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BExcellent Group Holdings Limited

精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1775)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2023

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the six months ended 31 January 2023 comparing to that of the same period ended 31 January 2022 is as follows:

- The Group's revenue decreased by 18.1% from HK\$83.3 million to approximately HK\$68.3 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 37.9% from 116,000 to 72,000.
- Loss attributable to owners of the Company for the six months ended 31 January 2023 was HK\$13.2 million. (For the six months ended 31 January 2022, loss attributable to owners of the Company was HK\$7.5 million).
- Bank balances and cash were recorded as HK\$100.5 million as at 31 January 2023.
- The Board does not recommend the payment of interim dividend for the six months ended 31 January 2023 (For the six months ended 31 January 2022: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of BExcellent Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 January 2023 together with the comparative unaudited figures for the comparable period in 2022, which have been reviewed by the Company's Audit Committee. Unless specified otherwise, (i) capitalised terms used herein shall have the same meanings as used in the immediately preceding annual report of the Company; and (ii) where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2023

		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
	<i>Note</i>		
Revenue	3	68,287	83,342
Other income	4	3,768	2,126
Other gains/(losses)	4	961	(261)
Staff costs	5	(33,473)	(33,038)
Tutor service fees		(10,852)	(15,480)
Short-term lease and low-value lease payments		(6,598)	(6,151)
Advertising and promotion expenses		(5,196)	(1,917)
Printing and other operating expenses		(20,504)	(21,071)
Depreciation and amortisation		(8,091)	(13,646)
Change in fair value of investment property		100	445
Operating loss		(11,598)	(5,651)
Finance costs	6	(1,229)	(539)
Share of profit of associates		32	56
Loss before taxation	7	(12,795)	(6,134)
Taxation	8	(200)	(1,987)
Loss for the period		(12,995)	(8,121)
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Change in the fair value of equity investment at fair value through other comprehensive income		(66)	(29)
Other comprehensive loss for the period		(66)	(29)
Total comprehensive loss for the period		(13,061)	(8,150)
Loss attributable to			
– Owners of the Company		(13,173)	(7,543)
– Non-controlling interests		178	(578)
		<u>(12,995)</u>	<u>(8,121)</u>
Total comprehensive loss for the period attributable to			
– Owners of the Company		(13,239)	(7,572)
– Non-controlling interests		178	(578)
		<u>(13,061)</u>	<u>(8,150)</u>
Basic and diluted loss per share for loss attributable to the owners of the Company (expressed in HK cents per share)	9	<u>(2.63)</u>	<u>(1.51)</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2023

		31 January 2023 HK\$'000 (Unaudited)	31 July 2022 HK\$'000 (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment		9,796	10,787
Right-of-use assets		30,199	33,205
Investment property		19,200	19,100
Intangible assets		6,242	4,732
Financial assets at fair value through other comprehensive income		128	194
Deferred income tax assets		4,498	4,660
Interest in associates		303	271
Deposits and prepayments		2,336	2,064
		<u>72,702</u>	<u>75,013</u>
Current assets			
Accounts receivables	11	2,814	2,499
Deposits, prepayments and other receivables	12	15,260	20,255
Income tax recoverable		—	22
Financial assets at fair value through profit or loss		6,728	—
Cash and cash equivalents		100,514	103,888
		<u>125,316</u>	<u>126,664</u>
Total assets		<u><u>198,018</u></u>	<u><u>201,677</u></u>
Equity			
Share capital	15	122,749	120,956
Other reserves		8,966	9,054
Accumulated losses		(41,229)	(28,078)
Equity attributable to owners of the Company		<u>90,486</u>	101,932
Non-controlling interests		(1,427)	(1,605)
Total equity		<u>89,059</u>	<u>100,327</u>
Liabilities			
Current liabilities			
Other payables	13	15,448	16,982
Contract liabilities		19,688	7,285
Current income tax payable		107	140
Borrowings		54,818	55,074
Lease liabilities		9,545	8,758
		<u>99,606</u>	<u>88,239</u>

		31 January	31 July
		2023	2022
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Audited)
Non-current liabilities			
Other non-current liabilities	<i>14</i>	298	585
Deferred income tax liabilities		48	11
Lease liabilities		9,007	12,515
		<u>9,353</u>	<u>13,111</u>
Total liabilities		<u>108,959</u>	<u>101,350</u>
Total equity and liabilities		<u>198,018</u>	<u>201,677</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

BExcellent Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 July 2018. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together “the Group”) are principally engaged in the provision of private supplementary secondary school education services, the operation of private secondary day schools and the provision of ancillary education services and products in Hong Kong. The ultimate holding company is Beacon Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability.

These condensed consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2.2 Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 July 2022, except for the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that have been adopted by the Group for the first time for the current period's unaudited interim financial information:

AG 5 (Revised)	Merger Accounting for Common Control Combinations
Amendments to HKAS 16	Property, Plant and Equipment Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018 – 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41
Amendments to HKFRS 3	Reference to the Conceptual Framework

The adoption of the above revised HKFRSs has had no significant financial effect on these interim financial statements.

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) IELTS and foreign language courses under our "Beacon BExcellent" brand; (ii) mock examination services; (iii) education services to schools, tutorial and consultation services, interview preparation, language and supplementary primary school education, under our "Diverse Learning Club", "Beacon Childhood", "BeConfident", "Glocal Education" and "Mathgic" brands; (iv) VIP self-study services; (v) other services and products including but not limited to HKDSE school services, online course scheduling and management services, other educational services under our "Ascent Prep" brand, overseas study consultation services under our "GES" and "Academic Advisers" brands and online retail and education business under our "Beacon Living" and "CourseZ" brands respectively, as well as education services offered in Mainland China. The CODM consider that the Group operates and is managed as a single operating segment.

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

	Six months ended 31 January	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Major products/service lines		
Private supplementary secondary school education services	46,801	68,126
Private secondary day school services	6,358	4,802
Ancillary education services and products	15,128	10,414
	<u>68,287</u>	<u>83,342</u>
	<u>68,287</u>	<u>83,342</u>
	Six months ended 31 January	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Overtime	62,839	79,331
At a point in time	5,448	4,011
	<u>68,287</u>	<u>83,342</u>
	<u>68,287</u>	<u>83,342</u>

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

4 OTHER INCOME AND OTHER GAINS/(LOSSES)

	Six months ended 31 January	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
– IT service income	2,673	1,605
– Interest income	410	76
– Dividend income from financial assets at fair value through profit or loss	213	—
– Rental income from investment property	337	324
– Sundry income	135	121
	<u>3,768</u>	<u>2,126</u>
Other gains/(losses)		
Loss on disposal of property, plant and equipment	—	(226)
Exchange differences - net	(76)	(35)
Fair value gain on financial assets at fair value through profit or loss	172	—
Gain on disposal of financial assets at fair value through profit or loss	865	—
	<u>961</u>	<u>(261)</u>

5 STAFF COSTS

	Six months ended 31 January	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and bonus	32,054	31,309
Pension costs-defined contribution retirement plans (<i>Note (a)</i>)	1,419	1,382
Share-based compensation expenses	—	347
	<u>33,473</u>	<u>33,038</u>

Note:

(a) Pension costs-defined contribution retirement plans

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

6 FINANCE COSTS

	Six months ended 31 January	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on lease liabilities	421	458
Interest expenses on bank loan	808	81
	<u>1,229</u>	<u>539</u>

7 LOSS BEFORE TAXATION

Six months ended 31 January

	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Short-term lease expenses	6,598	6,151
Depreciation of right-of-use assets	5,730	8,589
Depreciation of property, plant and equipment	2,078	4,813
Printing and stationery	3,727	4,623
Amortisation of intangible assets	282	244
	<u>282</u>	<u>244</u>

8 TAXATION

The amounts of taxation charged to the condensed consolidated statement of comprehensive income represent:

Six months ended 31 January

	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	1	103
Deferred income tax	199	1,884
	<u>199</u>	<u>1,884</u>
	<u>200</u>	<u>1,987</u>

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for both periods at the rates of taxation prevailing in the countries where the Group operates.

9 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares, the following have been accounted for:

	Six months ended 31 January	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(13,173)	(7,543)
Weighted average number of shares in issue (thousand shares)	<u>501,335</u>	<u>500,000</u>
Basic loss per share for loss attributable to owners of the Company (HK cents)	<u>(2.63)</u>	<u>(1.51)</u>

Diluted loss per share is the same as the basic loss per share since the potential shares from options are anti-dilutive throughout each of the six months ended 31 January 2023 and 31 January 2022.

10 DIVIDEND

There were no dividends paid or declared by the Company for the six months ended 31 January 2023 and 31 January 2022.

The Board does not recommend the payment of interim dividend for the six months ended 31 January 2023 (2022: Nil).

11 ACCOUNTS RECEIVABLES

	31 January	31 July
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Audited)
Accounts receivables	<u>2,814</u>	<u>2,499</u>

There is no credit period granted as the income from private supplementary secondary school education services and private secondary day school services are normally received in advance through settlement in cash, PayPal or credit cards. As at 31 January 2023 and 31 July 2022, the ageing analysis of the accounts receivables based on invoice date was as follows:

	31 January	31 July
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
1-30 days	2,640	2,358
31-60 days	88	91
Over 60 days	86	50
	<u>2,814</u>	<u>2,499</u>

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

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

For accounts receivables relating to accounts with objective evidence that the Group is unable to recover the debts, they are assessed individually for impairment allowance. Accordingly, no individual provision were made as at 31 January 2023 (31 July 2022: Nil).

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

	31 January	31 July
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong dollar	2,809	2,482
British Pound	5	17
	<u>2,814</u>	<u>2,499</u>

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

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		31 January	31 July
		2023	2022
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Audited)
Other receivables	<i>(i)</i>	5,786	10,896
Deposits and prepayments	<i>(ii)</i>	13,668	13,442
		19,454	24,338
Less: Allowance for impairment		(1,858)	(2,019)
		17,596	22,319
Less: non-current portion		(2,336)	(2,064)
Deposits, prepayments and other receivables			
– current portion		15,260	20,255

Notes:

- (i) As at 31 January 2023, other receivables of HK\$2,695,000 (31 July 2022: HK\$2,291,000) represent amounts due from tutors which arose from variable expenses incurred by the Group on behalf of the tutors.
- (ii) Deposits and prepayments mainly represent deposits for utilities, lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.

As at 31 January 2023, deposits of HK\$6,189,000 (31 July 2022: HK\$8,282,000), prepayments of HK\$5,143,000 (31 July 2022: HK\$3,096,000) and other receivables of HK\$3,928,000 (31 July 2022: HK\$8,877,000) are expected to be recovered within one year.

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

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

13 OTHER PAYABLES

		31 January	31 July
		2023	2022
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Audited)
Other payables	<i>(i)</i>	12,929	14,648
Provision of reinstatement cost	<i>(ii)</i>	2,519	2,334
Current portion		15,448	16,982

Notes:

- (i) Other payables mainly represent accrued staff costs, printing expenses, legal and professional fees and advertising expenses, etc.
- (ii) Included in other payables is a current portion of provision of reinstatement cost of HK\$2,519,000 (31 July 2022: HK\$2,334,000). The movement of provision of reinstatement cost is as follows:

	31 January	31 July
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Balance as at beginning of the period/year	2,784	4,613
Additions	33	401
Utilisation	—	(2,230)
Balance as at closing of the period/year	2,817	2,784
Less: non-current portion	(298)	(450)
Current portion	2,519	2,334

14 OTHER NON-CURRENT LIABILITIES

	31 January	31 July
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Provision of reinstatement cost	298	450
Rental deposits	—	135
Other non-current liabilities	298	585

15 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares at 31 July 2022 (audited) and at 31 January 2023 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares at 31 July 2022 (audited)	500,000,000	120,956
Issue of shares upon acquisition of subsidiary	3,984,000	1,793
Ordinary shares at 31 January 2023 (unaudited)	503,984,000	122,749

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education, other interest learning or personal development. We provide all of our private supplementary education services from teaching centres on Hong Kong Island, in Kowloon and the New Territories. As at 31 January 2023, we operated 10 teaching centres, with a total of 80 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 2,273 students to attend class at any one time.

During the six months ended 31 January 2023, the private supplementary secondary school education services industry in Hong Kong faced several challenges due to the tough business environment brought by the COVID-19 pandemic. Due to the fifth wave of the COVID-19, local schools' summer break was brought forward to March and April 2022, thus students had to attend normal schooling during July to August 2022, which altogether resulted in a substantial drop on the Group's summer courses enrollment and revenue. Despite the fact that schools mostly returned to normal operation when the new academic year began in September 2022, the learning momentum among students had not recovered to the same level as prior to COVID-19 pandemic; the decline of revenue only narrowed in intensive courses and mock exam services when the public health measures started to relax in December 2022, indicating a gradual recovery for the business. Accordingly, the Group recorded a decrease in revenue from HK\$83.3 million for the six months ended 31 January 2022, to HK\$68.3 million for the six months ended 31 January 2023, representing a decrease of 18.1%.

On the other hand, our Group has been proactively addressing the changes in the HKDSE curriculum and taking steps to ensure high-quality private supplementary secondary school education services to our students. These include the replacement of Liberal Studies with Citizenship and Social Development in HKDSE 2024 which will be excluded from grading, and the streamlining of the Chinese Language curriculum with fewer papers from HKDSE 2023 onwards. Although such changes reduced the demand for private supplementary secondary education services in those two core subjects, the shift in students' study focus to other subjects such as English Language was also noticeable, leading to new growth opportunities for other subject enrollments.

Below is a summary of the revenue for each category of services which we provided, for each of the six months ended 31 January 2023 and 2022:

	For the six months ended			
	31 January			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Private supplementary secondary school education services	46,801	68.5	68,126	81.7
Private secondary day school services	6,358	9.3	4,802	5.8
Ancillary education services and products	15,128	22.2	10,414	12.5
	<u>68,287</u>	<u>100.0</u>	<u>83,342</u>	<u>100.0</u>

i) Private supplementary secondary school education services

The following table sets forth the revenue, the number of session enrollments of each course category, and the average course fee of private supplementary secondary school education services for each of the six months ended 31 January 2023 and 2022:

	For the six months ended 31 January			
	2023		2022	
	Session enrollment '000	Revenue HK\$'000	Session enrollment '000	Revenue HK\$'000
Regular courses	45	33,081	62	43,102
Intensive courses	14	6,532	16	6,741
Summer courses	13	7,188	38	18,283
Total	<u>72</u>	<u>46,801</u>	<u>116</u>	<u>68,126</u>
Average course fee per session enrollment (HK\$)		<u>650</u>		<u>587</u>

The Group's revenue derived from private supplementary secondary school education services declined by 31.3% when compared with that in the same period in the previous financial year. The summer break for local schools was brought forward to early 2022 due to the pandemic, which had resulted in substantial decline in session enrolment of summer courses by 65.8%. Hence, the learning momentum among students had not yet improved noticeably in the regular courses right after the resumption of normal school hours, which had also resulted in 27.4% decline in session enrollment of regular courses. Moreover, the change in the HKDSE curriculum, in particular i) replacement of Liberal Studies by Citizenship and Social Development and ii) cancellation of papers in Chinese Language has also adversely affected students' intention to obtain private supplementary secondary education services for their exam preparation in these subjects. Nevertheless, such change will enhance the learning momentum of English Language and other subjects since students are able to spare more time to other subjects which are critical to their individual plans of further studies. The Group offered less allowances and bursaries after the pandemic, which resulted in a higher average course fee per session enrollment.

ii) Private secondary day school services

We operated two private secondary day schools located in Yuen Long and Mong Kok under our "Beacon Day School" (遵理日校) brand. Due to the increase in the number of private secondary day school unique student enrollments during the six months ended 31 January 2023, the revenue increased by HK\$1.6 million or 32.4% when compared with that in the same period in the previous financial year. The school fee remained steady when compare to that of the same period ended 31 January 2022.

iii) Ancillary education services and products

The table below shows the revenue components of the ancillary education services and products for each of the six months ended 31 January 2023 and 2022:

	For the six months ended	
	31 January	
	2023	2022
	HK\$'000	HK\$'000
Beacon BExcellent	3,291	3,949
Mock examination services	3,530	1,511
School and childhood education services	2,073	1,561
VIP self-study services	405	809
Others	5,829	2,584
	<hr/>	<hr/>
Total	15,128	10,414
	<hr/> <hr/>	<hr/> <hr/>

The revenue of Beacon BExcellent decreased by HK\$0.7 million or 16.7% from HK\$3.9 million for the six months ended 31 January 2022 to HK\$3.3 million for the six months ended 31 January 2023. The decrease was mainly due to the revenue decline in IELTS courses which were attributable to, amongst others, including the rising popularity of alternative language proficiency tests like Duolingo, the increasing availability of free online resources and self-study materials, and the economic downturn in Hong Kong.

The relaxation of social distancing measures made students felt more at ease while attending sizeable activities like our mock examinations. When compared with the same period in the previous financial year, more mock examinations were scheduled in January 2023 due to the improvement of pandemic control. Therefore, the revenue from such services significantly increased by HK\$2.0 million or 133.6% from HK\$1.5 million for the six months ended 31 January 2022 to HK\$3.5 million for the six months ended 31 January 2023.

The Group has been providing teaching services of the HKDSE programme in an international school in Shenzhen, and the development of such services achieved a pleasant growth during the reporting period, the revenue arising from it contributed to a significant increase in the revenue from other services and products by HK\$3.2 million or 125.6% from HK\$2.6 million for the six months ended 31 January 2022 to HK\$5.8 million for the six months ended 31 January 2023.

Revenue from school and childhood education services increased by HK\$0.5 million, or 32.8% from HK\$1.6 million for the six months ended 31 January 2022 to HK\$2.1 million for the six months ended 31 January 2023. The relaxation of anti-epidemic measures imposed by Education Bureau on schools during late 2022 has released the demand of schools acquiring education services from third parties and thus resulted in such rise.

OUTLOOK AND FUTURE DEVELOPMENTS

The business environment of private supplementary secondary education services in Hong Kong remains challenging. However, the Group is determined to adapt to the changing landscape, especially the curriculum changes, to remain viable and prosperous.

Looking ahead, the business environment is expected to become more lively in 2023, as all public health measures related to COVID-19 gradually come to an end, and cross-border travel between Hong Kong and Mainland China resumes. It is possible that students who stayed in Mainland China during the pandemic will return to Hong Kong for studies, presenting a pleasant opportunity for the industry. The Group has undertaken various strategies to narrow the revenue loss of private supplementary secondary school education services, including fortifying the teaching team by recruiting high-calibers to augment the platform. The Group is steadfast in its commitment to provide high-quality teaching services that enhance students' academic performance and learning experience.

Soon after the travel restriction between Mainland China and Hong Kong has been relaxed, the opportunities in the Greater Bay Area for education inclusion is attractive, and the Group has been exploring opportunities for collaboration, including mergers and acquisitions to further expand the income streams from international studies business in Mainland China and in Hong Kong. The Group's development in the provision of education services in Mainland China has exhibited remarkable growth and generated a new stream of income. It is anticipated that such growth will remain pleasing throughout the financial year. The Group is also venturing into other services, such as Hong Kong and overseas studies consultation services in Mainland China to broaden its business scope. During the six months ended 31 January 2023, the Group acquired a subsidiary that operates various post-secondary programmes, a move that is expected to diversify its business portfolio and generate a steady stream of income in the future. In addition to this acquisition, the Group will continue to look for potential investment opportunities that align with its strategic objectives and add value to its business portfolio. This proactive approach in identifying and pursuing growth opportunities reflects the Group's commitment to maintaining a competitive edge and delivering long-term value to its stakeholders.

Notwithstanding the challenges, the Group maintains an optimistic outlook regarding the future of the private supplementary secondary school education services industry in Hong Kong. With its resilient management team and resolute endeavors to adapt to the constantly changing landscape, the Group is favorably situated to capitalize on opportunities and attain sustainable growth in the times ahead.

FINANCIAL REVIEW

Revenue

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

The Group’s total revenue decreased by HK\$15.1 million, or 18.1%, from HK\$83.3 million for the six months ended 31 January 2022 to HK\$68.3 million for the six months ended 31 January 2023. This was mainly due to the revenue decline from our Group’s private supplementary education services, which was partially offset by the revenue increase in the ancillary education services and products.

Revenue from the provision of private supplementary secondary school education services decreased by HK\$21.3 million or 31.3% from HK\$68.1 million for the six months ended 31 January 2022 to HK\$46.8 million for the six months ended 31 January 2023, which was due to the decrease in the number of the Group’s session enrollments by 44,000 or 37.9% from 116,000 for the six months ended 31 January 2022 to 72,000 for the six months ended 31 January 2023.

Revenue from the provision of the ancillary education services and products increased by HK\$4.7 million or 45.3% from HK\$10.4 million for the six months ended 31 January 2022 to HK\$15.1 million for the six months ended 31 January 2023. This was mainly due to (i) the increase in revenue from mock examination services by HK\$2.0 million or 133.6% from HK\$1.5 million for the six months ended 31 January 2022 to HK\$3.5 million for the six months ended 31 January 2023; (ii) the increase in the revenue arising from, amongst others, our education services offered in Mainland China which contributed to a significant increase in the revenue for other services and products by HK\$3.2 million or 125.6% from HK\$2.6 million for the six months ended 31 January 2022 to HK\$5.8 million for the six months ended 31 January 2023.

Other income

Other income for the six months ended 31 January 2023 primarily consists of IT service income, rental income from an investment property and interest income from bank deposits.

Other income increased by HK\$1.6 million or 77.2% from HK\$2.1 million for the six months ended 31 January 2022 to HK\$3.8 million for the six months ended 31 January 2023, in which IT service income recorded a remarkable revenue growth of HK\$1.1 million or 66.5% from HK\$1.6 million for the six months ended 31 January 2022 to HK\$2.7 million for the six months ended 31 January 2023.

Major costs components

The summary below shows the major costs components of the Group among which 53.8% (2022: 56.3%) is related to labor costs (staff costs and tutor service fees), followed by printing and other operating expenses, short-term lease and low-value lease payments, depreciation of right-of-use (“ROU”) assets, and advertising and promotion expenses.

	For the six months ended 31 January			
	2023 HK\$'000	% of revenue	2022 HK\$'000	% of revenue
Staff costs	33,473	49.0	33,038	39.6
Tutor service fees	10,852	15.9	15,480	18.6
Printing and other operating expenses	20,504	30.0	21,071	25.3
Depreciation of ROU assets	5,730	8.4	8,589	10.3
Short-term lease and low-value lease payments	6,598	9.7	6,151	7.4
Advertising and promotion expenses	5,196	7.6	1,917	2.3

Staff costs

As at 31 January 2023, the Group had 198 full-time employees and maintained an accumulated pool of 163 part-time employees for seasonal and cyclical business needs.

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

The staff costs increased by HK\$0.4 million or 1.3% from HK\$33.0 million for the six months ended 31 January 2022 to HK\$33.5 million for the six months ended 31 January 2023. Such increase was mainly attributable to the increase in staff headcount to support the Group’s business expansion in Mainland China offset by the continuous effort in corporate savings.

Tutor service fees

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

Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fees are in general positively correlated to the Group's revenue. Such expenses decreased by HK\$4.6 million or 29.9% from HK\$15.5 million for the six months ended 31 January 2022 to HK\$10.9 million for the six months ended 31 January 2023.

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

Printing and other operating expenses

Printing and other operating expenses primarily consist of printing expenses, building management fees, service fees to freelancers, legal and professional fees, utilities and other administrative expenses. These expenses decreased by HK\$0.6 million or 2.7% from HK\$21.1 million for the six months ended 31 January 2022 to HK\$20.5 million for the six months ended 31 January 2023.

The decrease was mainly attributable to the decrease in printing expenses in relation to the private supplementary secondary school education services. Such expenses dropped by HK\$0.9 million or 19.4% from HK\$4.6 million for the six months ended 31 January 2022 to HK\$3.7 million for the six months ended 31 January 2023.

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

Depreciation of ROU assets and short-term leases and low-value lease payments are part of the largest components of the Group's operating costs, accounting for 8.4% and 9.7% respectively (2022: 10.3% and 7.4%) of the Group's total revenue. During the period, the Group continued its negotiations with landlords for more favorable lease terms in respect of the renewal of lease contracts. The Group continuously reviews the utilization and efficiency of the classroom resources with factors including but not limited to the occupancy rate, the rent and the lease terms. During the six months ended 31 January 2023, there was no material change in classroom capacity within our teaching centre network except for the commencement of our new teaching centre in Causeway Bay in September 2022. The overall lease payment for the six months ended 31 January 2023 decreased as a result of the continuous teaching centre network optimization conducted in recent years.

Advertising and promotion expenses

In recent years, our regular promotion and advertisement strategically shifted to focus on online channels and social media platforms such as Google, Instagram and Facebook, which were relatively more effective and efficient than the traditional offline channels such as billboard, transportation, foamboard and banners. Short videos and live broadcast marketing for promotional purpose were implemented periodically. With the gradual resumption of normal schooling, the Group has put more resources in both traditional and digital marketing channels and campaigns, which resulted in an increase of advertising and promotion expenses by HK\$3.3 million or 171.0% from HK\$1.9 million for the six months ended 31 January 2022 to HK\$5.2 million for the six months ended 31 January 2023.

Income tax expense

The income tax expense for the period ended 31 January 2023 was HK\$0.2 million (income tax expense for the six months ended 31 January 2022: HK\$2.0 million). The effective tax rates of the Group for the six months ended 31 January 2023 and 2022 were 1.6% and 32.4% respectively.

Loss for the period

The Group recorded a loss of HK\$13.0 million for the six months ended 31 January 2023. The loss was mainly due to the significant decrease in the revenue from private supplementary secondary school education services during the pandemic period (loss of the Group for the six months ended 31 January 2022: HK\$8.1 million).

Liquidity, financial resources and capital structure

As at 31 January 2023, the Group's net current asset value was HK\$25.7 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents less other payables, contract liabilities, current income tax payable, borrowings and lease liabilities.

The Group's current assets slightly decreased from HK\$126.7 million as at 31 July 2022 to HK\$125.3 million as at 31 January 2023. Such decrease in current assets was primarily due to the decrease in cash and cash equivalents from HK\$103.9 million as at 31 July 2022 to HK\$100.5 million as at 31 January 2023.

As at 31 January 2023, the current ratio of the Group (expressed as current assets divided by current liabilities) was 1.26, compared with 1.44 as at 31 July 2022.

Allotment and Issuance of New Shares under General Mandate and Acquisition of Subsidiary

Reference is made to the announcements on 25 October 2022 and 30 November 2022 respectively. Capitalised terms used in this section shall have the meanings as ascribed therein.

On 25 October 2022, Beacon Holdings Limited (“**BHL**”, being an indirect wholly-owned subsidiary of the Company), entered into the Agreement with Mr. Cheng Hong Fu and Ms. Ng Mei Yee (“**Vendors**”) and Ottorino Consultants (International) Limited (“**OCIL**”, a company with limited liability incorporated in Hong Kong), pursuant to which, (i) BHL conditionally agreed to subscribe for 25,500 new Target Shares to be allotted and issued by the OCIL at the Subscription Consideration of HK\$3,187,500 payable in cash at Completion; and (ii) BHL 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 the Agreement; and (ii) approximately 0.79% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares upon Completion.

All of the conditions precedent under the Agreement have been fulfilled and the Completion took place on 30 November 2022. Consequently, the Company allotted and issued 3,984,000 Consideration Shares to the Vendors in equal shares for the purpose of settlement of the Acquisition Consideration at the Issue Price of HK\$0.80 per Consideration Share under the General Mandate, representing approximately 0.79% of the enlarged issued share capital of the Company immediately after the allotment and issue of the Consideration Shares. Upon Completion, the OCIL is held as to 51% by BHL and becomes an indirect non-wholly-owned subsidiary of the Company.

Charges on the Group’s Assets

The Group has investment property with carrying value of approximately HK\$19.2 million pledged to secure borrowings and general banking facilities granted to the Group. There was no charge on the Group’s other assets.

Gearing ratio

As at 31 January 2023, the Group's gearing ratio (calculated based on bank borrowings amounting to HK\$54.8 million and lease liabilities amounting to HK\$18.6 million divided by equity attributable to the owners of the Company as at the period end date amounting to HK\$90.5 million) was 81.1% (31 July 2022: 74.9%).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 January 2023 (2022: Nil).

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2023 (2022: Nil).

Acquisition and disposal of subsidiaries, associates and joint ventures

Save as disclosed in the section "Allotment and Issuance of New Shares under General Mandate and Acquisition of Subsidiary" in this announcement, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 31 January 2023.

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 period of the six months ended 31 January 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. Since the listing of the Company's shares on the Main Board of the Stock Exchange and up to 31 January 2023, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code") as amended from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period of the six months ended 31 January 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are, inter alia, to (i) review and supervise the financial reporting, financial controls, risk management and internal control systems of the Group, (ii) review and approve connected transactions; and (iii) advise the Board in relation to the foregoing, in accordance with the model set out in the code provision of the Corporate Governance Code.

The Audit Committee consists of three members: Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun, all of whom are independent non-executive Directors. Mr. Li Kai Sing is the chairman of the Audit Committee. The Audit Committee (has reviewed) with the management this announcement including the unaudited financial statements of the Group for the six months ended 31 January 2023 and the accounting principles and practices adopted by the Group, and has discussed auditing, internal controls and financial reporting matters.

SIGNIFICANT EVENTS AFTER THE SIX MONTHS ENDED 31 JANUARY 2023

Reference is made to the announcement of the Company dated 30 March 2023.

On 30 March 2023, Glocal Development Group Limited (“**Buyer**”), the Company’s indirect wholly-owned subsidiary, entered into the agreement for sale and purchase of and subscription for shares in LINKEDU OVERSEAS EDUCATION LIMITED (“**Target Company**”) with the Target Company, and Mr. Ng Yu Ting and Mr. Lau Chun Tat (“**Sellers**”) (“**Agreement**”), pursuant to which (i) the Buyer conditionally agreed to purchase, and the Sellers conditionally agreed to sell, such number of issued shares in the Target Company at the consideration of HK\$3,968,400.00 which will be settled by (i) cash consideration of HK\$1,050,000.00; and (ii) the allotment and issue of 3,648,000 consideration shares by the Company at the issue price of HK\$0.80 per share to the Sellers at 90:10 ratio upon completion of the sale and purchase (“**Consideration Shares**”); and (ii) the Buyer conditionally agreed to subscribe for such new shares to be allotted and issued by the Target Company at the subscription price of HK\$5,211,600.00, which is to be regarded as satisfied in whole by the transfer of the legal title to and the beneficial ownership of Academic Advisers Limited and Glocal Education Services Limited, both the Company’s indirect subsidiary immediately before completion of the subscription, such that the Buyer shall hold 30% of the total shares in issue in the Target Company immediately after completion of the said sale and purchase and subscription. The Consideration Shares will be allotted and issued after the six months ended 31 January 2023, subject to the terms and conditions of the Agreement including without limitation all conditions precedent to completion, pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 14 December 2022. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, immediately before completion of the said sale and purchase and subscription, the Target Company and the Sellers were third parties independent of and not connected with the Company and its connected persons.

Further information in respect of the Agreement and all transactions contemplated thereunder will be announced by the Company as and when appropriate in accordance with the Listing Rules.

PUBLICATION OF PRELIMINARY ANNOUNCEMENT AND INTERIM REPORT

This preliminary announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bexcellentgroup.com). The interim report of the Company for the six months ended 31 January 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Company's executive directors are Ms. Leung Ho Ki, June (Chairman), Mr. Tam Wai Lung (Chief Executive Officer), Mr. Chan Tsz Ying, Wister, and Mr. Li Man Wai; the independent non-executive directors are Mr. Kwan Chi Hong, Mr. Li Kai Sing, and Professor Wong Roderick Sue Cheun.