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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 2021

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 July 2021 compared to that of the year ended 31 July 2020 is as follows:

- The Group's revenue decreased by approximately 38.2% from approximately HK\$287.0 million to approximately HK\$177.4 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 44.4% from approximately 405,000 to approximately 225,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services decreased by approximately 15.5% from approximately 11.6 to approximately 9.8.
- Loss attributable to owners of the Company increased by approximately 40.2% from approximately HK\$19.2 million to approximately HK\$27.0 million.
- The Board does not recommend the payment of a final dividend for the year ended 31 July 2021.

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 2021, 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 2021

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------|---|---|
| Revenue | 3 | 177,398 | 287,036 |
| Other income | 4 | 19,579 | 13,753 |
| Other losses - net | 4 | (325) | (4,521) |
| Staff costs | 5 | (81,008) | (97,939) |
| Tutor service fees | | (48,404) | (79,575) |
| Short-term lease, variable lease and low-value lease payments | | (6,709) | (11,052) |
| Advertising and promotion expenses | | (4,965) | (8,244) |
| Printing and other operating expenses | | (44,520) | (69,943) |
| Depreciation and amortisation expenses | | (37,261) | (47,489) |
| Net impairment losses on financial assets | | (1,073) | (1,400) |
| | | <hr/> | <hr/> |
| Operating loss | | (27,288) | (19,374) |
| Finance costs | 6 | (1,376) | (2,599) |
| Share of losses of an associate | | (126) | (196) |
| | | <hr/> | <hr/> |
| Loss before taxation | 7 | (28,790) | (22,169) |
| Taxation | 8 | 1,235 | 2,378 |
| | | <hr/> | <hr/> |
| Loss for the year | | (27,555) | (19,791) |
| 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 | | (215) | — |
| | | <hr/> | <hr/> |
| Other comprehensive loss for the year | | (215) | — |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total comprehensive loss for the year | | (27,770) | (19,791) |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Loss attributable to | | | |
| – Owners of the Company | | (26,963) | (19,230) |
| – Non-controlling interests | | (592) | (561) |
| | | <hr/> | <hr/> |
| | | (27,555) | (19,791) |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Total comprehensive loss for the year attributable to | | | |
| – Owners of the Company | | (27,178) | (19,230) |
| – Non-controlling interests | | (592) | (561) |
| | | <hr/> | <hr/> |
| | | (27,770) | (19,791) |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Loss per share for loss attributable to the owners of the Company (expressed in HK cent per share): | | | |
| Basic loss per share | 9(a) | (5.39) | (3.85) |
| Diluted loss per share | 9(b) | (5.39) | (3.85) |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

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 2021

| | Note | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|------|-------------------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 16,759 | 19,231 |
| Right-of-use assets | 11 | 29,444 | 42,998 |
| Investment property | 12 | 19,400 | 19,300 |
| Intangible assets | | 4,659 | 4,403 |
| Interest in an associate | | — | 704 |
| Financial assets at fair value through other comprehensive income | | 285 | — |
| Deferred income tax assets | | 6,668 | 5,433 |
| Deposits and prepayments | 14 | 2,463 | 12,573 |
| | | <u>79,678</u> | <u>104,642</u> |
| Current assets | | | |
| Accounts receivables | 13 | 3,398 | 1,604 |
| Deposits, prepayments and other receivables | 14 | 18,033 | 20,450 |
| Income tax recoverable | | 1,064 | 1,079 |
| Cash and cash equivalents | | 81,148 | 121,303 |
| | | <u>103,643</u> | <u>144,436</u> |
| Total assets | | <u><u>183,321</u></u> | <u><u>249,078</u></u> |
| Equity | | | |
| Share capital | 16 | 120,956 | 120,956 |
| Other reserves | | 16,676 | 15,520 |
| (Accumulated losses)/retained earnings | | (10,737) | 21,226 |
| Equity attributable to owners of the Company | | <u>126,895</u> | 157,702 |
| Non-controlling interests | | (901) | (1,853) |
| Total equity | | <u>125,994</u> | 155,849 |

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------------|-------------|---------------------------------------|-------------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Other payables | <i>15</i> | 16,371 | 20,838 |
| Contract liabilities | | 15,352 | 14,676 |
| Current income tax payable | | 345 | 811 |
| Borrowings | | 7,585 | 8,085 |
| Lease liabilities | <i>11</i> | 11,264 | 31,620 |
| | | <u>50,917</u> | <u>76,030</u> |
| Non-current liabilities | | | |
| Other non-current liabilities | <i>15</i> | 579 | 2,406 |
| Deferred income tax liabilities | | 10 | 13 |
| Lease liabilities | <i>11</i> | 5,821 | 14,780 |
| | | <u>6,410</u> | <u>17,199</u> |
| Total liabilities | | <u>57,327</u> | <u>93,229</u> |
| Total equity and liabilities | | <u>183,321</u> | <u>249,078</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, a company incorporated in the British Virgin Islands with limited liability.

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 impact of the adoption of the following amendments to existing standard is disclosed in note 2.2.

- Amendments to HKFRS 16 “Leases”, “COVID-19 - Related Rent Concession”, which is mandatory for the first time for the financial year beginning 1 August 2020
- Amendments to HKFRS 16 “Leases”, “COVID-19 - Related Rent Concession beyond 30 June 2021”, which is mandatory for the first time for the financial year beginning 1 August 2021, where early adoption is permitted

The following new amendments and amended framework are mandatory for the first time for the financial year beginning 1 August 2020, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

- Amendments to HKAS 1 (Revised) “Presentation of Financial Statements”

- Amendments to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to HKAS 39 “Financial Instruments: Recognition and Measurement”
- Amendments to HKFRS 3 (Revised) “Business Combinations”
- Amendments to HKFRS 7 “Financial Instruments: Disclosures”
- Conceptual Framework for Financial Reporting 2018

New standard 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 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to HKFRSs 2018 – 2020 | | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 1 | Presentation of Financial Statements | 1 January 2023 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 (2011) | 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 2021, 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.

The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- investment property; and
- financial assets at fair value through other comprehensive income (“**FVOCI**”).

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 recognized 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.

2.2 Changes in accounting policies

This note explains the impact of the adoption of amendments to HKFRS 16 “COVID-19 - Related Rent Concessions” and “COVID-19 - Related Rent Concessions beyond 30 June 2021” on the consolidated financial statements.

The amendments provide an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only 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 due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19 - related rent concessions. Rent concessions totalling HK\$3,145,000 have been accounted for as negative variable lease payments and recognised in loss for the year ended 31 July 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 August 2020.

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 (i) mock examination services; (ii) interview preparation, language and supplementary primary school education, tutorial and consultation services under "Diverse Learning Club", "Beacon Childhood", "BeConfident", "Glocal Education" and "Mathgic" brands; (iii) VIP self-study services; (iv) IELTS and foreign language courses under "Beacon BExcellent" brand; (v) other services and products including but not limited to online course scheduling and management services, other educational services under "Ascent Prep" brand, overseas study consultation services under "GES" brand and online retail business under "Beacon Living" brand. 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.

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Major products/service lines | | |
| Private supplementary secondary school education services | 145,899 | 239,987 |
| Private secondary day school services | 8,026 | 10,221 |
| Ancillary education services and products | 23,473 | 36,828 |
| | <u>177,398</u> | <u>287,036</u> |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Timing of revenue recognition: | | |
| Over time | 167,084 | 266,993 |
| At a point in time | 10,314 | 20,043 |
| | <u>177,398</u> | <u>287,036</u> |

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. Revenue recognised during the year that was included in contract liabilities at the beginning of the year amounts to HK\$14,676,000 (2020: HK\$17,951,000). As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 OTHER INCOME AND OTHER LOSSES - NET

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other income | | |
| Government subsidies (<i>Note (a)</i>) | 14,620 | 7,505 |
| IT service income | 3,437 | 2,229 |
| Interest income | 232 | 1,863 |
| Advertising income | 176 | 777 |
| Sundry income | 458 | 310 |
| Dividend income from equity investments held at FVOCI | — | 342 |
| Rental income from investment property | 656 | 685 |
| Exchange differences - net | — | 42 |
| | <u>19,579</u> | <u>13,753</u> |
| Other losses - net | | |
| Increase/(decrease) in fair value of investment property (<i>note 12</i>) | 100 | (4,047) |
| Loss on disposal of property, plant and equipment | (423) | (474) |
| Loss on deemed disposal of an associate | (78) | — |
| Exchange differences - net | 76 | — |
| | <u>(325)</u> | <u>(4,521)</u> |

Note:

- (a) During the year ended 31 July 2021, the Group recognised subsidies under the Employment Support Scheme of HK\$13,485,000 (2020: HK\$6,705,000) for the period from August to November 2020 (2020: from June to July 2020), a one-off relief grant for Private Schools Offering Non-formal Curriculum registered under the Education Ordinance (Cap. 279) of HK\$1,120,000 (2020: HK\$800,000) and a government subsidy for Book Fair 2021 from Hong Kong Trade Development Council of HK\$15,000 introduced by the Government of the Hong Kong Special Administrative Region.

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

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries, allowances and bonus | 75,152 | 93,232 |
| Share-based compensation expenses (<i>Note (b)</i>) | 2,559 | 602 |
| Pension costs - defined contribution retirement plans (<i>Note (a)</i>) | 3,297 | 4,105 |
| | <u>81,008</u> | <u>97,939</u> |

Notes:

(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 1 June 2014 to the MPF Scheme.

(b) During the year ended 31 July 2021, the total expenses for share options to staff (including directors) and a consultant were HK\$287,000 (2020: HK\$602,000) and HK\$2,272,000 (2020: Nil) respectively.

6 FINANCE COSTS

| | 2021 | 2020 |
|--|------------------------|-----------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Interest expenses on lease liabilities | 1,208 | 2,417 |
| Interest expenses on bank loan | 168 | 182 |
| | <u>1,376</u> | <u>2,599</u> |

7 LOSS BEFORE TAXATION

| | 2021 | 2020 |
|---|------------------------|-----------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Loss before taxation has been arrived at after charging: | | |
| Auditor’s remuneration | | |
| – audit and audit-related services | 1,129 | 1,040 |
| – non-audit services | 92 | 128 |
| Printing and stationery | <u>9,030</u> | <u>18,584</u> |

8 TAXATION

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Hong Kong profits tax | | |
| – provision for current year | 46 | 46 |
| – over-provision in prior years | (43) | (2,049) |
| Current income tax | 3 | (2,003) |
| Deferred income tax | (1,238) | (375) |
| | <u>(1,235)</u> | <u>(2,378)</u> |

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year ended 31 July 2021.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss before taxation | <u>(28,790)</u> | <u>(22,169)</u> |
| Calculated at a taxation rate of 16.5% (2020: 16.5%) | (4,750) | (3,658) |
| Income not subject to taxation | (2,479) | (1,637) |
| Expenses not deductible for taxation purposes | 452 | 1,291 |
| Recognition of previously unrecognised tax loss | (49) | — |
| Utilisation of previously unrecognised deferred tax | (1,240) | — |
| Tax losses with no deferred tax assets recognised | 6,889 | 1,961 |
| Derecognition of previously recognised deferred tax | — | 1,727 |
| Over-provision in prior years | (43) | (2,049) |
| Others | (15) | (13) |
| Income tax credit | <u>(1,235)</u> | <u>(2,378)</u> |

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss 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:

| | 2021 | 2020 |
|---|----------------|----------------|
| Loss attributable to owners of the Company (<i>HK\$'000</i>) | (26,963) | (19,230) |
| Weighted average number of shares in issue (thousand shares) | <u>500,000</u> | <u>500,000</u> |
| Total basic loss per share attributable to owners of the Company (<i>HK cent</i>) | <u>(5.39)</u> | <u>(3.85)</u> |

(b) Diluted

Diluted loss per share adjusts the figures used in the determination of basic loss 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.

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Loss attributable to owners of the Company (<i>HK\$'000</i>) | <u>(26,963)</u> | <u>(19,230)</u> |
| Total diluted loss per share attributable to owners of the Company (<i>HK cent</i>) | <u>(5.39)</u> | <u>(3.85)</u> |

Weighted average number of shares used as the denominator

| | 2021 | 2020 |
|--|----------------|----------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (<i>thousand shares</i>) | 500,000 | 500,000 |
| Adjustments for calculation of diluted loss per share: | | |
| Options (<i>thousand shares</i>) | <u>—</u> | <u>—</u> |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share (<i>thousand shares</i>) | <u>500,000</u> | <u>500,000</u> |

Basic and diluted loss per share for the year ended 31 July 2021 are the same since the potential shares from options are anti-dilutive.

10 DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 July 2021.

During the year ended 31 July 2021, the Company declared and paid a dividend of HK\$5,000,000 to its shareholders in respect of the retained earnings for the year ended 31 July 2020. The dividend was settled in full.

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:

| Right-of-use assets | 2021 | 2020 |
|----------------------------|-----------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Properties leases | 16,058 | 42,998 |
| Leasehold land | 13,386 | — |
| | 29,444 | 42,998 |
| | 29,444 | 42,998 |
| | | |
| Lease liabilities | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Current liabilities | 11,264 | 31,620 |
| Non-current liabilities | 5,821 | 14,780 |
| | 17,085 | 46,400 |
| | 17,085 | 46,400 |

During the year ended 31 July 2021, additions to the right-of-use assets were HK\$15,738,000 (2020: HK\$26,017,000) and there is a written-off of right-of-use assets of HK\$2,382,000 (2020: HK\$1,644,000) due to early termination of the leases. Due to the COVID-19, the Group has received rent concession from various landlords during the year ended 31 July 2020 before the adoption of HKFRS 16 (Amendments) and the rent concession was 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:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation | 26,910 | 38,334 |
| Interest expense (included in finance costs) (note 6) | 1,208 | 2,417 |
| Expense relating to short-term leases | 9,775 | 10,944 |
| Expense relating to low-value leases | 79 | 108 |

The total cash outflow for leases in 2021 was HK\$36,862,000 (2020: HK\$50,221,000).

(c) The Group's leasing activities and how these are accounted for

The Group obtains right to control the use of assets including teaching centres, offices and warehouse for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease term ranging from 1 to 6 years.

12 INVESTMENT PROPERTY

| | 2021 | 2020 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 August (<i>Note (i)</i>) | 19,300 | 23,347 |
| Change in fair value (<i>note 4</i>) | 100 | (4,047) |
| At 31 July (<i>Notes (ii), (iii) and (iv)</i>) | 19,400 | 19,300 |

Notes:

- (i) On 11 July 2019, the Group completed the acquisition of a commercial property with a tenancy which was renewed in August 2021 as the tenant exercised 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 2021 was valued on 31 July 2021 by an independent professional qualified valuer, based on a market value assessment. The valuer applied direct comparison approach and cross-referenced to recent sales transactions where applicable.

The Group's investment property carried at fair value of HK\$19,400,000 was 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\$8,500 (2020: HK\$8,446) per square feet.

- (iii) As at 31 July 2021, the Group's investment property with carrying value of approximately HK\$19,400,000 (2020: HK\$19,300,000) was pledged to secure bank facilities of the Group.

- (iv) Particulars of the Group's investment property as at 31 July 2021 are as follows:

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

13 ACCOUNTS RECEIVABLES

| | 2021 | 2020 |
|----------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Accounts receivables | <u>3,398</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, cheque or credit cards. As at 31 July 2021 and 2020, the ageing analysis of the accounts receivables based on invoice date were as follows:

| | 2021 | 2020 |
|--------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 1 - 30 days | 3,025 | 1,497 |
| 31 - 60 days | 37 | 24 |
| Over 60 days | <u>336</u> | <u>83</u> |
| | <u>3,398</u> | <u>1,604</u> |

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

The 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 2021 (2020: Nil).

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

| | 2021 | 2020 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At beginning of the year | — | 187 |
| Receivables written off during the year as uncollectible | — | (181) |
| Unused amount reversed | — | (6) |
| | <hr/> | <hr/> |
| At end of the year | <u>—</u> | <u>—</u> |

The maximum exposures of the Group to credit risk as at 31 July 2021 and 2020 are the carrying value of accounts receivables mentioned above.

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

| | 2021 | 2020 |
|----------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong dollar | 3,156 | 1,553 |
| Australian dollar | 143 | 8 |
| British Pound | 35 | 23 |
| United States dollar | 29 | 20 |
| Canadian dollar | 21 | — |
| Renminbi | 14 | — |
| | <hr/> | <hr/> |
| | <u>3,398</u> | <u>1,604</u> |

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | 2021 | 2020 |
|---|-------------|------------------------|-----------------|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other receivables | <i>(i)</i> | 5,381 | 5,817 |
| Deposits and prepayments | <i>(ii)</i> | 17,594 | 28,612 |
| | | 22,975 | 34,429 |
| Less: Allowance for impairment | | (2,479) | (1,406) |
| | | 20,496 | 33,023 |
| Less: non-current portion | | (2,463) | (12,573) |
| Deposits, prepayments and other receivables – current portion | | 18,033 | 20,450 |

Notes:

- (i) As at 31 July 2021, other receivables of HK\$3,554,000 (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, licence fees, advertising and others.

As at 31 July 2021, deposits of HK\$12,327,000 (2020: HK\$8,589,000), prepayments of HK\$2,804,000 (2020: HK\$7,450,000) and other receivables of HK\$2,902,000 (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.

15 OTHER PAYABLES

| | | 2021 | 2020 |
|---------------------------------|-------------|----------------------|----------------------|
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Other payables | <i>(i)</i> | 12,337 | 15,928 |
| Provision of reinstatement cost | <i>(ii)</i> | 4,034 | 1,566 |
| Government subsidies | | — | 3,344 |
| | | <u> </u> | <u> </u> |
| Current portion | | <u>16,371</u> | <u>20,838</u> |

Notes:

- (i) Other payables mainly represent accrued staff costs, printing expenses, and advertising expenses, etc.
- (ii) Included in other payables is a current portion of provision of reinstatement cost of HK\$4,034,000 (2020: HK\$1,566,000).
Movement of provision of reinstatement cost is as follows:

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| Balance as at beginning of the year | 3,972 | 4,295 |
| Additions | 1,176 | 533 |
| Utilisation | (535) | (856) |
| | <u> </u> | <u> </u> |
| Balance as at closing of the year | 4,613 | 3,972 |
| Less: non-current portion | (579) | (2,406) |
| | <u> </u> | <u> </u> |
| Current portion | <u>4,034</u> | <u>1,566</u> |

16 SHARE CAPITAL

| | Number of shares | HK\$'000 |
|---|-----------------------|----------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each at 31 July 2020 and 2021 | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| Ordinary shares at 31 July 2020 and 2021 | <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 in teaching centres located on Hong Kong Island, in Kowloon and the New Territories. Certain amounts and percentage figures set out in this section “Management Discussion and Analysis” have been subject to rounding adjustments for ease of presentation. Accordingly, figures presented herein may not be an arithmetic sum of such figures. As at 31 July 2021, we operated 12 teaching centres, with a total of 106 classrooms, which, in accordance with the EDB’s guidelines, allow a maximum classroom capacity of 2,935 students to attend class at any one time.

The business 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 year ended 31 July 2021 were obvious. The outbreak spurred the government to impose public health measures during the whole financial year, such as prolonged suspension of, as well as the restriction on student number and class time in face-to-face classes, which had adversely affected the operations of our teaching centres. Whole-school resumption of half day face-to-face class arrangement was only allowed to be effective from May 2021 which, by then, the Group’s premium period for collecting tuition fees had already been missed. As a result, there was a significant decrease in the number of both new and current student enrollments, though the provision of online classes helped to partly offset the impact. Accordingly, the Group recorded a significant decrease in revenue from HK\$287.0 million for the year ended 31 July 2020 to HK\$177.4 million for the year ended 31 July 2021, representing a decrease of 38.2%. And the Group recorded a loss of HK\$27.6 million for the year ended 31 July 2021, representing an increase of approximately 39.2% as compared with approximately HK\$19.8 million for the year ended 31 July 2020.

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 2021 and 2020:

| | For the year ended 31 July | |
|---|-----------------------------------|---------|
| | 2021 | 2020 |
| Private supplementary secondary school education services | | |
| – Revenue (HK\$'000) | 145,899 | 239,987 |
| – Unique student enrollment ('000) | 23 | 35 |
| – Session enrollment ('000) | 225 | 405 |
| Private secondary day school services | | |
| – Revenue (HK\$'000) | 8,026 | 10,221 |
| – Unique student enrollment ('000) | 0.3 | 0.4 |
| – Session enrollment ('000) | 2.0 | 3.0 |
| Ancillary education services and products | | |
| – Revenue (HK\$'000) | 23,473 | 36,828 |
| – Session enrollment ('000) | 17 | 30 |

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. 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 2021 and 2020:

| | For the year ended 31 July | | | |
|--|-----------------------------------|-----------------------|-------------------|-----------------------|
| | 2021 | | 2020 | |
| | Session | | Session | |
| | enrollment | Revenue | enrollment | Revenue |
| | '000 | HK\$'000 | '000 | HK\$'000 |
| Regular courses | 169 | 112,052 | 279 | 185,097 |
| Intensive courses | 31 | 15,342 | 61 | 28,950 |
| Summer courses | 25 | 18,505 | 65 | 25,940 |
| Total | <u>225</u> | <u>145,899</u> | <u>405</u> | <u>239,987</u> |
| Average course fee per session enrollment (HK\$) | | <u>648</u> | | <u>593</u> |

The Group’s revenue derived from private supplementary secondary school education services declined by 39.2% when compared with 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 and time. With the pandemic prompting a shift of learning mode towards online education, the Group has put more efforts and IT resources into enhancing online learning experience in order to lessen the impact of face-to-face class suspension.

ii) Private secondary day school services

We operated two private secondary day schools located respectively 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 300 to approximately 200, the revenue derived from such segment decreased by approximately 21.5% when compared with that in the previous financial year.

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” and “Mathgic” brands; (iii) VIP self-study services; (iv) IELTS 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, 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 2021 and 2020:

| | For the year ended 31 July | |
|------------------------------|-----------------------------------|----------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Mock examination services | 6,004 | 11,453 |
| Childhood education services | 4,866 | 5,873 |
| VIP self-study services | 1,073 | 3,746 |
| Beacon BExcellent | 7,073 | 7,294 |
| Others | 4,457 | 8,462 |
| Total | <u>23,473</u> | <u>36,828</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 for fear of indoor mass gathering for public health reasons. 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. Therefore, the revenue from such services decreased by HK\$5.4 million or 47.6% from HK\$11.5 million for the year ended 31 July 2020 to HK\$6.0 million for the year ended 31 July 2021. The revenue of Beacon BExcellent has been maintained at a similar level. Such revenue amounted to HK\$7.1 million for the year ended 31 July 2021 and it was HK\$7.3 million for the year ended 31 July 2020 and the major part of the revenue was mainly contributed by IELTS courses. Revenue from childhood education services decreased by HK\$1.0 million, or 17.1% from HK\$5.9 million for the year ended 31 July 2020 to HK\$4.9 million for the year ended 31 July 2021. The revenue from VIP self-study services dropped significantly by HK\$2.7 million or 71.4% from HK\$3.7 million for the year ended 31 July 2020 to HK\$1.1 million for the year ended 31 July 2021. Since childhood education services relied heavily on face-to-face delivery and VIP self-study services were delivered only in teaching centres, the revenues generated from such services recorded a decline for the year ended 31 July 2021 due to the prolonged class suspension caused by COVID-19 outbreak, resulting in a drastic decline in session enrollments. Revenue received from other services and products decreased by HK\$4.0 million or 47.3% from HK\$8.5 million for the year ended 31 July 2020 to HK\$4.5 million for the year ended 31 July 2021. Such a decrease was mainly due to a decline in revenue from a collaboration with another private supplementary secondary school service provider. The Group will continue to capture market share by increasing course variety and expanding our service offerings.

OUTLOOK AND FUTURE DEVELOPMENT

The business of the Group was heavily hit by the unfavorable circumstances brought by the COVID-19 pandemic, leading to the prolonged face-to-face class suspension, as well as the restriction in class size and time imposed by the EDB in this financial year. During the pandemic, the Group has put much effort into developing and enhancing an online learning environment and providing quality online-offline learning experiences so as to retain students' learning motivation and to create a more sustainable income base. The online education services are believed to have much potential to grow and have a vast market. Also, the Group has stepped up to improve operational efficiency through stringent cost control measures and more flexible human resources allocation.

Looking forward, the education market environment in Hong Kong will still be surrounded by uncertainty in relation to the pandemic and the potential drop of the student population caused by the emigration wave. With the various policies of the government which support Hong Kong enterprises' participation in the rapid development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”), the Group considers it a good opportunity to leverage on its rich experience in the Hong Kong education industry and explore the extension of its education services to new markets outside Hong Kong, including but not limited to the international education services for schools in the Greater Bay Area as well as development of professional and vocational training.

At the same time, the Group will constantly seek new opportunities to expand our business portfolio through active participation in initiatives by way of, amongst others, collaboration, investment or acquisition, in order to broaden our education service spectrum beyond our current services and further expand our income source.

Facing the new challenges ahead in both Hong Kong and new markets, the Group will move forward courageously and deliver more sustainable values and returns for all 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 approximately HK\$109.6 million, or approximately 38.2%, from approximately HK\$287.0 million for the year ended 31 July 2020 to approximately HK\$177.4 million for the year ended 31 July 2021. This was mainly due to the revenue decline from the provision of private supplementary secondary school education services and ancillary education services and products.

Revenue from the provision of private supplementary secondary school education services decreased by HK\$94.1 million, or 39.2% from HK\$240.0 million for the year ended 31 July 2020 to HK\$145.9 million for the year ended 31 July 2021, which was largely due to the decrease in the number of the Group’s session enrollments by approximately 180,000 or 44.4% from approximately 405,000 for the year ended 31 July 2020 to approximately 225,000 for the year ended 31 July 2021. Revenue from the provision of the ancillary education services and products decreased by HK\$13.4 million, or 36.3% from HK\$36.8 million for the year ended 31 July 2020 to HK\$23.5 million for the year ended 31 July 2021. This was mainly due to the decrease in the revenue of mock examination services which amounted to HK\$5.4 million or 47.6%, from HK\$11.5 million for the year ended 31 July 2020 to HK\$6.0 million for the year ended 31 July 2021, as well as the decrease in revenue of other services and products amounting to HK\$4.0 million or 47.3%, from HK\$8.5 million for the year ended 31 July 2020 to HK\$4.5 million for the year ended 31 July 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 HK\$5.8 million or 42.4%, from HK\$13.8 million for the year ended 31 July 2020 to HK\$19.6 million for the year ended 31 July 2021. This increase was primarily attributable to the increase in “Anti-epidemic Fund” received from the government by HK\$7.1 million to HK\$14.6 million for the year ended 31 July 2021 (2020: HK\$7.5 million) offset by a decrease in interest income by HK\$1.6 million to HK\$0.2 million for the year ended 31 July 2021 (2020: HK\$1.9 million).

Major costs component

The summary below shows the major costs components of our Group among which approximately 60.9% (2020: approximately 58.2%) 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”) assets, short-term lease, variable lease and low-value lease payments, and advertising and promotion expenses:

| | 2021 | | 2020 | |
|--|-----------------|---------------------|-----------------|---------------------|
| | <i>HK\$'000</i> | <i>% of revenue</i> | <i>HK\$'000</i> | <i>% of revenue</i> |
| Staff costs | 81,008 | 45.7 | 97,939 | 34.1 |
| Tutor service fees | 48,404 | 27.3 | 79,575 | 27.7 |
| Depreciation of ROU assets | 26,910 | 15.2 | 38,334 | 13.4 |
| Short-term lease, variable lease and low-value lease payments | 6,709 | 3.8 | 11,052 | 3.9 |
| Advertising and promotion expenses | 4,965 | 2.8 | 8,244 | 2.9 |
| Printing and other operating expenses | 44,520 | 25.1 | 69,943 | 24.4 |

Staff costs

As at 31 July 2021, the Group had 228 full-time employees and maintained an accumulated pool of part-time employees for seasonal and cyclical business needs, of which 86 were 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 decreased by approximately HK\$16.9 million or approximately 17.3% from approximately HK\$97.9 million for the year ended 31 July 2020 to approximately HK\$81.0 million for the year ended 31 July 2021. Such a decrease was mainly attributable to the mitigating measures taken by the Group to manage through the COVID-19 outbreak challenges, such as reduction of part-time staff cost and human resources reallocation.

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 fees are in general positively correlated to our Group's revenue. Such expenses decreased from approximately HK\$79.6 million for the year ended 31 July 2020 to approximately HK\$48.4 million for the year ended 31 July 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 and short-term lease, variable lease and low-value lease payments

Depreciation of ROU assets and short-term lease, variable lease and low-value lease payments are part of the largest components of the Group's operating costs, accounting for 15.2% and 3.8% respectively (2020: 13.4% and 3.9%) of the Group's total revenue. During the financial year, 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 by taking into account factors including but not limited to the occupancy rate, the rent and the lease terms. During the year ended 31 July 2021, the Group had closed 4 teaching centres in Causeway Bay, Prince Edward, Kowloon Bay and Tai Po respectively and downsized the teaching centre in Yuen long.

Advertising and promotion expenses

During the pandemic period, regular promotion and advertising were largely made through 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, such as a knowledge-based social media live broadcast programme named “創富冰室”, were implemented periodically. Compared 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 of the Group decreased by approximately HK\$3.2 million or 39.8% from HK\$8.2 million for the year ended 31 July 2020 to HK\$5.0 million for the year ended 31 July 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\$25.4 million or 36.3%, from HK\$69.9 million for the year ended 31 July 2020 to HK\$44.5 million for the year ended 31 July 2021. The decrease was mainly attributable to the decrease in printing expenses in relation to the private supplementary secondary school education services by HK\$9.6 million or 51.4%, from HK\$18.6 million to HK\$9.0 million. Moreover, the cost control policy implemented by the Group during the financial year, such as minimizing cash outflow on non-essential items, rationalizing the Group's capital expenditure projects and negotiating with electronic payment providers to reduce the percentage of the services fee charged also contributed to these savings.

Income tax credit

Income tax credit for the year ended 31 July 2021 and 31 July 2020 were HK\$1.2 million and HK\$2.4 million. The effective tax rates of the Group for the year ended 31 July 2021 and 2020 were 4.3% and 10.7% respectively.

Loss for the year

The Group recorded a loss of HK\$27.6 million for the year ended 31 July 2021. The loss during the year was mainly due to the decrease in revenue.

Liquidity, financial resources and capital structure

As at 31 July 2021, the Group's net current asset value was HK\$52.7 million, which mainly consisted of accounts receivables, 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\$103.6 million as at 31 July 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\$81.1 million as at 31 July 2021. As at 31 July 2021, the current ratio of the Group (expressed as current assets divided by current liabilities) was 2.04, compared with 1.9 as at 31 July 2020. Such an improvement in current ratio is mainly attributable to the decrease in lease liabilities from HK\$31.6 million as at 31 July 2020 to HK\$11.3 million as at 31 July 2021.

Charges on the Group's Assets

The Group has an 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 July 2021, the Group's gearing ratio (calculated based on bank borrowings amounting to approximately HK\$7.6 million and lease liabilities amounting to approximately HK\$17.1 million divided by equity attributable to the owners of the Company as at the year-end date amounting to approximately HK\$126.9 million) was approximately 19.4% (31 July 2020: 34.5%).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 July 2021 (2020: 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 2021.

LITIGATION

Reference is made to the Prospectus, the annual reports for the years ended 31 July 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 in progress and the Case Management Summons Hearing originally fixed in July 2021 was further adjourned to December 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.

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. Further, the supplemental announcement of the Company dated 23 July 2021 illustrates the latest intentions and expected timeline of the Company in using the remaining unutilized amount of the Net Proceeds (in addition to those disclosed in the interim report of the Company for the period ended 31 January 2021) which have remained unchanged and the timeline has not been delayed (but please see the Note below). 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:

| | Original use of net proceeds <i>HK\$ million</i> | Revised allocation of use of net proceeds <i>HK\$ million</i> | Amount of net proceeds utilized up to 31 July 2021 <i>HK\$ million</i> | Amount of net proceeds unutilized as at 31 July 2021 <i>HK\$ million</i> | Progress up to the date of this announcement |
|--|---|---|--|--|--|
| Acquisition of premise(s) | 31.1 | 31.1 | 31.1 | — | The Group completed the acquisition of a property located at Kowloon Bay and fully utilized the remaining net proceeds on 14 August 2020. |
| Optimization of teaching centres | 23.3 | 13.3 | 7.9 | 5.4 | The Group has optimised the centres at Causeway Bay, Yuen Long, Tai Po, Kowloon East and Mong Kok during the year for better utilisation and efficiency of the classroom resources. The Group expects to utilize the remaining net proceeds for such purpose within 2 years from 31 July 2021. ^{Note} |
| Acquisition of established teaching centres or opening new teaching centres for Childhood education services | 12.8 | 12.8 | 3.9 | 8.9 | The Group has introduced more courses and content to the established teaching spots during the year and is looking for appropriate investment opportunities. The Group expects to utilize the remaining net proceeds for such purpose within 2 years from 31 July 2021. ^{Note} |

| | Original use of net proceeds <i>HK\$ million</i> | Revised allocation of use of net proceeds <i>HK\$ million</i> | Amount of net proceeds utilized up to 31 July 2021 <i>HK\$ million</i> | Amount of net proceeds unutilized as at 31 July 2021 <i>HK\$ million</i> | Progress up to the date of this Announcement |
|--|---|---|--|--|---|
| Upgrades of teaching centres' facilities, IT infrastructure and recruitment of non-teaching staff | 16.9 | 16.9 | 16.9 | — | N/A |
| Enhancing brand awareness | 5.8 | 5.8 | 5.8 | — | N/A |
| 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 | 1.3 | 8.7 | The Group has continued to develop the new online education platform, namely "CourseZ" during the year. Besides, the Group is looking for appropriate investment opportunities, and expects to utilize the remaining net proceeds for appropriate investments opportunities within 2 years from 31 July 2021. |
| Total | <u>92.0</u> | <u>92.0</u> | <u>69.0</u> | <u>23.0</u> | |

Note: The expected timeline for utilization of the unutilized Net Proceeds above is subject to the market and socio-economic conditions from time to time which may affect the availability and suitability of investment opportunities to the Group. The Board, taking into account the market environment and the overall economic and social conditions in Hong Kong, in particular the outbreak of the COVID-19 pandemic, considers that it is beneficial for the Group to adopt a more prudent approach in utilizing the unutilized Net Proceeds to reserve liquid capital in the Group to face and adapt to the ever-changing market and socio-economic conditions, whilst continuing to look for investment opportunities that are apt for the Group's diversified and balanced business strategy for a wider education service spectrum. As such, the Board proposes the expected timeline stated above to allow more time for the Group to look for appropriate investment opportunities for the utilization of the unutilized Net Proceeds.

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 2021 and up to the date of this announcement, the Company has applied the principles 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 Board acknowledges that it is responsible for establishing and maintaining the Group's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures is subject to assessment, consideration and approval of the ways to resolve the said risk exposures by the Board.

The Audit Committee is delegated with the responsibility to review the financial controls, risk management and internal control systems of the Group at least annually, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings, in performance of the Company's internal audit function. The Audit Committee also reviews the external independent auditor's management letter, if any, any material queries raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Group appointed an external consultant to conduct enterprise risk assessment and perform internal audit function to review the effectiveness of the Group's risk management and internal control systems for the year ended 31 July 2021. As part of the risk management system of the Group, 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.

As part of the internal control system of the Group, internal audit was conducted at least annually with the objectives of, amongst others, assessing and identifying significant weaknesses in risk management and internal control systems of the Group. The internal audit for the year ended 31 July 2021 covered the review on (i) the risk management system; (ii) the compliance procedures of rules and regulations in relation to continuing obligations, notifiable transactions, connected transactions, financial information and disclosure of inside information; (iii) the compliance of the corporate governance code according to Appendix 14 of the Listing Rules; and (iv) the follow up on deficiencies identified in last year's report.

The Board considered the enterprise risk assessment report and internal audit report and considered the risk management and internal control systems of the Group effective and adequate. Upon the Board's annual review, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions adequate.

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with.

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information of the Group. The Board is responsible for monitoring and implementing the procedural requirements under the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties and shall not respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

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 2021, 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 2021 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 2021 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 2021 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 2021 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 does not recommend the payment of a final dividend for the year ended 31 July 2021.

IMPORTANT EVENTS AFTER FINANCIAL YEAR ENDED 31 JULY 2021

There are no material subsequent events from 31 July 2021 up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM is to be held on Wednesday, 8 December 2021. 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 Wednesday, 8 December 2021 (or at any adjournment of it), the register of members of the Company will be closed from Friday, 3 December 2021 to Wednesday, 8 December 2021 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 Thursday, 2 December 2021.

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 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, 27 October 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.