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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)

SHARE TRANSACTION IN RELATION TO SUBSCRIPTION AND ACQUISITION OF 51% OF THE ENLARGED ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE AGREEMENT

The Board is pleased to announce that on 25 October 2022 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Agreement, pursuant to which, (i) the Purchaser conditionally agreed to subscribe for 25,500 new Target Shares to be allotted and issued by the Target Company at the Subscription Consideration of HK\$3,187,500 payable in cash at Completion; and (ii) the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares at the Acquisition Consideration of HK\$3,187,200 which will be settled by the allotment and issue of 3,984,000 Consideration Shares by the Company to the Vendors within 5 Business Days after the Completion Date.

The 3,984,000 Consideration Shares represent: (i) approximately 0.80% of the number of issued Shares as at the date of this announcement; and (ii) approximately 0.79% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion other than the issue of the Consideration Shares by the Company).

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares. The maximum number of Shares that can be issued under the General Mandate is 100,000,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Consideration Shares. Accordingly, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval. The General Mandate will be utilised as to 3.98% upon the allotment and issue of all the Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Agreement are less than 5% and the Acquisition Consideration will be satisfied by the allotment and issue of the Consideration Shares, the transactions contemplated under the Agreement constitute a share transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

WARNING

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment of the conditions precedent of the Agreement, and the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 25 October 2022 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Agreement in respect of the Subscription and the Acquisition.

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date : 25 October 2022 (after trading hours)

Parties : (a) the Purchaser (an indirect wholly-owned subsidiary of the Company);

(b) the Vendors; and

(c) the Target Company.

The Vendors are the founders of the Target Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Target Company and the Vendors are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Agreement, among others, (i) the Purchaser conditionally agreed to subscribe for 25,500 new Target Shares to be allotted and issued by the Target Company at the Subscription Consideration of HK\$3,187,500 payable in cash at Completion; and (ii) the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares at the Acquisition Consideration of HK\$3,187,200 which will be settled by the allotment and issue of 3,984,000 Consideration Shares by the Company to the Vendors within 5 Business Days after the Completion Date.

The Subscription

As at the date of this announcement, the Target Company has an issued share capital of HK\$1,000 divided into 1,000 Target Shares, of which 500 Target Shares are owned by Vendor A and 500 Target Shares are owned by Vendor B. Subject to the terms and conditions of the Agreement, (i) the Purchaser shall subscribe for 25,500 new Target Shares to be allotted and issued by the Target Company at the Subscription Consideration of HK\$3,187,500 payable in cash; and (ii) each of Vendor A and Vendor B shall subscribe for 36,750 new Target Shares to be allotted and issued by the Target Company at a nominal consideration of HK\$36.75 payable in cash.

Immediately after completion of the Subscription (but before completion of the Acquisition), the Purchaser, Vendor A and Vendor B shall hold 25,500 Target Shares, 37,250 Target Shares and 37,250 Target Shares, respectively, representing 25.50%, 37.25% and 37.25% of the enlarged issued share capital of the Target Company immediately after completion of the Subscription, assuming no other changes in the issued share capital of the Target Company prior to completion of the Subscription.

The Purchaser shall pay the Subscription Consideration of HK\$3,187,500 to the Target Company in cash at Completion. The Subscription Consideration will be satisfied by the internal resources of the Group.

The Acquisition

Subject to the terms and conditions of the Agreement, simultaneously after completion of the Subscription, (i) the Purchaser agreed to purchase, and Vendor A agreed to sell, 12,750 Sale Shares at a consideration of HK\$1,593,600; and (ii) the Purchaser agreed to purchase, and Vendor B agreed to sell, 12,750 Sale Shares at a consideration of HK\$1,593,600.

Immediately after Completion (comprising the completion of the Subscription and the Acquisition), the Purchaser, Vendor A and Vendor B shall hold 51,000 Target Shares, 24,500 Target Shares and 24,500 Target Shares, respectively, representing 51.00%, 24.50% and 24.50% of the issued share capital of the Target Company immediately after Completion, assuming no other changes in the issued share capital of the Target Company prior to Completion.

The Acquisition Consideration of HK\$3,187,200 will be settled by the allotment and issue of 3,984,000 Consideration Shares by the Company to the Vendors in equal shares under the General Mandate at the Issue Price of HK\$0.80 per Consideration Share within 5 Business Days after the Completion Date.

Basis of determination of the Consideration

The Consideration was determined after arm's length negotiations between the Parties with reference to (i) the capital requirements, financial performance and business prospects of the Target Company; (ii) the operating cash flow guarantee (the "**Cash Flow Guarantee**") and the profit guarantee (the "**Profit Guarantee**") provided by the Vendors under the Agreement, as set out in the section headed "Vendors' Guarantee" below; and (iii) the preliminary valuation of 51% equity interest in the Target Company of HK\$7,300,000 as at 31 August 2022 as appraised by an independent valuer under the market approach.

Vendors' Guarantee

Pursuant to the Agreement, the Vendors unconditionally and irrevocably, on a joint and several basis and as principal obligor and not merely as surety, guaranteed to the benefit of the Purchaser that (i) the operating cash flow of the Target Company during the period from 15 February 2022 (being the Target Company's date of incorporation) and ending on 31 December 2022 (the "**Relevant Cash Flow**") as set out in its unaudited financial statements in respect of such period to be prepared by the Target Company in accordance with the Hong Kong Financial Reporting Standards (which issuance shall be subject to the Purchaser's approval) (the "**Management Accounts**"); and (ii) the audited annual net profit after tax of the Target Company (the "**Actual Net Profit**") for each of the three financial years ending on 31 July 2023, 2024 and 2025 respectively (the "**Guarantee Period**") as set out in its audited consolidated financial statements in respect of such financial year to be prepared by auditors of the Target Company from time to time (whose appointment shall be subject to the Purchaser's approval) in accordance with the Hong Kong Financial Reporting Standards (the "**AFS**"), shall each not be less than HK\$5,000,000 (the "**Guaranteed Sum**").

If any of (i) the Relevant Cash Flow; or (ii) the Actual Net Profit for any financial year during the Guarantee Period, is less than the Guaranteed Sum, the Vendors shall pay to the Purchaser an amount (the "**Compensation Sum**") calculated as follows in respect of the Relevant Cash Flow or each of such financial years during the Guarantee Period in respect of the Actual Net Profit (as the case may be):

Compensation Sum = (Guaranteed Sum — Relevant Cash Flow/Actual Net Profit (as the case may be)) x 51% x 2.5 times

For the avoidance of doubt, should the Target Company record an audited annual net loss in its AFS for any financial year during the Guarantee Period, the Actual Net Profit for such financial year shall be deemed as zero for the purpose of calculating the Compensation Sum.

In the event that the payment of the Compensation Sum is required, the Compensation Sum for the Relevant Cash Flow or any financial year during the Guarantee Period in respect of the Actual Net Profit (as the case may be) shall be settled by the Vendors (on a joint and several basis) to the Purchaser within 30 Business Days upon the issuance of the Management Accounts or the AFS in

respect of such financial year (as the case may be) by way of cash or cash equivalent. Notwithstanding any other provisions of the Agreement, the accumulated total amount of the Compensation Sum payable by the Vendors for the Cash Flow Guarantee and the Profit Guarantee shall be capped at the amount of the Consideration paid or satisfied by the Purchaser.

Conditions precedent

Completion is conditional upon all the following conditions being satisfied on or before the Long Stop Date:

- (i) the Purchaser having completed, and been satisfied (in its sole and absolute discretion) with the results of, the financial and legal due diligence in respect of and in connection with the Target Group (or such other necessary due diligence) conducted by it and its representatives in all aspects, including but not limited to the Target Company's profitability, sustainability, and business viability;
- (ii) the Parties having agreed upon the form of the shareholders' agreement to be entered into by and between each of the Parties, which terms shall be negotiated between the Parties on good faith in accordance with and taking into account the terms of the Agreement;
- (iii) the valuation report in respect of the Target Company having been issued by an independent valuer to the satisfaction of the Purchaser;
- (iv) each of the representations, warranties and undertakings on the part of the Target Company and the Vendors contained in the Agreement (the "**Warranties**") remaining true, accurate, complete and not misleading in all material respects up to Completion;
- (v) each of the Parties having obtained or satisfied all necessary pre-requisite corporate, governmental, regulatory or supervisory authorisations, permissions, approvals, consents, filings, notifications and registrations applicable to him/her/it for the entering into and performance of the Agreement and the transactions contemplated thereunder;
- (vi) no event having occurred since the date of the Agreement to the Completion Date, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group;
- (vii) the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;
- (viii) the Agreement not having been terminated in accordance with its terms and conditions; and
- (ix) completion of the Subscription and the Acquisition respectively shall be inter-conditional upon each other.

In the event of any of the Conditions not having been satisfied by 11:00 a.m. (Hong Kong time) on the Long Stop Date, (a) the Purchaser shall be entitled to terminate the Agreement by notice in writing to the Vendors (whereupon the Agreement shall become null and void and of no further effect), without prejudice to the rights accrued to the Parties prior to such termination (including without limitation any rights, claims or remedies against the Target Company and the Vendors for any breach of the Warranties or any other obligations (where applicable)); or (b) to the maximum extent permitted under applicable laws and regulations and the Listing Rules, the Purchaser may, if it in its sole discretion so elects, proceed to Completion, without prejudice to its rights, claims and remedies under the Agreement (including without limitation any rights, claims or remedies against the Target Company and the Vendors for any breach of the Warranties or any other obligations (where applicable)).

Completion

Upon and subject to the terms and conditions of the Agreement (including without limitation the satisfaction of the Conditions), Completion shall take place before 4:00 p.m. (Hong Kong time) on the Completion Date or such other date and time as the Parties may agree in writing.

Upon Completion, the Target Company will be held as to 51% by the Purchaser and become an indirect non-wholly-owned subsidiary of the Company. Accordingly, its financial results will be consolidated into the financial statements of the Group.

THE CONSIDERATION SHARES

The 3,984,000 Consideration Shares represent: (i) approximately 0.80% of the number of issued Shares as at the date of this announcement; and (ii) approximately 0.79% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion other than the issue of the Consideration Shares by the Company).

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares. The maximum number of Shares that can be issued under the General Mandate is 100,000,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Consideration Shares. Accordingly, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval. The General Mandate will be utilised as to approximately 3.98% upon the allotment and issue of all the Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

Issue Price

The issue price of HK\$0.80 per Consideration Share was determined after arm's length negotiation between the Company and the Vendors with reference to, among other things, the recent trading prices of the Shares, the potential synergies arising from the combination of the Target Company with the existing operations of the Group and the confidence of the Vendors in the business prospects of the Group, which represents:

- (i) a premium of approximately 81.8% over the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a premium of approximately 81.4% over the average closing price of approximately HK\$0.441 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Agreement; and
- (iii) a premium of approximately 81.4% over the average closing price of approximately HK\$0.441 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of the Agreement.

Lock-up period

Pursuant to the Agreement, each of the Vendors unconditionally and irrevocably undertook that he/she shall not transfer or otherwise dispose of or create any encumbrance in respect of the Consideration Shares allotted and issued to him/her during the period of twelve months from the date of their allotment and issue to him/her respectively.

INFORMATION ON THE TARGET COMPANY

The Target Company is a private company with limited liability incorporated under the laws of Hong Kong and is owned as to 50% by Vendor A and 50% by Vendor B as at the date of this announcement. The Target Company is principally engaged in the provision of educational services in Hong Kong, which include those relating to top-up degrees, professional or vocational training, on-the-job English training, professional examination courses and other professional courses, and academic, interest and activity-based classes, in different industry disciplines under the business name of "1% Group Education".

Set out below is the certain financial information of the Target Company based on its unaudited financial statements for the period since its establishment on 15 February 2022 up to 31 August 2022.

**For the period from
15 February 2022 to
31 August 2022**
(unaudited)
HK\$'000

Revenue	4,844
Net profit	2,141

Based on the unaudited financial statements of the Target Company, the net asset value of the Target Company was approximately HK\$2,142,000 as at 31 August 2022.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. The Group also offers ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education, other interest learning or personal development.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holdings.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Group is principally engaged in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong.

The Board believes the acquisition of the Target Company represents a good opportunity for the Group to further expand its education-related business, create synergy effect with the Group's existing private education business, capturing larger market share in the post Hong Kong Diploma of Secondary Education and adult education markets, extending the base and age group of the customers of the Group, and further broaden the income stream of the Group.

In addition, the Group targets to ride on the opportunities arising from the increase in the subsidy ceiling of the Continuing Education Fund ("CEF") provided by the HKSAR government by providing more subsidised courses to the market, with an aim to grow gradually to become one of the largest private service providers in CEF courses, International English Language Testing System courses and vocational English training in Hong Kong eventually. In view that the Target Company is experienced in providing educational-related services for CEF courses, the Directors believe that the management of the Target Company could bring in new vision to the Group's existing CEF courses and result in synergetic effect by extending the customer base and creating more value for the Group.

Furthermore, as half of the Consideration will be satisfied through the issue of the Consideration Shares, the acquisition of the Target Company will not impose material cash flow burden to the Group immediately. In addition, the existence of the Cash Flow Guarantee and the Profit Guarantee and its compensation mechanism will effectively compensate the Group in the event of shortfall in the Guaranteed Sum. As such, it provides extra protection to the Group regarding the risk of the Target Company not sustaining its initial performance and growth.

In view of the above, the Directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon the allotment and issue of the Consideration Shares (assuming that there are no other changes in the issued share capital of the Company prior thereto) are set out as follows:

	As at the date of this announcement		Immediately upon the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>
Beacon Enterprise Limited (<i>Note</i>)	375,000,000	75.00%	375,000,000	74.41%
Public Shareholders				
The Vendors	—	—	3,984,000	0.79%
Other public Shareholders	<u>125,000,000</u>	<u>25.00%</u>	<u>125,000,000</u>	<u>24.80%</u>
Total	<u>500,000,000</u>	<u>100.00%</u>	<u>503,984,000</u>	<u>100.00%</u>

Note: The Company is held as to 75% by Beacon Enterprise Limited as at the date of this announcement. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Agreement are less than 5% and the Acquisition Consideration will be satisfied by the allotment and issue of the Consideration Shares, the transactions contemplated under the Agreement constitute a share transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

WARNING

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment of the conditions precedent of the Agreement, and the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Agreement
“Acquisition Consideration”	HK\$3,187,200, being the aggregate consideration payable by the Purchaser to the Vendors for the sale and purchase of the Sale Shares pursuant to the Agreement
“Agreement”	the subscription and sale and purchase agreement dated 25 October 2022 entered into between the Purchaser, the Vendors and the Target Company in relation to the Subscription and the Acquisition
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays and public holidays) on which licensed banks in Hong Kong are open for normal banking business
“Company”	BExcellent Group Holdings Limited 精英匯集團控股有限公司 (stock code: 1775), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Subscription and the Acquisition
“Completion Date”	the date on which Completion takes place, which shall be within 7 Business Days after the day on which all the Conditions have been fulfilled
“Conditions”	the conditions precedent to Completion under the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in the sum of HK\$6,374,700, comprising the Subscription Consideration and the Acquisition Consideration
“Consideration Share(s)”	3,984,000 new Share(s) to be allotted and issued by the Company to the Vendors at the Issue Price for the Acquisition pursuant to the Agreement
“Director(s)”	director(s) of the Company

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 8 December 2021 to allot, issue and deal with up to 100,000,000 Shares, being 20% of the total number of issued Shares of the Company as at the date of such annual general meeting
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the issue price of HK\$0.80 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	25 April 2023, being the date falling on the end of 6 months after the date of the Agreement or such later date as the Parties may agree in writing
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Parties”	the Purchaser, the Vendors and the Target Company
“Purchaser”	Beacon Holdings Limited (必盈控股有限公司), a company incorporated in Hong Kong with limited liability, being an indirect wholly-owned subsidiary of the Company
“Sale Shares”	a total of 25,500 issued Target Shares held by the Vendors immediately upon completion of the Subscription
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for (i) 25,500 new Target Shares by the Purchaser; and (ii) 73,500 new Target Shares by the Vendors pursuant to the Agreement
“Subscription Consideration”	HK\$3,187,500, being the consideration payable by the Purchaser to the Target Company for the subscription of the 25,500 new Target Shares pursuant to the Agreement

“Target Company”	Ottorino Consultants (International) Limited (盈富顧問(國際)有限公司), a private company with limited liability incorporated under the laws of Hong Kong, the issued share capital of which is owned as to 50% by Vendor A and 50% by Vendor B as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries (if any)
“Target Share(s)”	ordinary share(s) in the share capital of the Target Company from time to time
“Vendor A”	Mr. Cheng Hong Fu (鄭匡富)
“Vendor B”	Ms. Ng Mei Yee (吳美儀)
“Vendors”	Vendor A and Vendor B
“%”	per cent

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

Hong Kong, 25 October 2022

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.