended 31 January 2018 to HK\$41.0 million for the six months ended 31 January 2019.

The decrease was mainly attributable to the decrease of (i) legal and professional fees in relation to the listing of the Company on the Main Board of the Stock Exchange on 13 July 2018 and (ii) printing expenses in relation to the decline of revenue from private supplementary secondary school education services, offset by the increase in directors' fees and service fees paid in relation to school operation, function and events.

Income tax expenses

Income tax expense decreased from HK\$9.2 million for the six months ended 31 January 2018 to HK\$5.3 million for the six months ended 31 January 2019, mainly due to the decrease in assessable profits of certain subsidiaries of the Company. The effective tax rates of the Group for the six months ended 31 January 2019 and 2018 were 16.7% and 18.3% respectively.

Profit for the period

Profit for the period of the Group decreased by 35.4% from HK\$41.1 million for the six months ended 31 January 2018 to HK\$26.5 million for the six months ended 31 January 2019.

Liquidity, financial resources and capital structure

As at 31 January 2019, the Group's net current asset value was HK\$160.0 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents and short-term bank deposits less other payables and accruals.

As at 31 January 2019, the Group's current assets increased from HK\$204.6 million as at 31 July 2018 to HK\$229.3 million. Such increase in the current assets was primarily due to the increase of cash and cash equivalents and short-term deposits from HK\$167.6 million as at 31 January 2018 to HK\$191.3 million as at 31 January 2019.

As at 31 January 2019, the current ratio of the Group (expressed as current assets divided by current liabilities) was 3.31, compared with 3.98 as at 31 July 2018.

Adjusted net profit for the period

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

	For the six months ended 31 January	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period	26,531	41,072
Add:		
– Listing expenses	–	5,180
– Share-based payments	914	1,118
Adjusted net profit	<u>27,445</u>	<u>47,370</u>
Adjusted net profit margin	<u>12.6%</u>	<u>19.4%</u>

Contingent liabilities

The Group did not have any material contingent liability during the six months ended 31 January 2019 other than the on-going litigation set out in the section headed “Litigation” in this announcement.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2019 (2018: HK\$20,000,000).

Acquisition and disposal of subsidiaries, associates and joint ventures

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

PURCHASE, SALE OR REDEMPTION OF THE 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 of the six months ended 31 January 2019 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. Since the listing of the Company's shares on the Stock Exchange and up to 31 January 2019, 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**") as amended from time to time.

COMPLIANCE WITH THE 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 during the period of the six months ended 31 January 2019 and up to the date of this announcement.

LITIGATION

Reference is made to the Company's announcements dated 1 August 2018 and 22 October 2018 respectively and 2018 annual report. Capitalised terms used in this section of this announcement shall have the meanings as ascribed therein. A defence against the alleged claims under the legal proceedings with case number HCA 546 of 2018 has been filed by Beacon College, an indirect wholly owned subsidiary of the Company, with the High Court of Hong Kong on 22 October 2018. The Group obtained legal advice and considers that it has solid grounds to defend against the claims and will continue to uphold its rights in the said action. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group. The Company will provide an update as and when there is any material development in relation to this case.

SIGNIFICANT EVENTS AFTER THE SIX MONTHS ENDED 31 JANUARY 2019

Save as disclosed above, there is no significant subsequent event undertaken by the Company or by the Group after 31 January 2019 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bexcellentgroup.com). The interim report of the Company for the six months ended 31 January 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, 29 March 2019

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