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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 2020

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the six months ended 31 January 2020 comparing to that of the same period in the previous financial year is as follows:

- The Group's revenue decreased by approximately 10.6% from approximately HK\$217.5 million to approximately HK\$194.5 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 17.3% from approximately 336,000 to approximately 278,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services increased by approximately 2.4% from approximately 8.2 to approximately 8.4.
- Profit attributable to owners of the Company decreased by approximately 27.3% from approximately HK\$27.3 million to approximately HK\$19.8 million, which included a loss of approximately HK\$2.2 million arising from the change of fair value of an investment property of the Group.
- Bank balances and cash were recorded as approximately HK\$153.2 million as at 31 January 2020.
- The Board does not recommend the payment of interim dividend for the six months ended 31 January 2020 (2019: nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of BExcellent Group Holdings Limited (the “**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 2020 together with the comparative unaudited figures for the comparable period in 2019, 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 COMPREHENSIVE INCOME

For the six months ended 31 January 2020

		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	194,481	217,546
Other income	4	3,311	2,881
Other gains/(losses)	4	96	(8)
Staff costs	5	(52,712)	(52,919)
Tutor service fees		(44,254)	(52,973)
Operating lease payments		(9,452)	(27,057)
Advertising and promotion expenses		(4,733)	(9,125)
Printing and other operating expenses		(35,882)	(41,042)
Depreciation and amortisation		(24,361)	(5,464)
Decrease in fair value of investment property		(2,177)	—
		<hr/>	<hr/>
Operating profit		24,317	31,839
Finance costs	6	(800)	—
Share of losses of an associate		(53)	—
		<hr/>	<hr/>
Profit before taxation	7	23,464	31,839
Taxation	8	(4,060)	(5,308)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		19,404	26,531
Profit/(loss) and total comprehensive income/(loss) attributable to			
– Owners of the Company		19,803	27,250
– Non-controlling interests		(399)	(719)
		<hr/>	<hr/>
		19,404	26,531
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	9(a)	3.96	5.45
Diluted earnings per share	9(b)	3.96	5.42
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The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2020

		31 January 2020	31 July 2019
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		21,095	23,375
Right-of-use assets		54,283	—
Investment property		21,170	23,347
Intangible assets		3,716	3,776
Financial assets at fair value through other comprehensive income		1,915	1,915
Deferred income tax assets		5,905	5,050
Interest in an associate		847	—
Prepayments		14,000	10,671
		<u>122,931</u>	<u>68,134</u>
Current assets			
Accounts receivables	11	554	1,493
Deposits, prepayments and other receivables	12	31,789	32,045
Income tax recoverable		1,008	1,857
Cash and cash equivalents		153,192	145,857
		<u>186,543</u>	<u>181,252</u>
Total assets		<u>309,474</u>	<u>249,386</u>
Equity			
Share capital	15	120,956	120,956
Other reserves		14,704	12,731
Retained earnings		60,344	55,541
Equity attributable to owners of the Company		<u>196,004</u>	<u>189,228</u>
Non-controlling interests		(1,701)	(1,707)
Total equity		<u>194,303</u>	<u>187,521</u>

		31 January	31 July
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Liabilities			
Current liabilities			
Other payables	<i>13</i>	23,452	21,459
Amount due to a related company		—	2,000
Contract liabilities		16,679	17,951
Current income tax payable		6,807	8,211
Borrowings		8,332	8,573
Lease liabilities		31,782	—
		<u>87,052</u>	<u>58,194</u>
		-----	-----
Non-current liabilities			
Other non-current liabilities	<i>14</i>	2,662	3,666
Deferred income tax liabilities		21	5
Lease liabilities		25,436	—
		<u>28,119</u>	<u>3,671</u>
		-----	-----
Total liabilities		<u>115,171</u>	<u>61,865</u>
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Total equity and liabilities		<u>309,474</u>	<u>249,386</u>
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The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED 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 of private supplementary secondary school education services, the operation of private secondary day schools and offering ancillary education services and products 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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 Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

2.2 Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 July 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) and interpretation issued by the HKICPA as noted below.

HKFRS 16	Leases
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017	HKAS 12 and 23 Amendment; HKFRS 3 and 11 Amendment

Other than HKFRS16 Leases as described in note 2.3 below, the adoption of these amendments to standards and new interpretation that are effective for the first time for this interim period did not have any material impact on the Group's accounting policies.

2.3 New standard and amendment to standard mandatory for the first time for the financial year beginning 1 August 2019 and was not early adopted in prior years

HKFRS 16, "Leases"

The Group has applied HKFRS 16 for the first time retrospectively from 1 August 2019, as permitted under the specific transitional provisions in the standard. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment recognised in the opening consolidated statement of financial position on 1 August 2019. The comparative information for prior periods was not restated and continues to be reported under HKAS 17.

a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases", except for short-term leases and leases of low-valued assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 August 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 August 2019 was at 2.28%.

In applying HKFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Use of recognition exemption to leases with a remaining lease term of less than 12 months as at 1 August 2019;
- Use of recognition exemption to leases for which the underlying asset is of low value;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

	2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 July 2019	83,101
Operating lease commitments regarding leases not yet commenced	<u>(7,729)</u>
Undiscounted operating lease commitments	<u>75,372</u>
Less: discounted using the lessee's incremental borrowing rate at the date of initial application	(1,537)
Less: short-term leases recognised on a straight-line basis as expense	(11,319)
Less: adjustments a result of a different treatment of termination options	<u>(720)</u>
Lease liabilities recognised as 1 August 2019	<u>61,796</u>
Of which are:	
Current lease liabilities	37,414
Non-current lease liabilities	<u>24,382</u>
	<u>61,796</u>

The right-of-use assets for properties leases were measured at the amount equal to the lease liabilities, adjusted by the amount of accrued lease payments. There were no onerous lease contracts that would have required an adjustment to the right-of use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	31 January	1 August
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties leases	<u>54,283</u>	<u>59,444</u>

(b) Effect on adoption of HKFRS 16

As explained above, HKFRS 16 was adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies for leases are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 August 2019. The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Audited 31 July 2019 As originally Presented <i>HK\$'000</i>	HKFRS 16 <i>HK\$'000</i>	Unaudited 1 August 2019 Restated <i>HK\$'000</i>
Condensed consolidated interim			
statement of financial position (extract)			
Non-current assets			
Right-of-use assets	—	59,444	59,444
Current liabilities			
Other payables and accruals	(21,459)	2,352	(19,107)
Lease liabilities	—	(37,414)	(37,414)
Non-current liabilities			
Lease liabilities	—	(24,382)	(24,382)

(c) How the Group's leasing activities are accounted for

Until the financial year ended 31 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 August 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to be paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise office equipment.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease period, management considers all facts and circumstances that create an economic incentive to decide on whether to exercise an extension option (or not to exercise a termination option). Extension options (or periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended (or not terminated).

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17.

4 OTHER INCOME AND OTHER GAINS/(LOSSES)

	Six months ended 31 January	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Other income		
– Interest income	1,110	927
– Advertising income	577	1,433
– IT service income	796	125
– Rental income from investment property	402	—
– Dividend income from unlisted investment	342	—
– Sundry income	84	396
	<u>3,311</u>	<u>2,881</u>
Other gains/(losses)		
Gain on disposal of property, plant and equipment	94	—
Exchange differences - net	2	(8)
	<u>96</u>	<u>(8)</u>

5 STAFF COSTS

	Six months ended 31 January	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries, allowances and bonus	50,094	50,874
Pension costs-defined contribution retirement plans	2,227	2,033
Share-based compensation expenses	391	12
	<u>52,712</u>	<u>52,919</u>

6 FINANCE COSTS

	Six months ended 31 January	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on lease liabilities	705	—
Interest on bank loan	95	—
	<u>800</u>	<u>—</u>

7 PROFIT BEFORE TAXATION

	Six months ended 31 January	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation has been arrived at after charging:		
Rental expenses under operating leases	—	25,898
Short-term lease expenses	9,452	—
Depreciation of right-of-use assets	19,550	—
Depreciation of property, plant and equipment	4,651	5,393
Printing and stationery	12,093	17,921
Amortisation of intangible assets	160	71
	<u>160</u>	<u>71</u>

8 TAXATION

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

	Six months ended 31 January	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong profits tax	4,900	6,075
– Deferred income tax	(840)	(767)
	<u>(4,060)</u>	<u>5,308</u>

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

9 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:

	Six months ended 31 January	
	2020	2019
	(unaudited)	(unaudited)
a) Basic		
Profit attributable to owners of the Company (HK\$'000)	19,803	27,250
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>500,000</u>
Total basic earnings per share for profit attributable to owners of the Company (HK cents)	<u>3.96</u>	<u>5.45</u>
	Six months ended 31 January	
	2020	2019
	(unaudited)	(unaudited)
b) Diluted		
Profit attributable to owners of the Company (HK\$'000)	19,803	27,250
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousand shares)	<u>500,161</u>	<u>502,439</u>
Total diluted earnings per share attributable to owners of the Company (HK cents)	<u>3.96</u>	<u>5.42</u>

10 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2020 (2019: Nil).

11 ACCOUNTS RECEIVABLES

	31 January	31 July
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Accounts receivables	741	1,680
Less: Provision for impairment	(187)	(187)
Accounts receivables – net	<u>554</u>	<u>1,493</u>

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. Income from overseas study consultancy services under “GES” brand is generally made without prescribed credit terms but the customers usually would settle the receivables in accordance with the payment progress of the students. As at 31 January 2020 and 31 July 2019, the ageing analysis of the accounts receivables based on invoice date was as follows:

	31 January	31 July
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
1-30 days	11	773
31-60 days	38	34
Over 60 days	692	873
	<u>741</u>	<u>1,680</u>

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

The involvement in the loss allowances during the period/year is as follows:

	31 January 2020 HK\$'000 (unaudited)	31 July 2019 HK\$'000 (audited)
At beginning of the period/year	187	140
Provision for impairment recognised during the period/year	<u>—</u>	<u>47</u>
At end of the period/year	<u>187</u>	<u>187</u>

The maximum exposures of the Group to credit risk as at 31 January 2020 are the carrying value of accounts receivables mentioned above.

The majority of the accounts receivables of the Group is denominated in Hong Kong dollar. The Group does not hold any collateral as security for accounts receivables.

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	31 January 2020 HK\$'000 (unaudited)	31 July 2019 HK\$'000 (audited)
Other receivables	<i>(i)</i>	11,603	7,080
Deposits and prepayments	<i>(ii)</i>	<u>34,186</u>	<u>35,636</u>
		<u>45,789</u>	<u>42,716</u>
Less: non-current portion		<u>14,000</u>	<u>10,671</u>
Deposits, prepayments and other receivables – current portion		<u>31,789</u>	<u>32,045</u>

Notes:

- (i) Other receivables mainly represent amounts due from tutors, which arise from variable expenses incurred by the Group on behalf of the tutors, electronic payment solution providers and a cash collection company.
- (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 January 2020, no other receivables were past due but not impaired (31 July 2019: nil).

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

13 OTHER PAYABLES

	<i>Note</i>	31 January 2020 <i>HK\$'000</i> <i>(unaudited)</i>	31 July 2019 <i>HK\$'000</i> <i>(audited)</i>
Other payables	<i>(i)</i>	21,912	18,477
Provision of reinstatement cost	<i>(ii)</i>	1,540	1,977
Unamortised rent-free expenses		—	1,005
		23,452	21,459

Note (i)

Other payables mainly represent accrued staff costs, printing expenses, and legal and professional fees, etc.

Note (ii)

Included in other payables is a current portion of provision of reinstatement cost of HK\$1,540,000 (31 July 2019: HK\$1,977,000). Movement of provision of reinstatement cost is as follows:

	31 January 2020 <i>HK\$'000</i> <i>(unaudited)</i>	31 July 2019 <i>HK\$'000</i> <i>(audited)</i>
Balance as at beginning of the period/year	4,295	4,199
Additions	—	135
Utilisation	(93)	(39)
Balance as at closing of the period/year	4,202	4,295
Less: non-current portion	(2,662)	(2,318)
Current portion	1,540	1,977

14 OTHER NON-CURRENT LIABILITIES

	31 January 2020 HK\$'000 (unaudited)	31 July 2019 HK\$'000 (audited)
Provision of reinstatement cost	2,662	2,318
Unamortised rent-free expenses	<u>—</u>	<u>1,348</u>
Other non-current liabilities	<u>2,662</u>	<u>3,666</u>

15 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares at 31 July 2019 (audited) and at 31 January 2020 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares at 31 July 2019 (audited) and at 31 January 2020 (unaudited)	<u>500,000,000</u>	<u>120,956</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 31 January 2020, the Group's principal business remained unchanged, namely 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 on Hong Kong Island, in Kowloon and the New Territories. As at 31 January 2020, we operated 19 teaching centres, with a total of 135 classrooms which, in accordance with the EDB guidelines, allow a maximum classroom capacity of 3,898 students to attend classes at any one time.

Below is a summary of revenue and session enrollments for each category of services which we provided, plus the number of unique students for private supplementary secondary school education services and private secondary day school services for the six months ended 31 January 2020 and 2019:

	For the six months ended	
	31 January	
	2020	2019
Private supplementary secondary school education services		
– Revenue (HK\$'000)	162,549	189,353
– Unique student enrollment ('000)	33	41
– Session enrollment ('000)	278	336
Private secondary day school services		
– Revenue (HK\$'000)	5,637	6,387
– Unique student enrollment ('000)	0.4	0.4
– Session enrollment ('000)	1.5	1.7
Ancillary education services and products		
– Revenue (HK\$'000)	26,295	21,806
– Session enrollment ('000)	25	17

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 2020 and 2019:

	For the six months ended 31 January			
	2020		2019	
	Session		Session	
	enrollment	Revenue	enrollment	Revenue
	'000	HK\$'000	'000	HK\$'000
Regular courses	195	127,509	247	150,641
Intensive courses	32	14,050	38	14,245
Summer courses	51	20,990	51	24,467
Total	278	162,549	336	189,353
Average course fee per session enrollment (HK\$)		585		564

The Group's revenue derived from private supplementary secondary school education services declined by 14.2% when compared with that in the same period in the previous financial year. This was mainly due to the decrease in the overall number of session enrollments during the period. The competition within the industry remained keen while our services were partially affected by the social event in the second half of 2019 and the decreasing number of students attending the HKDSE Examination. Nevertheless, we were able to slightly increase the session enrollment per unique student.

ii) Private secondary day school services

Due to the decrease in the number of private secondary day school unique student enrollments, revenue decreased by approximately 11.7% when compared with that in the same period in the previous financial year. Nevertheless, we will continue to strengthen the academic and career guidance support to our day school students by integrating resources across different brands within the Group such as Beacon CAPE, GES, Beacon BExcellent and Beacon College to create more values and opportunities for our day school students who, for example, are interested in studying abroad.

iii) Ancillary education services and products

The table below shows the revenue components of the ancillary education services and products for each of the six months ended 31 January 2020 and 2019:

	For the six months ended	
	31 January	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mock examination services	9,682	4,476
Beacon Childhood	3,687	6,759
Video Induced Pedagogy self-study services	3,331	3,533
Beacon BExcellent	4,421	1,388
Others	5,174	5,650
	<hr/>	<hr/>
Total	26,295	21,806
	<hr/> <hr/>	<hr/> <hr/>

The Group continues to achieve revenue growth in other ancillary education services and products, which aligns with the Group's policy to diversify our product and service range as well as sources of revenue.

Mock examination services are one of the largest revenue contributors of our ancillary education services and products. The revenue from such services increased by HK\$5.2 million or 116.3% from HK\$4.5 million for the six months ended 31 January 2019 to HK\$9.7 million for the six months ended 31 January 2020. This was mainly caused by the timing difference: such services were rendered between December 2019 and January 2020 in the current period while the relevant services were rendered in January and February 2019 in the prior year. It is expected that the overall revenue derived from mock examination services for the year ending 31 July 2020 will be comparable to that of last year.

Beacon BExcellent has been growing rapidly among all components of the ancillary education services and products for the six months ended 31 January 2020. It offered preparation courses for IELTS, general interest and foreign language courses, which has translated into a significant revenue growth by 218.5% for the six months ended 31 January 2020 and the major part of revenue is mainly contributed from IELTS courses.

The increase in subsidy ceiling from the level of HK\$10,000 to HK\$20,000 per applicant for studying eligible courses under the Continuing Education Fund became effective on 1 April 2019, resulting in an increase in demand for eligible continuing education and training programs, such as the Group's IELTS preparation course. The Group proactively diversified its marketing strategy in promotion to attract more students and enhanced their support by strengthening the academic support team with more tutors and student mentoring services, thus elevating students' learning experience. Therefore, the increase in session enrollments resulted in a substantial increase in revenue of Beacon BExcellent by HK\$3.0 million or 218.5% from HK\$1.4 million for the six months ended 31 January 2019 to HK\$4.4 million for the six months ended 31 January 2020.

On the other hand, Beacon Childhood recorded a significant decline in revenue due to the decrease in session enrollment during the six months ended 31 January 2020. As our learning centres are situated in Prince Edward and Causeway Bay, parents are cautious and reluctant to bring or allow their kids to visit these areas that were affected by the social events in the second half year of 2019, thus resulting in the decrease in student session enrollment.

In view of the market demand for the continuing education program, the Group will continue to capture market share by increasing course variety and expanding our service offerings.

OUTLOOK AND FUTURE DEVELOPMENTS

It has been a challenging year since the social unrest in Hong Kong in the latter half of 2019, followed by the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020. Our Group's principal business of education services, which relies heavily on offline teaching services delivery in our teaching centres across Hong Kong, has inevitably suffered in both incidents. We experienced business disruption and class suspension in connection with the social events and almost two-month class suspension from late January 2020 to the date of this announcement.

Although we have been encountering unprecedented challenges in the market environment of education business as well as the Hong Kong economy, our persistence in the provision of quality education services and assistance to students to pass different challenges has helped us come through in the difficult times. Having the blessed support from our IT task force, with our IT team closely worked with our IT subsidiary, Vioo Company Limited, we have managed to swiftly continue part of our education and student support services online.

Looking forward, in the context of the uncertainties brought by COVID-19 and potential social unrest, we aim to maintain our business with consolidating, differentiating and diversifying strategies.

While we will continue to optimize our teaching centre networks for private supplementary education services, our coverage of review of centre utilization and optimization will expand to centres in all districts, for the purpose of a more effective use of classroom and labour resources.

Despite the threat of class disruption brought by COVID-19, there is a rising opportunity in the market of online education services. With our IT infrastructure, online learning, student enrollment, service platform and digital payment gateways strengthened during the past months, our Group is ready to ride on the evolving online learning behavior and cultivate an effective online-to-offline integrated learning mode in the Group's education service spectrum. The Directors believe that the continuous investment in online education services as well as education-related projects, both inside and outside Hong Kong, will further differentiate our brand of education excellence in the market, diversify the Group's business portfolio and reduce the adverse impact caused by the challenges arising from the above uncertainties.

On the other hand, our Group is cautiously optimistic about the expansion of Beacon Childhood's business after the COVID-19 is under control in the future. It is expected that the childhood education market will face consolidation and restructuring in the next few months. We believe that the expansion of childhood education services through acquisition of quality operator(s) will form a linear plot to our secondary education services and further widen our education business spectrum.

Our Group remains unwavering in our commitment to provide quality education services for students and will endeavor to maintain our leading position in the provision of a private supplementary education platform in Hong Kong.

FINANCIAL REVIEW

Revenue

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

The Group's total revenue decreased by HK\$23.1 million, or 10.6%, from HK\$217.5 million for the six months ended 31 January 2019 to HK\$194.5 million for the six months ended 31 January 2020. This was mainly due to the revenue decline from provision of private supplementary secondary school education services by HK\$26.8 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\$26.8 million, or 14.2% from HK\$189.4 million for the six months ended 31 January 2019 to HK\$162.5 million for the six months ended 31 January 2020, which was largely due to the decrease in the number of the Group's session enrollments by approximately 58,000 or 17.3% from approximately 336,000 for the six months ended 31 January 2019 to approximately 278,000 for the six months ended 31 January 2020.

Revenue from the provision of the ancillary education services and products increased by HK\$4.5 million, or 20.6% from HK\$21.8 million for the six months ended 31 January 2019 to HK\$26.3 million for the six months ended 31 January 2020. This was mainly contributed by the growth made in revenue from mock examination services and Beacon BExcellent partially offset by the decline in revenue from Beacon Childhood.

Revenue from mock examination services increased by HK\$5.2 million or 116.3% from HK\$4.5 million for the six months ended 31 January 2019 to HK\$9.7 million for the six months ended 31 January 2020. Beacon BExcellent is the second largest revenue contributor of our ancillary education services. The revenue from it increased by HK\$3.0 million or 218.5% from HK\$1.4 million for the six months ended 31 January 2019 to HK\$4.4 million for the six months ended 31 January 2020. Such an increase was mainly attributable to the Group's initiatives in enhancing students' support such as provision of mentoring services and diversifying learning courses to meet the market demand. The growth in other services including online retail business and overseas consultation services also contributed to the growth in the current period. However, the revenue from Beacon Childhood decreased by HK\$3.1 million or 45.5% from HK\$6.8 million for the six months ended 31 January 2019 to HK\$3.7 million for the six months ended 31 January 2020.

Other income

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

Other income increased by 14.9% from HK\$2.9 million for the six months ended 31 January 2019 to HK\$3.3 million for the six months ended 31 January 2020. This increase was primarily attributable to the rental income from investment property and IT service income from Vioo Company Limited, a subsidiary of the Group.

Major costs components

The summary below shows the major costs components of the Group among which 58.2% (2019: 57.8%) is related to labor costs (staff costs and tutor service fees) followed by printing and other operating expenses, depreciation of right-of-use (“ROU”) and operating lease payment, advertising and promotion expenses.

	For the six months ended 31 January			
	2020	% of	2019	% of
	<i>HK\$'000</i>	revenue	<i>HK\$'000</i>	revenue
Staff costs	52,712	27.1	52,919	24.3
Tutor service fees	44,254	22.8	52,973	24.4
Printing and other operating expenses	35,882	18.5	41,042	18.9
Depreciation of ROU	19,550	10.1	—	NA
Operating lease payment	9,452	4.9	27,057	12.4
Advertising and promotion expenses	4,733	2.4	9,125	4.2

Staff costs

As at 31 January 2020, the Group has 362 full time employees and 753 part-time employees in Hong Kong.

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

The staff costs slightly decreased by HK\$0.2 million or 0.4% from HK\$52.9 million for the six months ended 31 January 2019 to HK\$52.7 million for the six months ended 31 January 2020. Such a decrease was mainly attributable to the net effect of (i) decrease in the average number of staff and (ii) the increase in general staff benefit cost.

Tutor service fees

Tutor service fees include service agreements and share-based compensation expenses.

Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to the Group’s revenue. Such an expense decreased from HK\$53.0 million for the six months ended 31 January 2019 to HK\$44.3 million for the six months ended 31 January 2020.

The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services.

Depreciation of right-of-use assets and operating lease payments

Depreciation of right-of-use assets and operating lease payments are part of the largest components of the Group's operating costs, accounting for 10.1% and 4.9% respectively (2019: nil and 12.4%) of the Group's total revenue. The Group will continue to closely monitor the property rental market and review the leased centres' performance by evaluating the occupancy rate of each centre before considering tenancy renewal of each. Locations in different regions with reasonable rents, convenient neighbourhood and accessibility by public transport will be taken into account when the Group considers expansion or optimisation of its teaching centre network to increase market penetration. During the six months ended 31 January 2020, the Group had closed two centres in Tsim Sha Tsui and Kowloon Bay respectively.

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 applications and third party websites. Due to the effective cost management measures adopted by the Group, such as adopting effective online marketing strategies and shifting its marketing spending mainly onto social media platforms, such as Facebook, Instagram and Google instead of traditional channels, the Group enhances the promotion of education services and its brand awareness in a more effective and efficient way. During the six months ended 31 January 2020, the marketing expenditure for the Group decreased by approximately 48.1% from HK\$ 9.1 million to HK\$4.7 million.

Printing and other operating expenses

Printing and other operating expenses primarily consist of the printing expenses, building management fees, service fees to freelancers, legal and professional fees, utilities and other administrative expenses. These expenses decreased by HK\$5.2 million or 12.6% from HK\$41.0 million for the six months ended 31 January 2019 to HK\$35.9 million for the six months ended 31 January 2020.

The decrease was mainly attributable to the decrease in printing expenses in relation to the private supplementary secondary school education services, such expenses dropped by 32.5% to HK\$ 12.1 million, partially offset by the increase in service charges payable to various electronic payment solution providers such as Global Payments and Paypal.

Income tax expenses

Income tax expenses decreased from HK\$5.3 million for the six months ended 31 January 2019 to HK\$4.1 million for the six months ended 31 January 2020, 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 2020 and 2019 were 17.3% and 16.7% respectively.

Profit for the period

The profits of the Group decreased by 26.9% from HK\$26.5 million for the six months ended 31 January 2019 to HK\$19.4 million for the six months ended 31 January 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 January 2020, the Group's net current asset value was HK\$99.5 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents less other payables, contractual liabilities, current income tax payable, borrowings and lease liabilities.

The Group's current assets slight increased from HK\$181.3 million as at 31 July 2019 to HK\$186.5 million as at 31 January 2020. Such an increase in current assets was primarily due to the increase in cash and cash equivalents from HK\$145.9 million as at 31 July 2019 to HK\$153.2 million as at 31 January 2020.

As at 31 January 2020, around HK\$31.8 million of current lease liability, out of the net current assets of HK\$99.5 million (31 July 2019: net current assets of HK\$123.1 million) arose from the adoption of HKFRS16.

CHARGES ON THE GROUP'S ASSETS

The Group has investment property with carrying value of approximately HK\$21.2 million pledged to secure borrowings and general banking facilities granted to the Group. There was no charge on the Group's other assets.

As at 31 January 2020, the current ratio of the Group (expressed as current assets divided by current liabilities) was 2.14, compared with 3.11 as at 31 July 2019.

GEARING RATIO

As at 31 January 2020, the Group's gearing ratio (calculated based on bank borrowings amounting to approximately HK\$8.3 million divided by equity attributable to the owners of the Company as at the period and date amounting to approximately HK\$196.0 million) was approximately 4.3% (31 July 2019: 4.5%).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 January 2020 (2019: nil), other than the on-going litigation disclosed 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 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 31 January 2020.

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 Main Board of the Stock Exchange and up to 31 January 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code") 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 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. At present, members of the Audit Committee comprise three independent non-executive Directors, namely Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun. Mr. Li Kai Sing is the chairman of the Audit Committee. The unaudited financial statements of the Group for the six months ended 31 January 2020 have been reviewed by the Audit Committee.

LITIGATION

Reference is made to the Prospectus, the Company's Annual Report 2018 and 2019, and the Company's announcements dated 1 August 2018 and 22 October 2018 respectively. Capitalised terms used in this section of this announcement shall have the meanings as ascribed therein. The legal action of the alleged claims by the Tutorial Services Provider is now in discovery stage and a Case Management Summons Hearing has been fixed in April 2020. The Board, having obtained legal advice, considers that the Tutorial Services Provider has a very slim chance of success in holding Beacon College liable for the allegations. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity for all damages, reasonable costs (including legal costs), expenses or other liabilities resulting from any litigation, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group.

SIGNIFICANT EVENTS AFTER THE SIX MONTHS ENDED 31 JANUARY 2020

Following the outbreak of COVID-19 (the “COVID-19 Outbreak”) in early 2020 and its damaging impact on society, the EDB in Hong Kong announced the extension of Chinese New Year holidays to mid-February 2020 and the subsequent class suspension of all schools until further announcement. The COVID-19 Outbreak and the class suspension resulted in disruption to our classes being conducted across our centres, which has dealt a blow to our Group’s revenue. Nevertheless, with support from our strengthened IT infrastructure maintained by our IT task force, we were able to switch part of our services from offline to an online self-developed platform for the purpose of minimising the adverse impact on our education services. On the other hand, the fair value of the Group’s investment property may be subject to fluctuation due to the COVID-19 Outbreak given the Group applied the fair value model to measure its investment property.

Up to the date of this announcement, the exact date of class resumption is still subject to the EDB’s further assessment and the overall financial effect of the above cannot be reliably estimated. The Group will pay close attention to the development of the COVID-19 Outbreak as well as any announcement from EDB, and continue to evaluate the impact of the COVID-19 Outbreak on the financial position and operating performance of the Group.

PUBLICATION OF PRELIMINARY ANNOUNCEMENT AND INTERIM REPORT

This preliminary 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 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 23 March 2020

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.