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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 2021

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the six months ended 31 January 2021 comparing to that of the same period ended 31 January 2020 is as follows:

- The Group's revenue decreased by approximately 52.0% from approximately HK\$194.5 million to approximately HK\$93.3 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 57.6% from approximately 278,000 to approximately 118,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services decreased by approximately 17.9% from approximately 8.4 to approximately 6.9.
- Loss attributable to owners of the Company for the six months ended 31 January 2021 was approximately HK\$5.1 million. (For the six months ended 31 January 2020, profit attributable to owners of the Company was HK\$19.8 million).
- Bank balances and cash were recorded as approximately HK\$106.3 million as at 31 January 2021.
- The Board does not recommend the payment of interim dividend for the six months ended 31 January 2021 (For the six months ended 31 January 2020: 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 2021 together with the comparative unaudited figures for the comparable period in 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).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2021

		2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
	<i>Note</i>		
Revenue	3	93,260	194,481
Other income	4	16,121	3,311
Other gains	4	97	96
Staff costs	5	(44,606)	(52,712)
Tutor service fees		(23,576)	(44,254)
Short-term lease and low-value lease payments		(2,738)	(9,452)
Advertising and promotion expenses		(3,287)	(4,733)
Printing and other operating expenses		(23,035)	(35,882)
Depreciation and amortisation		(18,907)	(24,361)
Change in fair value of investment property		56	(2,177)
Operating (loss)/profit		(6,615)	24,317
Finance costs	6	(838)	(800)
Share of losses of an associate		(126)	(53)
Loss on deemed disposal of an associate		(78)	—
(Loss)/profit before taxation	7	(7,657)	23,464
Taxation	8	2,074	(4,060)
(Loss)/profit for the period		(5,583)	19,404
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Change in the fair value of equity investment at fair value through other comprehensive income		(214)	—
Other comprehensive loss for the period		(214)	—
Total comprehensive (loss)/income for the period		(5,797)	19,404
(Loss)/profit attributable to			
– Owners of the Company		(5,117)	19,803
– Non-controlling interests		(466)	(399)
		(5,583)	19,404
Total comprehensive (loss)/income for the period attributable to			
– Owners of the Company		(5,331)	19,803
– Non-controlling interests		(466)	(399)
		(5,797)	19,404
(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	9a	(1.02)	3.96
Diluted (loss)/earnings per share	9b	(1.02)	3.96

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 2021

		31 January 2021	31 July 2020
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		22,096	19,231
Right-of-use assets		39,025	42,998
Investment property		19,356	19,300
Intangible assets		4,645	4,403
Financial assets at fair value through other comprehensive income		287	—
Deferred income tax assets		7,910	5,433
Interest in an associate		—	704
Deposits and prepayments	12	4,888	12,573
		<u>98,207</u>	<u>104,642</u>
Current assets			
Accounts receivables	11	5,334	1,604
Deposits, prepayments and other receivables	12	20,583	20,450
Income tax recoverable		1,067	1,079
Cash and cash equivalents		106,289	121,303
		<u>133,273</u>	<u>144,436</u>
Total assets		<u>231,480</u>	<u>249,078</u>
Equity			
Share capital	15	120,956	120,956
Other reserves		17,417	15,520
Retained earnings		11,109	21,226
Equity attributable to owners of the Company		<u>149,482</u>	<u>157,702</u>
Non-controlling interests		<u>(2,319)</u>	<u>(1,853)</u>
Total equity		<u>147,163</u>	<u>155,849</u>

		31 January	31 July
		2021	2020
	<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>	17,886	20,838
Contract liabilities		27,701	14,676
Current income tax payable		505	811
Borrowings		7,837	8,085
Lease liabilities		21,270	31,620
		<u>75,199</u>	<u>76,030</u>
Non-current liabilities			
Other non-current liabilities	<i>14</i>	1,376	2,406
Deferred income tax liabilities		240	13
Lease liabilities		7,502	14,780
		<u>9,118</u>	<u>17,199</u>
Total liabilities		<u>84,317</u>	<u>93,229</u>
Total equity and liabilities		<u>231,480</u>	<u>249,078</u>

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, a company incorporated in the British Virgin Islands with limited liability.

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 2020, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) and interpretation issued by the HKICPA as noted below.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.3 Impacts and accounting policies on Amendment to HKFRS 16 “COVID-19 - Related Rent Concessions”

COVID-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has applied the amendment in the current interim period. The application has no impact to the opening retained earnings at 1 August 2020. Rent concessions totalling HK\$2.2 million have been accounted as negative variable lease payments and recognised in the profit or loss for the six months ended 31 January 2021, with a corresponding adjustment to the lease liability.

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 interest and foreign language courses under “Beacon BExcellent” brand, overseas study consultancy 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.

Six months ended 31 January	
2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

Other gains

Gain on disposal of property, plant and equipment
Exchange differences - net

—	94
97	2
97	96

Note:

- (a) During the six months ended 31 January 2021, the Group applied for the second tranche of the “Hong Kong SAR Government’s Employment Support Scheme” and the one-off relief grant for private schools offering non-formal curriculum registered under the Education Ordinance (Cap 279). A total of HK\$13,885,000 was recognised as other income in the condensed consolidated statement of comprehensive income.

5 STAFF COSTS

Six months ended 31 January	
2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

Salaries, allowances and bonus

41,039 50,094

Pension costs-defined contribution retirement plans

(Note (a))

1,812 2,227

Share-based compensation expenses

1,755 391

44,606 **52,712**

Note:

- (a) Pension costs-defined contribution retirement plans

The Group participates in a Mandatory Provident Fund scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings with a ceiling of HK\$1,500 per month commencing on or after 1 June 2014 to the MPF Scheme.

6 FINANCE COSTS

	Six months ended 31 January	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on lease liabilities	752	705
Interest on bank loan	86	95
	<u>838</u>	<u>800</u>

7 (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 31 January	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
(Loss)/profit before taxation has been arrived at after charging:		
Short-term lease expenses	2,738	9,452
Depreciation of right-of-use assets	14,381	19,550
Depreciation of property, plant and equipment	4,317	4,651
Printing and stationery	5,563	12,093
Amortisation of intangible assets	209	160
	<u>209</u>	<u>160</u>

8 TAXATION

The amounts of taxation (credited)/charged to the profit or loss represent:

	Six months ended 31 January	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax		
– Hong Kong profits tax	176	4,900
– Deferred income tax	(2,250)	(840)
	<u>(2,074)</u>	<u>4,060</u>

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

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares, the followings have been accounted for:

	Six months ended 31	
	January	
	2021	2020
	(<i>unaudited</i>)	(<i>unaudited</i>)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(5,117)	19,803
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>500,000</u>
Basic (loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (HK cents)	<u>(1.02)</u>	<u>3.96</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.

	Six months ended 31	
	January	
	2021	2020
	(<i>unaudited</i>)	(<i>unaudited</i>)
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(5,117)</u>	<u>19,803</u>
Total diluted (loss)/earnings per share attributable to owners of the company (HK cents)	<u>(1.02)</u>	<u>3.96</u>

Weighted average number of shares used as the denominator

	Six months ended 31	
	January	
	2021	2020
	(<i>unaudited</i>)	(<i>unaudited</i>)
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share (thousand shares)	500,000	500,000
Adjustments for calculation of diluted (loss)/earnings per share:		
Options (thousand shares)	—	161
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (thousand shares)	<u>500,000</u>	<u>500,161</u>

10 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2021 (2020: Nil).

11 ACCOUNTS RECEIVABLES

	31 January	31 July
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(<i>unaudited</i>)	(<i>audited</i>)
Accounts receivables	<u>5,334</u>	<u>1,604</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 January 2021 and 31 July 2020, the ageing analysis of the accounts receivables based on invoice date was as follows:

	31 January	31 July
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
1-30 days	4,826	1,497
31-60 days	14	24
Over 60 days	494	83
	5,334	1,604

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 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 January 2021 (31 July 2020: Nil).

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

	31 January	31 July
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Hong Kong dollar	4,841	1,553
Australian dollar	218	8
British Pound	134	23
United States dollar	126	20
Canadian dollar	15	—
	5,334	1,604

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		31 January 2021 <i>HK\$'000</i> <i>(unaudited)</i>	31 July 2020 <i>HK\$'000</i> <i>(audited)</i>
	<i>Note</i>		
Other receivables	<i>(i)</i>	5,571	5,817
Deposits and prepayments	<i>(ii)</i>	<u>21,306</u>	<u>28,612</u>
		26,877	34,429
Less: Allowance for impairment		<u>(1,406)</u>	<u>(1,406)</u>
		25,471	33,023
Less: non-current portion		<u>(4,888)</u>	<u>(12,573)</u>
Deposits, prepayments and other receivables			
– current portion		<u><u>20,583</u></u>	<u><u>20,450</u></u>

Notes:

- (i) As at 31 January 2021, other receivables of HK\$3,089,000 (31 July 2020: HK\$ 4,010,000) 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.

As at 31 January 2021, deposits of HK\$10,849,000 (31 July 2020: HK\$8,589,000), prepayments of HK\$5,569,000 (31 July 2020: HK\$7,450,000) and other receivables of HK\$4,165,000 (31 July 2020: HK\$4,411,000) are expected to be recovered within one year.

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

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

13 OTHER PAYABLES

		31 January	31 July
		2021	2020
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Other payables	<i>(i)</i>	15,489	15,928
Provision of reinstatement cost	<i>(ii)</i>	2,397	1,566
Government subsidies		—	3,344
		<hr/>	<hr/>
Current portion		<u>17,886</u>	<u>20,838</u>

Notes:

- (i) Other payables mainly represent accrued staff costs, printing expenses, and legal and professional fees, etc.
- (ii) Included in other payables is a current portion of provision of reinstatement cost of HK\$2,397,000 (31 July 2020: HK\$1,566,000). Movement of provision of reinstatement cost is as follows:

	31 January	31 July
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Balance as at beginning of the period/year	3,972	4,295
Additions	—	533
Utilisation	(199)	(856)
	<hr/>	<hr/>
Balance as at closing of the period/year	3,773	3,972
Less: non-current portion	(1,376)	(2,406)
	<hr/>	<hr/>
Current portion	<u>2,397</u>	<u>1,566</u>

14 OTHER NON-CURRENT LIABILITIES

	31 January 2021 <i>HK\$'000</i> <i>(unaudited)</i>	31 July 2020 <i>HK\$'000</i> <i>(audited)</i>
Provision of reinstatement cost	<u>1,376</u>	<u>2,406</u>
Other non-current liabilities	<u><u>1,376</u></u>	<u><u>2,406</u></u>

15 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares at 31 July 2020 (audited) and at 31 January 2021 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares at 31 July 2020 (audited) and at 31 January 2021 (unaudited)	<u><u>500,000,000</u></u>	<u><u>120,956</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 on Hong Kong Island, in Kowloon and the New Territories. As at 31 January 2021, we operated 16 teaching centres, with a total of 127 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 3,398 students to attend class at any one time.

The operating environment in Hong Kong has remained difficult since the outbreak of the novel coronavirus (the "COVID-19"). Adverse impacts on the financial performance of the Group for the six months ended 31 January 2021 were obvious. The outbreak spurred the government to impose public health measures, such as prolonged suspension of, as well as the restriction on student number in face-to-face classes which adversely affected the operation of our teaching centres seriously. As a result, there was a significant decrease in the number of both new and current students' enrollments, though the provision of online classes helped to partly offset the impact. Accordingly, the Group recorded a significant decrease in revenue from HK\$194.5million for the six months ended 31 January 2020, to HK\$93.3 million for the six months ended 31 January 2021, representing a decrease of 52.0%.

Below is a summary of revenue and session enrollments for each category of services which we provided, 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 2021 and 2020:

	For the six months ended	
	31 January	
	2021	2020
Private supplementary secondary school education services		
– Revenue (HK\$'000)	74,259	162,549
– Unique student enrollment ('000)	17	33
– Session enrollment ('000)	118	278
Private secondary day school services		
– Revenue (HK\$'000)	4,319	5,637
– Unique student enrollment ('000)	0.3	0.4
– Session enrollment ('000)	1.2	1.5
Ancillary education services and products		
– Revenue (HK\$'000)	14,682	26,295
– Session enrollment ('000)	12	25

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 private supplementary secondary school education services for each of the six months ended 31 January 2021 and 2020:

	For the six months ended 31 January			
	2021		2020	
	Session		Session	
	enrollment	Revenue	enrollment	Revenue
	'000	HK\$'000	'000	HK\$'000
Regular courses	76	50,084	195	127,509
Intensive courses	16	6,623	32	14,050
Summer courses	26	17,552	51	20,990
Total	118	74,259	278	162,549
Average course fee per session enrollment (HK\$)		629		585

The Group's revenue derived from private supplementary secondary school education services declined by 54.3% when compared with that in the same period in the previous financial year. This was mainly attributable to the decrease in the overall number of session enrollments during the period due to the prolonged school suspension and the restriction imposed on class size.

With the pandemic prompting a shifting of learning mode towards online education, the Group has put more efforts and IT resources to enhance online learning experience in order to lessen the impact of face-to-face class suspensions.

ii) Private secondary day school services

We operated two private secondary day schools located in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. Due to the decrease in the number of private secondary day school unique student enrollments from approximately 400 to approximately 300, accordingly, the revenue decreased by approximately 23.4% when compared with that in the same period in the previous financial year.

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 2021 and 2020:

	For the six months ended	
	31 January	
	2021	2020
	HK\$'000	HK\$'000
Mock examination services	4,276	9,682
Childhood education services	2,539	3,687
VIP self-study services	877	3,331
Beacon BExcellent	4,816	4,421
Others	2,174	5,174
Total	<u>14,682</u>	<u>26,295</u>

Mock examination services are one of the largest revenue contributors of our ancillary education services and products. Due to the persisting COVID-19 pandemic, the mock examination could not take place as usual at large exhibition halls to avoid indoor mass gathering for public health reason. Instead, our mock examination took place either in our teaching centres or at students' places and therefore the scale of our mock examinations was restricted this year. Moreover, there is a timing difference for the income recognition of mock examinations for the six months ended 31 January 2021 and 2020 respectively, as some of our mock examinations were scheduled in February this year in response to postponement of HKDSE while all mock examinations finished by the end of January in the previous year. Therefore, the revenue from such services decreased by HK\$5.4 million or 55.8% from HK\$9.7 million for the six months ended 31 January 2020 to HK\$4.3 million for the six months ended 31 January 2021.

Revenue from childhood education services decreased by HK\$1.2 million, or 31.2% from HK\$3.7 million for the six months ended 31 January 2020 to HK\$2.5 million for the six months ended 31 January 2021. The revenue from VIP self-study services dropped significantly by HK\$2.5 million or 73.7% from HK\$3.3 million for the six months ended 31 January 2020 to HK\$0.9 million for the six months ended 31 January 2021. Since childhood education services relied much on face-to-face delivery and VIP self-study services were delivered in teaching centres, such services revenue recorded a widened decline for the six months ended 31 January 2021 due to the prolonged class suspension caused by COVID-19 outbreak, resulting in a drastic decline in session enrollment.

Sustained increases in the demand for overseas study, continuing education and training provided momentum for the growth of IELTS courses demand. The revenue of Beacon BExcellent has been growing steadily by 8.9% from HK\$4.4 million for the six months ended 31 January 2020 to HK\$4.8 million for the six months ended 31 January 2021 and the major part of the revenue is mainly contributed by IELTS courses. 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 DEVELOPMENTS

The first half of this financial year has not been easy. The COVID-19 pandemic hasn't been stabilized throughout the six months ended 31 January 2021; the face-to face class suspension and class size restriction orders issued by the EDB have been in force for more than 110 days out of the 183 days during the period, which have incessantly affected the study plans and learning habits of students. The Group has strived to maintain students' learning progress through providing quality online-offline learning experiences during the pandemic and to put continuous effort in the development of IT infrastructure as well as a streamlined online learning environment.

Against the backdrop of the severe pandemic, societal and economic uncertainties in Hong Kong, the Group is prepared to expedite its pace in reforming and diversifying the business to cater the change in students' learning modes during the pandemic. The Group will continue to (i) expand and diversify its business by swiftly reacting to market dynamics and grasping opportunities of partnership and collaboration in a wider geographical coverage, including but not limited to the Greater Bay Area; (ii) step up efforts to improve operation efficiency via more stringent cost control measures and more flexible human resources allocation; and (iii) further differentiate the brand, education services and products in the fast-developing online-offline education ecology.

Given the continuing challenges, the outlook for the remaining months of this financial year remains gloom-ridden, mainly because face-to-face teaching has not fully resumed yet, so loss may persist for a longer period. Nevertheless, the Group will exert relentless efforts to achieve a positive turnaround of its business with vitality, agility and vigilance so as to create sustainable long-term returns for the shareholders and stakeholders.

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\$101.2 million, or 52.0%, from HK\$194.5 million for the six months ended 31 January 2020 to HK\$93.3 million for the six months ended 31 January 2021. This was mainly due to the revenue decline from our Group’s overall education services. As the COVID-19 is still rampant, the third and fourth waves of it urged the government to impose stringent social-distancing measures. During such period, the Group has temporarily suspended the face-to-face classes and limited the number of students attending classes in our teaching centres according to the orders instructed by the EDB.

Revenue from the provision of private supplementary secondary school education services decreased by HK\$88.3 million, or 54.3% from HK\$162.5 million for the six months ended 31 January 2020 to HK\$74.3 million for the six months ended 31 January 2021, which was largely due to the decrease in the number of the Group’s session enrollments by approximately 160,000 or 57.6% from approximately 278,000 for the six months ended 31 January 2020 to approximately 118,000 for the six months ended 31 January 2021.

Revenue from the provision of the ancillary education services and products decreased by HK\$11.6 million, or 44.2% from HK\$26.3 million for the six months ended 31 January 2020 to HK\$14.7 million for the six months ended 31 January 2021. This was mainly due to the decrease in mock examination services by HK\$5.4 million or 55.8% from HK\$9.7 million for the six months ended 31 January 2020 to HK\$4.3 million for the six months ended 31 January 2021 and the decrease in VIP self-study services by HK\$2.5 million or 73.7% from HK\$3.3 million for the six months ended 31 January 2020 to HK\$0.9 million for the six months ended 31 January 2021.

Other income

Other income primarily consists of government subsidies, IT service income, rental income from an investment property, interest income from bank deposits, advertising income, and dividend income from an unlisted investment.

Other income increased by 386.9% from HK\$3.3 million for the six months ended 31 January 2020 to HK\$16.1 million for the six months ended 31 January 2021. This increase was primarily attributable to the “Anti-epidemic Fund” received from the government of approximately HK\$13.9 million in total.

Major costs components

The summary below shows the major costs components of the Group among which 61.1% (2020: 58.2%) is related to labor costs (staff costs and tutor service fees), followed by printing and other operating expenses, depreciation of right-of-use (“ROU”) assets and short-term lease and low value lease payments, advertising and promotion expenses.

	For the six months ended 31 January			
	2021	% of	2020	% of
	<i>HK\$'000</i>	revenue	<i>HK\$'000</i>	revenue
Staff costs	44,606	47.8	52,712	27.1
Tutor service fees	23,576	25.3	44,254	22.8
Printing and other operating expenses	23,035	24.7	35,882	18.5
Depreciation of ROU assets	14,381	15.4	19,550	10.1
Short-term lease and low value lease payments	2,738	2.9	9,452	4.9
Advertising and promotion expenses	3,287	3.5	4,733	2.4

Staff costs

As at 31 January 2021, the Group had 308 full time employees and maintained an accumulated pool of part-time employees for seasonal and cyclical business needs, in which 103 are active ones.

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 decreased by HK\$8.1 million or 15.4% from HK\$52.7 million for the six months ended 31 January 2020 to HK\$44.6 million for the six months ended 31 January 2021. Such a decrease was mainly attributable to the decrease of part-time staff cost due to, among others, human resources reallocation, the suspension of face-to-face classes and closure of certain centres.

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 by HK\$20.7 million or 46.7% from HK\$44.3 million for the six months ended 31 January 2020 to HK\$23.6 million for the six months ended 31 January 2021.

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

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

Depreciation of ROU assets and short-term leases and low-value lease payments are part of the largest components of the Group's operating costs, accounting for 15.4% and 2.9% respectively (2020: 10.1% and 4.9%) of the Group's total revenue. During the period, the Group continued its negotiations with landlords for rental concessions and more favorable lease terms in respect of the renewal of lease contracts. The Group has taken steps to continuously review the utilisation and efficiency of the classroom resources with factors including but not limited to the occupancy rate, the rent and the lease terms. During the six months ended 31 January 2021, the Group had closed one teaching centre in Causeway Bay. Two more centres in Prince Edward and Kowloon Bay respectively, were also closed after the reporting period and as at the date of this announcement.

Advertising and promotion expenses

During the pandemic period, regular promotion and advertising largely relied on online channels, the Group has put more focus on acquisition of customers and strengthening brand awareness through social media platforms such as Facebook, Instagram and Google. Short videos and live broadcast marketing for promotional purposes were implemented periodically. Comparing to traditional marketing channels like placing advertisements on public transit vehicles, outdoor billboards or newspapers, e-commerce marketing strategies were relatively more effective and efficient. The marketing expenditure for the Group decreased by approximately 30.6% from HK\$4.7 million for the six months ended 31 January 2020 to HK\$3.3 million for the six months ended 31 January 2021.

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\$12.8 million or 35.8% from HK\$35.9 million for the six months ended 31 January 2020 to HK\$23.0 million for the six months ended 31 January 2021.

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 54.0% from HK\$12.1 million for the six months ended 31 January 2020 to HK\$5.6 million for the six months ended 31 January 2021.

Income tax credit/expenses

Income tax credit for the period ended 31 January 2021 was HK\$2.1 million (Income tax expenses for the period ended 31 January 2020: HK\$4.1 million). The effective tax rates of the Group for the six months ended 31 January 2021 and 2020 were 27.1% and 17.3% respectively.

Loss/profit for the period

The Group recorded a loss of HK\$5.6 million for the six months ended 31 January 2021. The loss was mainly due to significant decrease in revenue due to prolonged face-to-face class suspension and class size restriction instructed by the EDB during the pandemic period. (2020: Profit of the Group for the six months ended 31 January 2020 was HK\$19.4 million.)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 January 2021, the Group's net current asset value was HK\$58.1 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents less other payables, contract liabilities, current income tax payable, borrowings and lease liabilities.

The Group's current assets decreased from HK\$144.4 million as at 31 July 2020 to HK\$133.3 million as at 31 January 2021. Such a decrease in current assets was primarily due to the decrease in cash and cash equivalents from HK\$121.3 million as at 31 July 2020 to HK\$106.3 million as at 31 January 2021.

As at 31 January 2021, around HK\$21.3 million of current lease liabilities, out of the net current assets of HK\$58.1 million (31 July 2020: net current assets of HK\$68.4 million) arose from the adoption of HKFRS16.

As at 31 January 2021, the current ratio of the Group (expressed as current assets divided by current liabilities) was 1.77, compared with 1.9 as at 31 July 2020.

CHARGES ON THE GROUP'S ASSETS

The Group has investment property with carrying value of approximately HK\$19.4 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 January 2021, the Group's gearing ratio (calculated based on bank borrowings amounting to approximately HK\$7.8 million and lease liabilities amounting to approximately HK\$28.8 million divided by equity attributable to the owners of the Company as at the period end date amounting to approximately HK\$149.5 million) was approximately 24.5% (31 July 2020: 34.5%).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 January 2021 (2020: nil), other than the ongoing 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 2021 (2020: 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 period of six months ended 31 January 2021.

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 2021, 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 2021 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 2021 have been reviewed by the Audit Committee.

LITIGATION

Reference is made to the Prospectus, the Company's Annual Report 2018, 2019 and 2020, 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 originally fixed in April 2020 was further adjourned to July 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.

SIGNIFICANT EVENTS AFTER THE SIX MONTHS ENDED 31 JANUARY 2021

No significant events affecting the Group occurred after 31 January 2021 and up to the date of this announcement.

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 2021 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, 30 March 2021

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.