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BExcellent Group Holdings Limited

精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1775)

ANNOUNCEMENT OF ANNUAL RESULTS

FOR THE YEAR ENDED 31 JULY 2020

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 July 2020 compared to that of the year ended 31 July 2019 is as follows:

- The Group's revenue decreased by approximately 22.8% from approximately HK\$371.7 million to approximately HK\$287.0 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 25.8% from approximately 546,000 to approximately 405,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services increased by approximately 6.4% from approximately 10.9 to approximately 11.6.
- Loss attributable to owners of the Company for the financial year ended 31 July 2020 was approximately HK\$19.2 million. (For the financial year ended 31 July 2019, profit attributable to owners of the Company was HK\$11.9 million.)
- Bank balances and cash were recorded as approximately HK\$121.3 million at the year end.
- The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31 July 2020.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of BExcellent Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 July 2020, 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).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	287,036	371,728
Other income	4	13,753	5,290
Other losses	4	(4,521)	(29)
Staff costs	5	(97,939)	(103,695)
Tutor service fees		(79,575)	(105,257)
Short-term leases and low-value leases payments/ operating lease payments		(11,052)	(56,322)
Advertising and promotion expenses		(8,244)	(16,890)
Printing and other operating expenses		(69,943)	(72,037)
Depreciation and amortisation expenses		(47,489)	(10,316)
Net impairment loss on financial assets		(1,400)	(47)
Operating (loss)/profit		(19,374)	12,425
Finance costs	6	(2,599)	(12)
Share of losses of an associate		(196)	—
(Loss)/profit before taxation	7	(22,169)	12,413
Taxation	8	2,378	(1,883)
(Loss)/profit for the year		(19,791)	10,530
Other comprehensive loss			
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of equity investment at fair value through other comprehensive income		—	(85)
Other comprehensive loss for the year		—	(85)
Total comprehensive (loss)/income for the year		<u>(19,791)</u>	<u>10,445</u>
(Loss)/profit attributable to			
– Owners of the Company		(19,230)	11,928
– Non-controlling interests		(561)	(1,398)
		<u>(19,791)</u>	<u>10,530</u>
Total comprehensive (loss)/income for the year attributable to			
– Owners of the Company		(19,230)	11,843
– Non-controlling interests		(561)	(1,398)
		<u>(19,791)</u>	<u>10,445</u>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic (loss)/earnings per share	9(a)	(3.85)	2.39
Diluted (loss)/earnings per share	9(b)	(3.85)	2.37

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 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		19,231	23,375
Right-of-use assets	<i>11</i>	42,998	—
Investment property	<i>12</i>	19,300	23,347
Intangible assets		4,403	3,776
Interest in an associate		704	—
Financial assets at fair value through other comprehensive income		—	1,915
Deferred income tax assets		5,433	5,050
Deposits and prepayments	<i>14</i>	12,573	10,671
		<u>104,642</u>	<u>68,134</u>
Current assets			
Accounts receivables	<i>13</i>	1,604	1,493
Deposits, prepayments and other receivables	<i>14</i>	20,450	32,045
Income tax recoverable		1,079	1,857
Cash and cash equivalents		121,303	145,857
		<u>144,436</u>	<u>181,252</u>
Total assets		<u>249,078</u>	<u>249,386</u>
Equity			
Share capital	<i>16</i>	120,956	120,956
Other reserves		15,520	12,731
Retained earnings		21,226	55,541
Equity attributable to owners of the Company		157,702	189,228
Non-controlling interests		(1,853)	(1,707)
Total equity		<u>155,849</u>	<u>187,521</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Liabilities			
Current liabilities			
Other payables	<i>15</i>	20,838	21,459
Amount due to a related company		—	2,000
Contract liabilities		14,676	17,951
Current income tax payable		811	8,211
Borrowings		8,085	8,573
Lease liabilities	<i>11</i>	31,620	—
		<u>76,030</u>	<u>58,194</u>
Non-current liabilities			
Other non-current liabilities		2,406	3,666
Deferred income tax liabilities		13	5
Lease liabilities	<i>11</i>	14,780	—
		<u>17,199</u>	<u>3,671</u>
Total liabilities		<u>93,229</u>	<u>61,865</u>
Total equity and liabilities		<u>249,078</u>	<u>249,386</u>

The above consolidated statement of financial position 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 of private supplementary secondary school education services, the operation of private secondary day schools and offer ancillary education services and products 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

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis, except for investment property and financial assets at fair value through other comprehensive income (“**FVOCI**”) which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements

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

The following new standard is mandatory for the first time for the financial year beginning 1 August 2019 and the impact of the adoption is disclosed in note 2.2.

— HKFRS 16 “Leases”

The following new amendments and interpretation are mandatory for the first time for the financial year beginning 1 August 2019, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

— Amendments to HKAS 19 (2011) “Plan Amendment, Curtailment or Settlement”

— Amendments to HKAS 28 (2011) “Long-term interests in Associates and Joint Ventures”

— Amendments to HKFRS 9 (2014) “Prepayment Features with Negative Compensation”

— HK(IFRIC) - Interpretation 23 “Uncertainty over Income Tax Treatments”

— Amendments to Annual Improvements Project “Annual Improvements 2015-2017 Cycle”

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

		Effective for accounting years beginning on or after
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
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 2020, 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.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the consolidated financial statements.

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.

(i) 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 4%.

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>
	<u>75,372</u>
Less: discounted using the lessee's incremental borrowing rate at the date of initial application	(2,664)
Less: short-term leases recognised on a straight-line basis as expense	(11,319)
Less: adjustments as a result of a different treatment of termination options	<u>(720)</u>
Lease liabilities recognised as 1 August 2019	<u>60,669</u>
Of which are:	
Current lease liabilities	33,694
Non-current lease liabilities	<u>26,975</u>
	<u>60,669</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/prepaid lease payment. 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:

	1 August 2019
	<i>HK\$'000</i>
Properties leases	<u>59,479</u>

(ii) 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.

Consolidated statement of financial position (extract)	Audited		1 August 2019
	31 July 2019		
	As originally	HKFRS 16	Restated
	Presented	HKFRS 16	Restated
	HK\$'000	HK\$'000	HK\$'000
Assets			
Non-current assets			
Right-of-use assets	—	59,479	59,479
Current assets			
Deposits, prepayments and other receivables	32,045	(1,163)	30,882
Liabilities			
Current liabilities			
Other payables	21,459	(1,005)	20,454
Lease liabilities	—	33,694	33,694
Non-current liabilities			
Other non-current liabilities	3,666	(1,348)	2,318
Lease liabilities	—	26,975	26,975

(iii) Lessor accounting

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

3 REVENUE AND SEGMENT INFORMATION

The executive Directors are the Group's chief operating decision-makers ("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. Ancillary education services and products mainly represent education-related income including interview preparation, language and supplementary primary school education and tutorial services under "Diverse Learning Club", "Beacon Childhood", "BeConfident", "Glocal Education" and "Mathgic" brands, IELTS, general interests and foreign language courses under "Beacon BExcellent" brand, overseas study consultation services under "GES" brand, online retail business under "Beacon Living" brand, mock examination services, VIP self-study services, online course scheduling and management services and other education services. The CODM consider that the Group operates and is managed as a single operating segment.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Major products/service lines		
Private supplementary secondary school education services	239,987	317,696
Private secondary day school services	10,221	11,207
Ancillary education services and products	36,828	42,825
	287,036	371,728
	2020	2019
	HK\$'000	HK\$'000
Timing of revenue recognition:		
Over time	266,993	350,249
At a point in time	20,043	21,479
	287,036	371,728

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

4 OTHER INCOME AND OTHER LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Government subsidies (<i>Note (i)</i>)	7,505	—
Interest income	1,863	2,055
Advertising income	777	1,759
IT service income	2,229	784
Sundry income	310	459
Dividend income from equity investments held at FVOCI	342	192
Rental income from investment property	685	41
Exchange differences - net	42	—
	<u>13,753</u>	<u>5,290</u>
Other losses		
Decrease in fair value of investment property	(4,047)	—
Loss on disposal of property, plant and equipment	(474)	—
Exchange differences - net	—	(29)
	<u>(4,521)</u>	<u>(29)</u>

Note:

- (i) During the year ended 31 July 2020, the Group applied for a subsidy of HK\$10,058,000 for the period from June to August 2020 and one-off relief grant for private schools offering non-formal curriculum registered under the Education Ordinance (Cap. 279) of HK\$800,000 introduced by the Government of the Hong Kong Special Administrative Region, of which a total of HK\$7,505,000 is recognised in the consolidated statement of comprehensive income.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and bonus	93,232	99,130
Share-based compensation expenses	602	372
Pension costs - defined contribution retirement plans (<i>note i</i>)	4,105	4,193
	<u>97,939</u>	<u>103,695</u>

(i) 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 1 June 2014 to the MPF Scheme.

6 FINANCE COSTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on lease liabilities	2,417	—
Interest expenses on bank loan	182	11
Other finance costs	—	1
	<u>2,599</u>	<u>12</u>

7 (LOSS)/PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit and audit-related services	1,040	1,616
– non-audit services	128	175
Rental expenses under operating leases	—	53,861
Printing and stationery	<u>18,584</u>	<u>25,591</u>

8 TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit before taxation	<u>(22,169)</u>	<u>12,413</u>
Calculated at a taxation rate of 16.5% (2019: 16.5%)	(3,658)	2,048
Income not subject to taxation	(1,637)	(339)
Expenses not deductible for taxation purposes	1,291	327
Tax losses with no deferred tax assets recognised	1,961	462
Derecognition of previously recognised deferred tax	1,727	—
Over-provision in prior years	(2,049)	(449)
Others	<u>(13)</u>	<u>(166)</u>
Income tax (credit)/expense	<u>(2,378)</u>	<u>1,883</u>

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share are calculated by dividing the (loss)/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 following have been accounted for:

	2020	2019
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	(19,230)	11,928
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>500,000</u>
Total basic (loss)/earnings per share for (loss)/profit attributable to owners of the Company (<i>HK cents</i>)	<u>(3.85)</u>	<u>2.39</u>

(b) Diluted

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/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.

	2020	2019
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(19,230)</u>	<u>11,928</u>
Total diluted (loss)/earnings per share attributable to owners of the Company (<i>HK cents</i>)	<u>(3.85)</u>	<u>2.37</u>

Weighted average number of shares used as the denominator

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share (<i>thousand shares</i>)	500,000	500,000
Adjustments for calculation of diluted (loss)/earnings per share:		
Options (<i>thousand shares</i>)	—	2,425
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (<i>thousand shares</i>)	<u>500,000</u>	<u>502,425</u>

Basic and diluted loss per share for the year ended 31 July 2020 are the same since the potential shares from options are anti-dilutive.

10 DIVIDENDS

During the year ended 31 July 2020, the Company declared and paid a dividend of HK\$15,000,000 to its shareholders in respect of the retained earnings for the year ended 31 July 2019. The dividend was settled in full.

A final dividend of HK1.0 cent per share totalling HK\$5,000,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The amount will be reflected as an appropriation of retained earnings for the year ending 31 July 2021.

11 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 July 2020	1 August 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets		
Properties leases	<u>42,998</u>	<u>59,479</u>

Lease liabilities	31 July 2020	1 August 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities	31,620	33,694
Non-current liabilities	14,780	26,975
	<u>46,400</u>	<u>60,669</u>

During the year, additions to the right-of-use assets were HK\$26,017,000 and there is a written-off of right-of-use assets of HK\$1,644,000 due to early termination of the lease. Due to the social unrest and the COVID-19, the Group has received rent concession from various landlords during the year and the rent concession is accounted for as lease modification in accordance with HKFRS16, resulting in a total HK\$2,520,000 decrease in both right-of-use assets and lease liabilities at the dates of lease modification.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	38,334	—
Interest expense (included in finance costs)	2,417	—
Expense relating to short-term leases	10,944	—
Expense relating to low-value leases	108	—
	<u>51,803</u>	<u>—</u>

12 INVESTMENT PROPERTY

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 August	23,347	—
Acquisition (<i>Note (i)</i>)	—	23,347
Change in fair value (<i>note 4</i>)	<u>(4,047)</u>	<u>—</u>
At 31 July (<i>Notes (ii), (iii) and (iv)</i>)	<u>19,300</u>	<u>23,347</u>

Notes:

- (i) On 11 July 2019, the Group completed the acquisition of a commercial property with a tenancy at a consideration of approximately HK\$21,433,000 and the ancillary costs, such as stamp duty, legal costs and commission amounted to approximately HK\$1,914,000, resulting in a carrying value of approximately HK\$23,347,000. The tenancy is expiring in August 2021 upon the tenant's exercise of the option of renewal. The Group intends to use the commercial property as its teaching center after the expiration of the tenancy.
- (ii) The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 July 2020 was determined based on management's assessment with reference to the recent market transaction price.

The Group's investment property carried at fair value of HK\$19,300,000 are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

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

The significant unobservable input used is the unit price, which is HK\$8,446 (2019: HK\$10,218) per square feet.

- (iii) As at 31 July 2020, the Group's investment property with carrying value of approximately HK\$19,300,000 (2019: HK\$23,347,000) were pledged to secure bank facilities of the Group.

(iv) Particulars of the Group's investment property as at 31 July 2020 are as follows:

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

13 ACCOUNTS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivables	1,604	1,680
Less: Allowance for impairment	—	(187)
Accounts receivables – net	<u>1,604</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 through settlement in cash, paypal or credit cards. As at 31 July 2020 and 2019, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 - 30 days	1,497	773
31 - 60 days	24	34
Over 60 days	83	873
	<u>1,604</u>	<u>1,680</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses (“ECL”) 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 ECL rates are based on the past repayment history and the historical credit losses experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ECL provided on a collective basis is insignificant as there has been no history of material default from accounts receivables.

For accounts receivables relating to accounts with objective evidence that the Group is unable to contact some of the students to recover the debts, they are assessed individually for impairment allowance. Accordingly, no individual provision were made as at 31 July 2020 (2019: HK\$47,000).

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	187	140
Increase in loss allowance recognised in profit or loss	—	47
Receivables written off during the year as uncollectible	(181)	—
Unused amount reversed	(6)	—
	<hr/>	<hr/>
At end of the year	—	187
	<hr/> <hr/>	<hr/> <hr/>

The maximum exposures of the Group to credit risk as at 31 July 2020 and 2019 are the carrying value of accounts receivables mentioned above.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	1,553	1,524
Australian dollar	8	77
British Pound	23	79
United States dollar	20	—
	<hr/>	<hr/>
	1,604	1,680
	<hr/> <hr/>	<hr/> <hr/>

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
Other receivables	<i>(i)</i>	5,817	7,080
Deposits and prepayments	<i>(ii)</i>	28,612	35,636
		34,429	42,716
Less: Allowance for impairment	<i>(iii)</i>	(1,406)	—
		33,023	42,716
Less: non-current portion		(12,573)	(10,671)
Deposits, prepayments and other receivables – current portion		20,450	32,045

Notes:

- (i) As at 31 July 2020, other receivables of HK\$4,010,000 (2019: HK\$ 5,997,000) represent amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors.
- (ii) Deposits and prepayments mainly represent deposits for utilities, lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.
- (iii) Movement in allowance for impairment that has been recognised for other receivables under ECL model.

As at 31 July 2020, deposits of HK\$8,589,000 (2019: HK\$10,464,000), prepayments of HK\$7,450,000 (2019: HK\$14,501,000) and other receivables of HK\$4,411,000 (2019: HK\$7,080,000) are expected to be recovered within one year.

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

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

15 OTHER PAYABLES

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Other payables	<i>(i)</i>	15,928	18,477
Provision of reinstatement cost	<i>(ii)</i>	1,566	1,977
Unamortised rent-free expenses		—	1,005
Government subsidies		3,344	—
		<u>20,838</u>	<u>21,459</u>
Current portion		<u>20,838</u>	<u>21,459</u>

Note (i):

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

Note (ii):

Included in other payables is a current portion of provision of reinstatement cost of HK\$1,566,000 (2019: HK\$1,977,000).

Movement of provision of reinstatement cost is as follows:

	2020 HK\$'000	2019 HK\$'000
Balance as at beginning of the year	4,295	4,199
Additions	533	135
Utilisation	(856)	(39)
	<u>3,972</u>	<u>4,295</u>
Balance as at closing of the year	3,972	4,295
Less: non-current portion	(2,406)	(2,318)
	<u>1,566</u>	<u>1,977</u>
Current portion	<u>1,566</u>	<u>1,977</u>

16 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 31 July 2019 and 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares at 31 July 2019 and 2020	<u>500,000,000</u>	<u>120,956</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development. We provide all of our private supplementary education services from teaching centres in Hong Kong Island, in Kowloon and the New Territories. As at 31 July 2020, we operated 17 teaching centres, with a total of 131 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 3,419 students to attend class at any one time.

It has been a challenging year for the Group 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.

Despite facing unprecedented challenges and uncertainties, the Group has quickly formulated strategies and implemented counter-measures to cope with the adverse changes in environment. Online teaching platforms are launched and related supporting services for students are provided.

However, due to the unfavourable factors and impact, the Group's financial performance was inevitably affected. The Group recorded revenue of approximately HK\$287.0 million, representing a decrease of approximately 22.8% as compared with approximately HK\$371.7 million for the year ended 31 July 2019. The Group recorded a loss for the year ended 31 July 2020 of approximately HK\$19.8 million while a profit of approximately HK\$10.5 million for the year ended 31 July 2019.

Revenue

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

- i) private supplementary secondary school education services;
- ii) private secondary day school services; and
- iii) ancillary education services and products.

Set out below is a summary of our revenue and session enrollments for each category of services which we provided for each of the years ended 31 July 2020 and 2019:

	For the year ended 31 July	
	2020	2019
Private supplementary secondary school education services		
– Revenue (HK\$'000)	239,987	317,696
– Unique student enrollment ('000)	35	50
– Session enrollment ('000)	405	546
Private secondary day school services		
– Revenue (HK\$'000)	10,221	11,207
– Unique student enrollment ('000)	0.4	0.4
– Session enrollment ('000)	3.0	3.0
Ancillary education services and products		
– Revenue (HK\$'000)	36,828	42,825
– Session enrollment ('000)	30	36

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 2020, we had (i) approximately 35,000 (2019: approximately 50,000) unique private supplementary secondary school education student enrollments and approximately 405,000 (2019: approximately 546,000) private supplementary secondary school education session enrollments.

The following table sets forth the gross revenue, the number of session enrollments of each category and the average course fee of private supplementary secondary school education services for each of the years ended 31 July 2020 and 2019:

	For the year ended 31 July			
	2020		2019	
	Session		Session	
	enrollment	Revenue	enrollment	Revenue
	'000	HK\$'000	'000	HK\$'000
Regular courses	279	185,097	404	254,071
Intensive courses	61	28,950	70	30,054
Summer courses	65	25,940	72	33,571
Total	<u>405</u>	<u>239,987</u>	<u>546</u>	<u>317,696</u>
Average course fees per session enrollment (HK\$)		<u>593</u>		<u>582</u>

Our Group's total revenue declined by approximately 22.8% when compared with the same period in the previous financial year which was mainly due to the decline in session enrollments as experienced in the private supplementary secondary school industry.

In spite of suffering from the social unrest in the second half of 2019 and class suspension for at least five months under the suspension order by the EDB caused by the COVID-19 outbreak at the beginning of 2020, our Group has invested in the enhancement of the Group's information infrastructure, online learning platform and digital payment gateways aiming to strengthen the Group's education services, particularly in achieving an effective online to offline integrated learning mode, bettering students' learning experience and intensifying the Group's measurement and assessment on students' learning progress. Through upgrading the Group's information infrastructure, the Group believes that the extensive experience in IT can allow better retention of existing students and a higher number of new enrollments.

ii) Private secondary day school services

We operated two private secondary day schools located in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. The number of private secondary day school session enrollments decreased by approximately 7.0% during the year ended 31 July 2020 and resulted in a decrease in revenue arising from private secondary day school services. There was no significant change in school fee in the past two financial years. Nevertheless, we continue to integrate resources across different brands within our Group such as GES, Beacon BExcellent and Beacon College to create more values and opportunities to our day school students who, for example, are interested to study abroad.

iii) Ancillary education services and products

Our Group offers various ancillary education services and products such as (i) mock examination services; (ii) interview preparation, language and supplementary primary school education, tutorial and consultation services under our “Diverse Learning Club”, “Beacon Childhood”, “BeConfident”, “Glocal Education”, “Mathgic” brands; (iii) VIP self-study services; (iv) IELTS, general interest and foreign language courses under our “Beacon BExcellent” brand; (v) other services and products including but not limited to online course scheduling and management services, a Higher National Diploma in Business (QCF) registered with the EDB under our “Beacon CAPE” brand, other educational services under our “Ascent Prep” brand, overseas study consultation services under our “GES” brand, and online retail business under our “Beacon Living” brand. Our Group also received service fees from another private supplementary secondary school education service provider pursuant to a collaboration arrangement. The table below shows the revenue components of the ancillary education services and products for each of the years ended 31 July 2020 and 2019:

	For the year ended 31 July	
	2020	2019
	HK\$'000	HK\$'000
Mock examination services	11,453	11,633
Childhood education services	5,873	11,204
VIP self-study services	3,746	6,853
Beacon BExcellent	7,294	2,660
Others	8,462	10,475
Total	36,828	42,825

Mock examination services are one of the largest revenue contributors of our ancillary education services and products. The revenue from such services maintained at a level of approximately HK\$11.5 million when compared with the same period in the previous financial year. All these services were conducted in late 2019 or early 2020 which were less affected by the epidemic.

Beacon BExcellent has been growing rapidly among all components of the ancillary education services and products for the year ended 31 July 2020. It offered preparation courses for IELTS, general interest and foreign language courses, which has translated into a significant revenue growth by 174.2% for the year ended 31 July 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 the revenue of Beacon BExcellent.

On the other hand, Childhood education services recorded a significant decline in revenue by HK\$5.3 million, or 47.6% from HK\$11.2 million for year ended 31 July 2019 to HK\$5.9 million for year ended 31 July 2020. Moreover, our VIP self-study services also recorded a significant decline in revenue by HK\$3.1 million, or 45.3% from HK\$6.9 million for the year ended 31 July 2019 to HK\$3.7 million for the year ended 31 July 2020. Such significant declines were attributable to the decrease in the number of session enrollments mainly caused by (i) the suspension of classes for at least five months under suspension order by EDB as a result of the outbreak of COVID-19, and (ii) social events in the second half year of 2019.

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

OUTLOOK AND FUTURE DEVELOPMENT

The Group has been undergoing a tough year with challenging business environment followed by prolonged offline class suspension during the onset of the COVID-19 pandemic and social unrest in Hong Kong.

Despite the fact that the enduring class disruption poses unforeseen challenges to the education industry, the Group has taken swift steps to direct our ordinary offline teaching and learning services to take place online. The ripple of the COVID-19 pandemic has undeniably brought a rapid change in the learning behavior of the young generation, leading the education industry to a VUCA (volatile, uncertain, complex, and ambiguous) environment. The rise of microlearning with characteristics of being instant, flexible, self-directed and boundary-less catalyzes and accelerates the Group's planned development of an integrated mode of online-offline learning utilizing education information technology and extension of its online education services to students outside Hong Kong without the confinement of geographical boundaries.

Following the upcoming operation of the Group's permanent information technology base in the Group's acquired property, the Group is ready to step up for higher quality online education platforms, a further streamlined digital service delivery pipeline with upgraded IT infrastructures and our enlarged IT team of workforce.

The Group will continue to act proactively with the strategies of consolidation, differentiation and diversification. The Group's diversified and comprehensive education services spectrum remains a strong competitive edge; the expansion of international test preparation and overseas study consultancy, as well as childhood education services, forms the crucial layout of the Group's complete education product pipeline of different stages in addition to the supplemental secondary school education services. The Group will be optimistically mindful and continue to explore expansion opportunities through, amongst others, acquisition and collaboration.

The effect of the pandemic and potential social unrest may be continuing for a longer period of time. The Group will stay vigilant in managing costs, particularly seek for more efficient utilisation of teaching centre network with more preferential rent and terms, and maintain a prudent and sustainable approach to business.

FINANCIAL REVIEW

Revenue

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

The Group’s total revenue decreased by approximately HK\$84.7 million, or approximately 22.8%, from approximately HK\$371.7 million for the year ended 31 July 2019 to approximately HK\$287.0 million for the year ended 31 July 2020. This was mainly due to the revenue decline from provision of private supplementary secondary school education services and ancillary education services and products.

Revenue from provision of private supplementary secondary school education services decreased by approximately HK\$77.7 million, or approximately 24.5% from approximately HK\$317.7 million for the year ended 31 July 2019 to approximately HK\$240.0 million for the year ended 31 July 2020, which was largely due to the class suspension and the decrease in number of the Group’s session enrollments by approximately 141,000 or approximately 25.8% from approximately 546,000 for the year ended 31 July 2019 to approximately 405,000 for the year ended 31 July 2020.

Revenue from the provision of the ancillary education services and products decreased by approximately HK\$6.0 million, or approximately 14.0% from approximately HK\$42.8 million for the year ended 31 July 2019 to approximately HK\$36.8 million for the year ended 31 July 2020. The decrease was mainly attributable to the decrease in revenue arising from childhood education services, VIP self-study services partially offset by the revenue growth in Beacon BExcellent.

As a result of the class suspension and business disruption brought by the COVID-19 and social unrest, the revenue from VIP self-study services for the year ended 31 July 2020 decreased by approximately HK\$3.1 million or approximately 45.3% from approximately HK\$6.9 million for the year ended 31 July 2019 to approximately HK\$3.7 million for the year ended 31 July 2020 and the revenue from childhood education services also dropped significantly by approximately HK\$5.3 million, or 47.6% from HK\$11.2 million for the year ended 31 July 2019 to HK\$5.9 million for the year ended 31 July 2020.

Revenue from mock examination services was able to maintain at a level of approximately HK\$11.5 million when compared with the period in the previous financial year while revenue from Beacon BExcellent increased by HK\$4.6 million or 174.2% from HK\$ 2.7 million for the year ended 31 July 2019 to HK\$7.3 million for the year ended 31 July 2020.

Other income

Other income primarily consists of government subsidies, advertising income, IT service income, rental income from an investment property, interest income from bank deposits and dividend income from an unlisted investment. Other income increased by 160.0% from HK\$5.3 million for the year ended 31 July 2019 to HK\$13.8 million for the year ended 31 July 2020. This increase was primarily attributable to the “Anti-epidemic Fund” received from the government of approximately HK\$7.5 million and IT service income from Vioo Company Limited, a subsidiary of the Group.

Major costs component

The summary below shows the major costs components of our Group among which approximately 58.2% (2019: approximately 58.9%) is related to labour costs (comprising staff costs and tutor service fees) followed by printing and other operating expenses, depreciation of right-of-use (“ROU”), lease payments, and advertising and promotion expenses:

	2020		2019	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Staff costs	97,939	34.1	103,695	27.9
Tutor service fees	79,575	27.7	105,257	28.3
Depreciation of ROU	38,334	13.4	—	—
Short-term lease and low-value lease payments/ operating lease payments	11,052	3.9	56,322	15.2
Advertising and promotion expenses	8,244	2.9	16,890	4.5
Printing and other operating expenses	69,943	24.4	72,037	19.4

Staff costs

As at 31 July 2020, the Group has 369 full-time employees and maintains a pool of part-time employees, in which 288 are active ones.

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

The staff costs slightly decreased by approximately HK\$5.8 million or approximately 5.6% from approximately HK\$103.7 million for the year ended 31 July 2019 to approximately HK\$97.9 million for the year ended 31 July 2020. Such decrease was mainly attributable to the net effect of (i) decrease in extra staff cost arising from over time payments and part time labour in relation to centre operations under class suspension and (ii) the increase in general staff benefit as well as recruitment of more staff to cope with the expansion and development of the new business.

Tutor service fees

Tutor service fees include service agreements and share-based payments. Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to our Group's revenue. Such expense decreased from approximately HK\$105.3 million for the year ended 31 July 2019 to approximately HK\$79.6 million for the year ended 31 July 2020. The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services.

Depreciation of ROU assets, short-term leases and low-value lease payments

As a result of the adoption of the new accounting policy – HKFRS 16 “Leases”, lease expenses in the consolidated income statement have been reflected by depreciation of ROU assets and related finance cost starting from 1 August 2019. Depreciation of ROU assets and operating lease payments are part of the largest components of the Group's operating costs, accounting for 13.4% and 3.9% respectively (2019: nil and 15.2%) of the Group's total revenue. The Group will continue to closely monitor the property rental market, negotiate with landlords for a lease adjustment, strive to seek for rental concessions and review the leased centres' performance by evaluating the occupancy rate of each centre before considering tenancy renewal thereof. In view of the centre network optimization, during the year ended 31 July 2020, the Group had closed five centres in Tsim Sha Tsui, Kowloon Bay, North Point, and Tsuen Wan and opened a new centre in Kowloon 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 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. For the year ended 31 July 2020, the marketing expenditure for the Group further decreased by approximately HK\$8.6 million or 51.2% from HK\$16.9 million to HK\$8.2 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\$2.1 million or 2.9% from HK\$72.0 million for the year ended 31 July 2019 to HK\$69.9 million for the year ended 31 July 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 27.4% to HK\$18.6 million, partially offset by the increase in IT related expenses, such as server fees, hardware costs, service fees payable to various electronic payment solution providers for the purpose of online course enrollment and delivery during the second half of the year, especially when our centres were closed due to class suspension. Moreover, the Group incurred over HK\$1.7 million in purchasing epidemic prevention materials, as well as cleaning and sanitary materials in order to support our students and staff to fight against the epidemic.

Income tax credit

Income tax credit for the year ended 31 July 2020 was HK\$2.4 million (Income tax expenses for the year ended 31 July 2019: HK\$1.9 million). The effective tax rates of the Group for the year ended 31 July 2020 and 2019 were 10.7% and 15.2% respectively.

Loss for the year

The Group recorded a loss of HK\$19.8 million for the year ended 31 July 2020. The loss during the year was mainly due to the decrease of income and a provision for impairment of an investment property. (2019: Profit of the year of the Group was HK\$10.5 million).

Liquidity, financial resources and capital structure

As at 31 July 2020, the Group's net current asset value was HK\$68.4 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 decreased from HK\$181.3 million as at 31 July 2019 to HK\$144.4 million as at 31 July 2020. Such decrease in current assets was primarily due to the decrease in cash and cash equivalents from HK\$145.9 million as at 31 July 2019 to HK\$121.3 million as at 31 July 2020. As at 31 July 2020, around HK\$31.6 million of current lease liabilities out of the net current assets of HK\$68.4 million (31 July 2019: net current assets of HK\$123.1 million) arose from the adoption of HKFRS16. As at 31 July 2020, the current ratio of the Group (expressed as current assets divided by current liabilities) was 1.90, compared with 3.11 as at 31 July 2019.

Charges on the Group's Assets

The Group has investment property with carrying value of approximately HK\$19.3 million pledged to secure borrowings and general banking facilities granted to the Group. There was no charge on the Group's other assets.

Gearing ratio

As at 31 July 2020, the Group's gearing ratio (calculated based on bank borrowings amounting to approximately HK\$8.1 million and lease liabilities amounting to approximately HK\$46.4 million divided by equity attributable to the owners of the Company as at the year-end date amounting to approximately HK\$157.7 million) was approximately 34.5% (31 July 2019: 4.5%).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 July 2020 (2019: nil), other than the on-going litigation disclosed in the section headed “Litigation” in this announcement.

Acquisition and disposal of subsidiaries, associates and joint ventures

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 July 2020.

LITIGATION

Reference is made to the Prospectus (as defined below), the annual reports for the year ended 31 July 2018 and 31 July 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 in progress and the Case Management Summons Hearing originally fixed in April 2020 was adjourned to March 2021. 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.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of the Company in July 2018 (“**Net Proceeds**”) amounted to approximately HK\$92.0 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy and the Listing expense in connection with the Share Offer as defined in the prospectus of the Company dated 30 June 2018 (“**Prospectus**”).

On 20 January 2020, the Board resolved to change the use of the remaining unutilised amount of net proceeds from the Listing (the “**Reallocation**”). For details of the Reallocation, please refer to the announcement of the Company dated 20 January 2020. Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds and the utilisation of the Net Proceeds are set out below:

	Use of net proceeds from Share Offer prior to the Reallocation HK\$ million	The Reallocation HK\$ million	Use of net proceeds from Share Offer subsequent to the Reallocation HK\$ million	Amount of net proceeds utilized up to 31 July 2020 HK\$ million	Amount of net proceeds unutilized as at 31 July 2020 HK\$ million	Progress up to the date of this announcement
Before Reallocation:						
Acquisition of premise(s) to be used as teaching centre(s)	31.1	—	31.1	17.8	13.3	The Group completed the acquisition of a property located at Kowloon Bay and fully utilized the remaining net proceeds on 14 August 2020.
After Reallocation:						
Acquisition of premise(s)						
Before Reallocation:						
Optimization/establishment of teaching centres	23.3	(10.0)	13.3	6.2	7.1	The Group has optimized its centre network mainly in Yau Tsim Mong district, Tsuen Wan district and Kowloon East district. The Group is in progress of reviewing all centres’ utilisation for the purpose of further optimisation.
After Reallocation:						
Optimization of teaching centres						
Acquisition of established teaching centres or opening new teaching centres for Childhood education services	12.8	—	12.8	1.7	11.1	The Group has established two teaching spots in Yuen Long and Tsuen Wan and is looking for appropriate investment opportunities.
Upgrades of teaching centres’ facilities, IT infrastructure and recruitment of non-teaching staff	16.9	—	16.9	16.9	—	IT infrastructure remains under development. The Group has re-engineered several websites of our sub-brands and further enhanced the on-line student services platform such as upgrading its VIP system, seat reservation system, hand out reservation and control system as well as online enrollment and course delivery system. The Group has upgraded centre facilities in various districts such as Kowloon East and Yuen Long.
Enhancing brand awareness	5.8	—	5.8	5.8	—	The Group continued to conduct various brand building activities through sponsorships and advertisements on both online and offline platforms.
General working capital	2.1	—	2.1	2.1	—	N/A
Enhancement and development of online education services and content; and investment in education-related projects	—	10.0	10.0	—	10.0	The Group has launched a brand new online education platform, namely “CourseZ” in October 2020 and will continue to develop and enhance its functions. Besides, the Group is looking for appropriate investment opportunities.
Total	92.0	—	92.0	50.5	41.5	

Note: Details of the original allocation of the Net Proceeds are set out in the Prospectus.

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 the Shareholders and to enhance corporate value and accountability.

During the year ended 31 July 2020, the Company has applied and complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee is delegated with the responsibility to review and supervise the financial reporting, financial controls, risk management and internal control systems of the Group at least annually, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group in respect of the year ended 31 July 2020, and considered the systems effective and adequate.

The Group appointed an external consultant to conduct enterprise risk assessment and perform internal audit function to review the effectiveness of the Group's internal control system for the year ended 31 July 2020. The annual enterprise risk assessment identifies and evaluates the risk level of the Group's operations and business, including the strategic, operational, financial reporting and compliance risks.

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun. The Audit Committee has reviewed the preliminary announcement and the consolidated financial statements of the Company for the year ended 31 July 2020, including the accounting principles and practices adopted by the Company. The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2020 as set out in this preliminary announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong (“**PricewaterhouseCoopers**”) to the amounts set out in the Company's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 July 2020 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 July 2020 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the year ended 31 July 2020 and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per Share for the year ended 31 July 2020, subject to the approval by the Shareholders at the forthcoming annual general meeting (“AGM”) to be held on Tuesday, 1 December 2020. The amount of the proposed final dividend is HK\$5 million (2019: HK\$15 million). The proposed final dividend is expected to be paid on or about Tuesday, 22 December 2020 to Shareholders whose names appear on the register of members of the Company on 11 December 2020.

ANNUAL GENERAL MEETING

The AGM is to be held on Tuesday, 1 December 2020. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM to be held on Tuesday, 1 December 2020 (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 26 November 2020 to Tuesday, 1 December 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 25 November 2020.

For determining the entitlement to the proposed final dividend, subject to the approval by the Shareholders at the forthcoming AGM, for the year ended 31 July 2020, the register of members of the Company will be closed from Thursday, 10 December 2020 to Friday, 11 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 9 December 2020.

PUBLICATION OF PRELIMINARY ANNOUNCEMENT AND ANNUAL REPORT

This preliminary announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bexcellentgroup.com). The annual report of the Company for the year ended 31 July 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, 20 October 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; and the independent non-executive Directors are Mr. Kwan Chi Hong, Mr. Li Kai Sing, and Professor Wong Roderick Sue Cheun.