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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 2023

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 July 2023 compared to that of the year ended 31 July 2022 is as follows:

- The Group's revenue decreased by 7.5% from HK\$141.8 million to HK\$131.2 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by 26.3% from 179,000 to 132,000.
- Loss of the Group increased by 2.8% from HK\$26.2 million to HK\$26.9 million.
- Adjusted loss of the Group decreased by 26.4% from HK\$36.9 million to HK\$27.2 million.*
- Loss attributable to owners of the Company increased by 9.2% from HK\$25.5 million to HK\$27.8 million.

As at 31 July 2023, the Group had cash and cash equivalents of HK\$75.3 million (2022: HK\$103.9 million).

The Board does not recommend the payment of a final dividend for the year ended 31 July 2023.

* Loss of the Group adjusted by excluding government subsidies granted during pandemic.

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 2023, 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 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	131,162	141,829
Other income	4	11,050	15,011
Other gains/(losses) - net	4	3,490	(1,102)
Staff costs	5	(67,167)	(70,047)
Tutor service fees		(26,168)	(33,012)
Short-term lease, variable lease and low-value lease payments		(12,256)	(11,012)
Advertising and promotion expenses		(5,666)	(4,288)
Printing and other operating expenses		(44,997)	(38,320)
Depreciation and amortisation expenses		(16,330)	(22,890)
Reversal of impairment loss on financial assets		245	460
		<hr/>	<hr/>
Operating loss		(26,637)	(23,371)
Finance costs	6	(2,670)	(1,224)
Share of profits of associates		2,535	270
		<hr/>	<hr/>
Loss before taxation	7	(26,772)	(24,325)
Taxation	8	(169)	(1,886)
		<hr/>	<hr/>
Loss for the year		(26,941)	(26,211)
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		(128)	(91)
		<hr/>	<hr/>
Other comprehensive loss for the year		(128)	(91)
		<hr/>	<hr/>
Total comprehensive loss for the year		(27,069)	(26,302)
		<hr/>	<hr/>
Loss attributable to			
– Owners of the Company		(27,844)	(25,506)
– Non-controlling interests		903	(705)
		<hr/>	<hr/>
		(26,941)	(26,211)
		<hr/>	<hr/>
Total comprehensive loss for the year attributable to			
– Owners of the Company		(27,972)	(25,597)
– Non-controlling interests		903	(705)
		<hr/>	<hr/>
		(27,069)	(26,302)
		<hr/>	<hr/>
Loss per share for loss attributable to the owners of the Company (expressed in HK cent per share):			
Basic loss per share	9(a)	(5.53)	(5.10)
Diluted loss per share	9(b)	(5.53)	(5.10)
		<hr/>	<hr/>

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 2023

	Note	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		9,022	10,787
Right-of-use assets	11	30,866	33,205
Investment property	12	18,000	19,100
Intangible assets		8,240	4,732
Interest in associates		5,104	271
Financial asset at fair value through other comprehensive income		66	194
Deferred income tax assets		4,594	4,660
Financial assets at fair value through profit or loss		335	—
Deposits and prepayments	14	2,068	2,064
		<u>78,295</u>	<u>75,013</u>
Current assets			
Accounts receivables	13	2,626	2,499
Deposits, prepayments and other receivables	14	16,403	20,255
Income tax recoverable		1	22
Financial assets at fair value through profit or loss		17,092	—
Cash and cash equivalents		75,283	103,888
		<u>111,405</u>	<u>126,664</u>
Total assets		<u>189,700</u>	<u>201,677</u>
Equity			
Share capital	17	124,135	120,956
Other reserves		6,575	9,054
Accumulated losses		<u>(53,637)</u>	<u>(28,078)</u>
Equity attributable to owners of the Company		77,073	101,932
Non-controlling interests		<u>1,424</u>	<u>(1,605)</u>
Total equity		<u>78,497</u>	<u>100,327</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Liabilities			
Current liabilities			
Other payables	<i>15</i>	14,189	16,982
Contract liabilities		12,896	7,285
Current income tax payable		193	140
Borrowings		63,565	55,074
Lease liabilities	<i>11</i>	10,043	8,758
		<u>100,886</u>	<u>88,239</u>
Non-current liabilities			
Other non-current liabilities	<i>16</i>	941	585
Deferred income tax liabilities		16	11
Lease liabilities	<i>11</i>	9,360	12,515
		<u>10,317</u>	<u>13,111</u>
Total liabilities		<u>111,203</u>	<u>101,350</u>
Total equity and liabilities		<u>189,700</u>	<u>201,677</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 Act, 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 dollar (“**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 following amendments to existing standards are mandatory for the first time for the financial year beginning 1 August 2022, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

- Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKFRS 3 Reference to the Conceptual Framework
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKFRSs Annual Improvements to IFRS Standards 2018-2020

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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of Financial Statements	1 January 2024
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Leases (Lease Liability in a Sale and Leaseback)	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

Certain new standards and amendments, which are effective after 31 July 2023, 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 (see note 12); 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.

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 and institutions in Hong Kong and mainland China under our “Diverse Learning Club” (多元學習坊), “1% Group Education” (壹伙教育) and “Hong Kong Beacon International Education” (香港遵理國際教育) brands respectively; (iv) VIP self-study services; (v) tutorial and consultation services, interview preparation, language and supplementary primary school education under our childhood education brands, educational services under our “Ascent Prep” brand, BTEC Level 3 Certificate in Enterprise and Entrepreneurship and language courses under “Beacon CAPE” brand, products including but not limited to online course scheduling and management services, as well we online retail and education business under our “Beacon Living” and “CourseZ” brands respectively. 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.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Major products/service lines		
Private supplementary secondary school education services	87,008	113,942
Private secondary day school services	11,570	8,784
Ancillary education services and products	32,584	19,103
	<u>131,162</u>	<u>141,829</u>
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing of revenue recognition:		
Over time	124,812	133,508
At a point in time	6,350	8,321
	<u>131,162</u>	<u>141,829</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 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\$7,285,000 (2022: HK\$15,352,000). As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 OTHER INCOME AND OTHER GAINS/(LOSSES) - NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Government subsidies	241	10,700
IT service income (<i>Note (a)</i>)	6,140	2,917
Interest income	1,440	176
Advertising income	1,637	63
Rental income from investment property	680	574
Sundry income	912	581
	<u>11,050</u>	<u>15,011</u>
Other gains/(losses) - net		
Decrease in fair value of investment property (<i>note 12</i>)	(1,100)	(300)
Loss on disposal of property, plant and equipment	—	(528)
Fair value gain on financial assets at fair value through profit or loss	3,583	—
Gain on disposal of financial assets at fair value through profit or loss	1,506	—
Exchange differences - net	(499)	(274)
	<u>3,490</u>	<u>(1,102)</u>

Notes:

- (a) During the year ended 31 July 2023, the Group recognised the information technology services provided by Vioo Company Limited of HK\$6,140,000 (2022: HK\$2,917,000).

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and bonus	64,157	66,241
Share-based compensation expenses	—	634
Pension costs - defined contribution retirement plans (<i>Note (a)</i>)	3,010	3,172
	<u>67,167</u>	<u>70,047</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) Five highest paid individuals

The emoluments payable to the five highest paid individuals are as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	8,576	8,509
Pension costs - defined contribution retirement plans	90	90
Bonuses	—	279
	<u>8,666</u>	<u>8,878</u>

The five individuals whose emoluments were the highest in the Group included 4 directors (2022: 4 directors) for the year ended 31 July 2023. The emoluments of the remaining individual fell within the following band:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$1,500,001 - HK\$2,000,000	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

During the year ended 31 July 2023, no emolument was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

6 FINANCE COSTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on lease liabilities	861	849
Interest expenses on bank loans	<u>1,809</u>	<u>375</u>
	<u>2,670</u>	<u>1,224</u>

7 LOSS BEFORE TAXATION

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Remuneration to the Company's auditor		
– audit and audit-related services	1,000	900
– non-audit services	15	14
Remuneration to other auditors		
– audit and audit-related services	204	268
– non-audit services	103	136
Printing and stationery	<u>6,935</u>	<u>6,794</u>

8 TAXATION

The amounts of taxation charged/(credited) to the consolidated statement of comprehensive income represent:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
– provision for current year	192	91
– over-provision in prior years	(94)	(214)
	<hr/>	<hr/>
Current income tax	98	(123)
Deferred income tax	71	2,009
	<hr/>	<hr/>
	169	1,886
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at a rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year ended 31 July 2023. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(26,772)	(24,325)
	<hr/> <hr/>	<hr/> <hr/>
Calculated at a taxation rate of 16.5% (2022: 16.5%)	(4,417)	(4,014)
Effect of different taxation rate in other territory	—	(292)
Income not subject to taxation	(706)	(1,825)
Expenses not deductible for taxation purposes	347	140
Tax losses with no deferred tax assets recognised	4,837	6,860
Derecognition of previously recognised deferred tax	471	1,347
Over-provision in prior years	(94)	(214)
Others	(269)	(116)
	<hr/>	<hr/>
Income tax expense	169	1,886
	<hr/> <hr/>	<hr/> <hr/>

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:

	2023	2022
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(27,844)	(25,506)
Weighted average number of shares in issue (<i>thousand shares</i>)	<u>503,283</u>	<u>500,000</u>
Total basic loss per share attributable to owners of the Company (<i>HK cent</i>)	<u>(5.53)</u>	<u>(5.10)</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.

	2023	2022
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>(27,844)</u>	<u>(25,506)</u>
Total diluted loss per share attributable to owners of the Company (<i>HK cent</i>)	<u>(5.53)</u>	<u>(5.10)</u>

Weighted average number of shares used as the denominator

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (<i>thousand shares</i>)	503,283	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>503,283</u>	<u>500,000</u>

Basic and diluted loss per share for the year ended 31 July 2023 are the same since the potential shares from options are anti-dilutive.

10 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 July 2023 (2022: Nil).

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	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties leases	18,513	20,336
Leasehold land	12,353	12,869
	<u>30,866</u>	<u>33,205</u>
Lease liabilities	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities	10,043	8,758
Non-current liabilities	9,360	12,515
	<u>19,403</u>	<u>21,273</u>

During the year ended 31 July 2023, additions to the right-of-use assets were HK\$9,813,000 (2022: HK\$18,380,000) and there was no written-off of right-of-use assets (2022: Nil) due to early termination of the leases.

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

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

	2023	2022
	HK\$'000	HK\$'000
Depreciation	12,152	14,619
Interest expense (included in finance costs) (<i>note 6</i>)	861	849
Expense relating to short-term leases	12,229	11,186
Expense relating to low-value leases	27	48
Variable lease payment – Rent concession under COVID-19	—	(222)
	=====	=====

The total cash outflow for leases for the year ended 31 July 2023 was HK\$24,573,000 (2022: HK\$25,653,000).

(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, staff quarter 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

	2023	2022
	HK\$'000	HK\$'000
At 1 August	19,100	19,400
Change in fair value (<i>note 4</i>)	(1,100)	(300)
At 31 July (<i>Notes (i), (ii) and (iii)</i>)	18,000	19,100
	=====	=====

Notes:

- (i) The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 July 2023 was valued on 31 July 2023 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\$18,000,000 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\$7,857 (2022: HK\$8,353) per square feet.

(ii) As at 31 July 2023, the Group's investment property with carrying value of approximately HK\$18,000,000 (2022: HK\$19,100,000) was pledged to secure bank facilities of the Group.

(iii) Particulars of the Group's investment property for tenancy purpose as at 31 July 2023 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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivables	<u>2,626</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, cheque or credit cards. As at 31 July 2023 and 2022, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 - 30 days	1,893	2,358
31 - 60 days	422	91
Over 60 days	311	50
	<u>2,626</u>	<u>2,499</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 2023 (2022: Nil).

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	2,626	2,482
British Pound	<u>—</u>	<u>17</u>
	<u>2,626</u>	<u>2,499</u>

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other receivables	<i>(i)</i>	9,033	10,896
Deposits and prepayments	<i>(ii)</i>	11,212	13,442
		20,245	24,338
Less: Allowance for impairment	<i>(i)</i>	(1,774)	(2,019)
		18,471	22,319
Less: non-current portion		(2,068)	(2,064)
Deposits, prepayments and other receivables – current portion		16,403	20,255

Notes:

- (i) As at 31 July 2023, other receivables of HK\$2,126,000 (2022: HK\$2,291,000) represent amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors. Allowance for impairment of HK\$1,774,000 (2022: HK\$2,019,000) has been made. As at 31 July 2023, other receivable includes an amount of HK\$8,000 (2022: 379,000) due from associates and a loan to an associate of HK\$400,000 (2022: HK\$400,000).
- (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 2023, deposits of HK\$6,920,000 (2022: HK\$8,282,000), prepayments of HK\$2,221,000 (2022: HK\$3,096,000) and other receivables of HK\$7,262,000 (2022: HK\$8,877,000) 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

		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	<i>(i)</i>	12,118	14,648
Provision of reinstatement cost	<i>(ii)</i>	2,071	2,334
Current portion		<u>14,189</u>	<u>16,982</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\$2,071,000 (2022: HK\$2,334,000).
Movement of provision of reinstatement cost is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at beginning of the year	2,784	4,613
Additions	228	401
Utilisation	—	(2,230)
Balance as at closing of the year	3,012	2,784
Less: non-current portion	(941)	(450)
Current portion	<u>2,071</u>	<u>2,334</u>

16 OTHER NON-CURRENT LIABILITIES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of reinstatement cost (<i>note 15</i>)	941	450
Rental deposits	—	135
Other non-current liabilities	<u>941</u>	<u>585</u>

17 SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 at 31 July 2022 and 2023	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares at 31 July 2021 and 2022	500,000,000	120,956
Issue of shares at 30 November 2022	3,984,000	1,793
Issue of shares at 31 May 2023	3,648,000	1,386
Ordinary shares at 31 July 2023	<u>507,632,000</u>	<u>124,135</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 or personal development. We provide private supplementary education services in teaching centres located on Hong Kong Island, in Kowloon and the New Territories. During the year, our Group extended our ancillary services to education institutions in mainland China. 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 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.

Throughout the year ended 31 July 2023, the private supplementary secondary school education services industry in Hong Kong faced numerous difficulties due to the formidable business landscape resulting from i) the COVID-19 pandemic, particularly in the first half of the financial year; and ii) the changes in the HKDSE curriculum. Our Group recorded a decrease in revenue from HK\$141.8 million for the year ended 31 July 2022, to HK\$131.2 million for the year ended 31 July 2023, representing a decrease of HK\$10.7 million or 7.5%.

The Group’s summer courses enrollment and revenue experienced a significant decline due to the fifth wave of the COVID-19 pandemic, which prompted local schools to reschedule their summer break to March and April 2022. Consequently, students were obligated to attend regular schooling during July and August 2022 and the demand for summer courses in such period significantly dropped. The students’ learning momentum did not fully recover as shown in regular courses enrollment which commenced in September 2022. Furthermore, the replacement of Liberal Studies with Citizenship and Social Development from HKDSE 2024 onwards, where Liberal Studies will no longer be graded, and the streamlining of the Chinese Language curriculum with fewer papers from HKDSE 2023 onwards affected the students’ enrollment in private supplementary secondary school education services and thus the revenue.

The decrease in revenue started to narrow for intensive courses as public health measures gradually eased in December 2022. Our Group's strategy of business diversification and proactive marketing measures yielded positive outcomes, narrowing the decline in revenue in the second half of the financial year. Our Group also witnessed an encouraging growth in certain new business initiatives. Notably, our school services in mainland China and Hong Kong, and the newly acquired business specializing in post-HKDSE education services showcased a pleasant upward momentum. These positive trends indicated a gradual recovery for the Group's business.

Revenue

We offer a range of education programmes and services in Hong Kong and mainland China 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 for each category of services which we provided for each of the years ended 31 July 2023 and 2022:

	For the year ended 31 July	
	2023	2022
Private supplementary secondary school education services	87,008	113,942
Private secondary day school services	11,570	8,784
Ancillary education services and products	32,584	19,103
	<u>131,162</u>	<u>141,829</u>

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 2023 and 2022:

	For the year ended 31 July			
	2023		2022	
	Session		Session	
	enrollment	Revenue	enrollment	Revenue
	'000	HK\$'000	'000	HK\$'000
Regular courses	93	64,247	117	81,034
Intensive courses	26	14,545	27	13,838
Summer courses	13	8,216	35	19,070
Total	<u>132</u>	<u>87,008</u>	<u>179</u>	<u>113,942</u>
Average course fee per session enrollment (HK\$)		<u>659</u>		<u>637</u>

The Group experienced a decline in revenue from private supplementary secondary school education services, amounting to a decrease of 23.6% or HK\$26.9 million compared to that of the previous financial year. Such decline was attributed to various factors. Firstly, the COVID-19 pandemic led to the local schools’ summer break being brought forward to early 2022, resulting in a substantial decrease in session enrollment for summer courses, specifically a decline of 62.9% or 22,000. The learning momentum among students did not show a noticeable improvement in regular courses immediately after the resumption of normal school hours, leading to a further decline of 20.5% or 24,000 in session enrollment for regular courses. Secondly, the changes in the HKDSE curriculum affected students’ intention to seek private supplementary secondary school education services for exam preparation. Specifically, the replacement of Liberal Studies with Citizenship and Social Development, as well as the cancellation of papers in the Chinese Language subject, affected students’ demand for these services. However, it is worth noting that these changes may enhance the learning momentum in English Language and other subjects, as students are able to reallocate their learning time to critical subjects to better suit their study plans or plans of further studies. The Group offered less allowances and bursaries after the COVID-19 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 respectively in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. Due to the increase in the number of student enrollments in our private secondary day school during the year ended 31 July 2023, the revenue increased by 31.7% when compared with that in the previous financial year. There was no change of school fee during the year.

iii) Ancillary education services and products

Our Group aimed to diversify our education business in recent years and we offers various ancillary education services and products such as (i) IELTS and foreign language courses under our “Beacon BExcellent” brand; (ii) mock examination services; (iii) education services to schools and institutions in Hong Kong and mainland China under our “Diverse Learning Club” (多元學習坊), “1% Group Education” (壹伙教育) and “Hong Kong Beacon International Education” (香港遵理國際教育) brands respectively; (iv) VIP self-study services; (v) tutorial and consultation services, interview preparation, language and supplementary primary school education under our childhood education brands, educational services under our “Ascent Prep” brand, BTEC Level 3 Certificate in Enterprise and Entrepreneurship and language courses under “Beacon CAPE” brand, products including but not limited to online course scheduling and management services, as well as online retail and education businesses under our “Beacon Living” and “CourseZ” brands respectively. The table below shows the revenue components of the ancillary education services and products for each of the years ended 31 July 2023 and 2022:

	For the year ended 31 July	
	2023	2022
	HK\$'000	HK\$'000
School services	16,354	3,961
Beacon BExcellent	4,570	5,468
Mock examination services	3,690	3,942
VIP self-study services	909	853
Childhood and other education services	7,061	4,879
Total	<u>32,584</u>	<u>19,103</u>

Note: Certain comparative figures have been reclassified to conform to the current year presentation.

School services became the largest revenue contributor of our ancillary education services and products during the year. We offered various school services to education institutions in both Shenzhen of mainland China and Hong Kong. With respect to the policy and advocacy of integration among cities in the Greater Bay Area, there is an increasing demand for HKDSE-related education services in mainland China and the provision of consultancy services and support to various education institutions resulted in this strong growth. Moreover, our Group offered various academic and activity-based programmes to around 150 schools in Hong Kong, 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. Our newly acquired business under our “1% Group Education” (壹伙教育) brand that assisted educational institutions in the execution of student recruitment plans and offered mentorship services to students also contributed to the revenue growth. Our revenue derived from school services increased significantly by HK\$12.4 million or 313% from HK\$4.0 million for the year ended 31 July 2022 to HK\$16.4 million for the year ended 31 July 2023.

The revenue of Beacon BExcellent decreased by HK\$0.9 million or 16.4% from HK\$5.5 million for the year ended 31 July 2022 to HK\$4.6 million for the year ended 31 July 2023. The decrease was mainly due to the revenue decline in IELTS courses which were attributable to, amongst others, 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 revenue of mock examination services slightly decreased by HK\$0.3 million or 6.4% from HK\$3.9 million for the year ended 31 July 2022 to HK\$3.7 million for the year ended 31 July 2023. This decrease was primarily attributed to the decline in the demand for the mock examination services for Liberal Studies. Due to the change in the HKDSE curriculum, starting from HKDSE 2024 onwards, Liberal Studies will be replaced by Citizenship and Social Development, which will not carry grades in the HKDSE. As a result, students anticipated a high passing rate for the last examination cohort of Liberal Studies and, consequently, there was a reduced demand for mock examination services for the subject.

Childhood and other education services comprise revenue arising from i) the provision of childhood education services; ii) certain post-HKDSE courses such as BTEC Level 3 Certificate in Enterprise and Entrepreneurship and language courses; iii) on-line learning platforms, such as CourseZ.com and Junewing.com; and iv) online store namely Beacon Living. The relevant revenue increased by HK\$2.2 million or 44.7% from HK\$4.9 million for the year ended 31 July 2022 to HK\$7.1 million for the year ended 31 July 2023. Such an increase was mainly attributed to the revenue generated from the new course, BTEC Level 3 Certificate in Enterprise and Entrepreneurship, which was designed for students who have completed HKDSE and are looking to pursue continuous education.

OUTLOOK AND FUTURE DEVELOPMENTS

The business environment of private supplementary secondary school education services in Hong Kong continues to pose challenges to our Group, including the recent decrease in population and, consequently, the decrease in number of secondary school students, as well as the changes in the HKDSE curriculum. However, we remain steadfast in our commitment to adapt to the changing landscape in order to ensure our viability and prosperity. Since the public health measures related to COVID-19 have gradually come to an end and cross-border travel between Hong Kong and mainland China has resumed since in February 2023, we anticipate a more vibrant business environment in the coming financial year. This presents a welcomed opportunity as students who stayed in mainland China during the COVID-19 pandemic are expected to return to Hong Kong for their studies.

To capitalize on these developments, we will continue to explore ways to enhance the profitability of the private supplementary secondary school education services in Hong Kong. This includes enhancing our teaching team by recruiting more high-caliber tutors and providing classes with different learning modes, including one-on-one services, small groups, and large classes. Additionally, we are incorporating a combination of live sessions, live broadcasts, video contents, and joint broadcast classes to enrich students' learning experience. Our courses are also designed to cater to the diverse linguistic needs of our students, utilizing English, Cantonese, and Putonghua as the media of instruction.

In line with our commitment to diversification, we have also acquired a subsidiary that operates various post-secondary programmes to diversify our business portfolio and generate a steady stream of income. In addition to this acquisition, we have also established a strategic business combination through an investment in an associate. This collaboration allows us to leverage synergies and streamline our services in overseas studies consultation, which further strengthens our position in this market segment. At the same time, the development of our education services to school is expecting an even more pleasant growth, extending its reach to more schools and institutions in Hong Kong and mainland China.

As we move forward, our Group will take strategic steps to develop the international education market in mainland China and offer more HKDSE-related and other international-curriculum-related services, such as HKDSE education services to schools, student assessments, and Hong Kong and overseas studies consultation services. The remarkable growth we have witnessed in the provision of education services in mainland China is expected to continue in the coming financial year as our expansion efforts bear fruits. Looking ahead, we will remain vigilant in identifying potential investment and collaboration opportunities that align with our strategic objectives and add value to our business portfolio, ensuring a sustainable growth and continuous enhancement of our education services.

Despite the challenges we face, we maintain an optimistic outlook regarding the future of the private supplementary secondary school education services industry in Hong Kong. With our resilient management team and our unwavering commitment to adapting to the constantly changing landscape, we are well-positioned to capitalize on opportunities and achieve sustainable growth in the times ahead. Our proactive approach in identifying and pursuing growth opportunities reflects our dedication to maintaining a competitive edge and delivering long-term value to our stakeholders.

As we look forward, we are confident in our ability to navigate in the evolving business environment, expand our international presence, and continue diversifying our education services. By doing so, we will enhance our position as a leading provider of high-quality teaching services while capturing growth opportunities in both Hong Kong and mainland China.

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\$10.7 million, or 7.5%, from HK\$141.8 million for the year ended 31 July 2022 to HK\$131.2 million for the year ended 31 July 2023. This was mainly due to the revenue decline from the provision of private supplementary secondary school education services, partially offset by the revenue growth in both private secondary day school services and ancillary education services and products.

Revenue from the provision of private supplementary secondary school education services decreased by HK\$26.9 million, or 23.6% from HK\$113.9 million for the year ended 31 July 2022 to HK\$87.0 million for the year ended 31 July 2023, which was largely due to the decrease in the number of the Group’s session enrollments by 47,000 or 26.3% from 179,000 for the year ended 31 July 2022 to 132,000 for the year ended 31 July 2023. Revenue from the provision of the ancillary education services and products increased by HK\$13.5 million, or 70.6% from HK\$19.1 million for the year ended 31 July 2022 to HK\$32.6 million for the year ended 31 July 2023. Such an increase was mainly attributed to the boost of income of school services from both mainland China and Hong Kong, and the increase in the revenue from childhood and other education services.

Other income

Other income primarily consists of government subsidies, IT service income, rental income from an investment property, interest income from bank deposits and advertising income. Other income decreased by HK\$4.0 million or 26.4%, from HK\$15.0 million for the year ended 31 July 2022 to HK\$11.1 million for the year ended 31 July 2023. The decrease was mainly attributed to the reduction in government subsidies amounting to HK\$10.7 million, with the absence of the “Anti-epidemic Fund” during the year ended 31 July 2023.

Major costs component

The summary below shows the major costs components of our Group among which approximately 55.4% (2022: approximately 60.2%) is related to labour costs (comprising of staff costs and tutor service fees), followed by printing and other operating expenses, short-term lease, variable lease and low-value lease payments, depreciation of right-of-use (“ROU”) assets, and advertising and promotion expenses:

	2023		2022	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Staff costs	67,167	51.2	70,047	49.4
Tutor service fees	26,168	20.0	33,012	23.3
Depreciation of ROU assets	12,152	9.3	14,619	10.3
Short-term lease, variable lease and low-value lease payments	12,256	9.3	11,012	7.8
Advertising and promotion expenses	5,666	4.3	4,288	3.0
Printing and other operating expenses	44,997	34.3	38,320	27.0

Staff costs

As at 31 July 2023, the Group had 189 full-time employees and maintained an accumulated pool of 86 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 payment incurred for our employees.

The staff costs decreased by approximately HK\$2.9 million or approximately 4.1% from approximately HK\$70.0 million for the year ended 31 July 2022 to approximately HK\$67.2 million for the year ended 31 July 2023. Such decrease was mainly attributable to the continuous effort in corporate savings and compensated by the increase in staffing to support the Group's business expansion in mainland China.

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\$33.0 million or 20.7% for the year ended 31 July 2022 to approximately HK\$26.2 million for the year ended 31 July 2023. 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 9.3% and 9.3% respectively (2022: 10.3% and 7.8%) 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 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 year ended 31 July 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 online channels and social media platforms such as Google, Instagram and Facebook, which were relatively more effective and efficient than traditional offline channels such as billboard, advertisement on transportation, foamboard and banners. Short videos and live broadcast marketing for promotional purpose were made 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 in advertising and promotion expenses by HK\$1.4 million or 32.1% from HK\$4.3 million for the year ended 31 July 2022 to HK\$5.7 million for the year ended 31 July 2023.

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 increased by HK\$6.7 million or 17.4%, from HK\$38.3 million for the year ended 31 July 2022 to HK\$45.0 million for the year ended 31 July 2023. The increase was mainly attributable to the service fees to freelancers by HK\$3.6 million from HK\$4.0 million for the year ended 31 July 2022 to HK\$7.6 million for the year ended 31 July 2023 in order to support the significant growth in the business of school services right after the COVID-19 pandemic under the “Diverse Learning Club” (多元學習坊) brand. On the other hand, certain mergers and acquisitions during the year also contributed to an increase of legal and professional costs by approximately HK\$1.1 million.

Income tax expense

The income tax expense for the year ended 31 July 2023 was HK\$0.2 million (2022: 1.9 million). The decrease in tax expenses by HK\$1.7 million or 91% was mainly attributable to the decrease in deferred tax in relation to share-based compensation and accounting depreciation of HK\$0.8 million and HK\$1.1 million, respectively for the year ended 31 July 2023.

Loss for the year

The Group recorded a loss of HK\$26.9 million for the year ended 31 July 2023. The loss during the year was mainly due to the decrease in revenue.

Liquidity, financial resources and capital structure

As at 31 July 2023, the Group's net current asset value was HK\$10.5 million, which mainly consisted of accounts receivables, deposits, prepayments 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\$126.7 million as at 31 July 2022 to HK\$111.4 million as at 31 July 2023. Such an 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\$75.3 million as at 31 July 2023. As at 31 July 2023, the current ratio of the Group (expressed as current assets divided by current liabilities) was 1.10, compared with 1.44 as at 31 July 2022. Such a decrease in current ratio was mainly attributed to the increase in borrowing from HK\$55.1 million as at 31 July 2022 to HK\$63.6 million as at 31 July 2023.

Material acquisition and disposal of subsidiaries, associates and joint ventures

i) Acquisition of 51% Equity Interest in Ottorino Consultants (International) Limited (“OCIL”)

On 25 October 2022, Beacon Holdings Limited (“**BHL**”, being an indirect wholly-owned subsidiary of the Company), entered into a subscription and sale and purchase agreement with Mr. Cheng Hong Fu and Ms. Ng Mei Yee (“**Mr. Cheng and Ms. Ng**”) and OCIL (a company incorporated in Hong Kong with limited liability) (“**OCIL Agreement**”), 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 Mr. Cheng and Ms. Ng conditionally agreed to sell, a total of 25,500 issued shares in OCIL held by Mr. Cheng and Ms. Ng at the acquisition consideration of HK\$3,187,200 to be settled by the allotment and issue of 3,984,000 consideration Shares at the issue price of HK\$0.80 per consideration Share under the general mandate (which was granted to the Directors by the Shareholders at the Annual General Meeting held on 8 December 2021 to allot, issue and deal with up to 100,000,000 Shares) by the Company to Mr. Cheng and Ms. Ng. The 3,984,000 consideration Shares represent: (i) approximately 0.80% of the number of issued Shares as at the date of the OCIL 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 OCIL Agreement have been fulfilled and the completion took place on 30 November 2022. Upon completion, OCIL is held as to 51% by BHL and becomes an indirect non-wholly-owned subsidiary of the Company. Details of this transaction were disclosed in the announcements of the Company dated 25 October 2022 and 30 November 2022 respectively.

ii) Investment in Linkedu Overseas Education Limited (“Linkedu”)

On 30 March 2023, Glocal Development Group Limited (“**GDGL**”), the Company’s indirect wholly-owned subsidiary, entered into the agreement for sale and purchase of and subscription for shares in Linkedu with Linkedu, Mr. Ng Yu Ting and Mr. Lau Chun Tat (“**Mr. Ng and Mr. Lau**”) (“**Linkedu Agreement**”), pursuant to which (i) GDGL conditionally agreed to purchase, and Mr. Ng and Mr. Lau conditionally agreed to sell, a total of 210,000 issued shares in Linkedu at the consideration of HK\$3,968,400 to be settled by (i) cash consideration of HK\$1,050,000; and (ii) the allotment and issue of 3,648,000 consideration Shares under the general mandate (which was granted to the Directors by an ordinary resolution of the Shareholders passed at the Annual General Meeting of the Company held on 14 December 2022 to allot, issue and deal with up to 100,796,800 Shares) by the Company at the issue price

of HK\$0.80 per consideration Share to Mr. Ng and Mr. Lau at 90:10 ratio upon completion of the said sale and purchase; and (ii) GDGL conditionally agreed to subscribe for 90,000 new shares to be allotted and issued by Linkedu at the subscription price of HK\$5,211,600, which is to be regarded as satisfied in whole by the transfer of all the ordinary shares in Academic Advisers Limited (“AA”) and Glocal Education Services Limited (“GES”), both the Company’s indirect wholly-owned subsidiaries immediately before completion of the said subscription, such that GDGL shall hold 30% of the total shares in issue in Linkedu immediately after completion of the said sale and purchase and subscription.

All of the conditions precedent under the Linkedu Agreement have been fulfilled and the completion took place on 31 May 2023. Upon completion, GES and AA were no longer subsidiaries of the Group and GDGL hold 30% of Linkedu and the investment is accounted for under “Investment in Associates” as set out in the consolidated financial statements of the Annual Report. Details of this transaction were disclosed in the announcements of the Company dated 30 March 2023 and 31 May 2023 respectively.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 July 2023.

Charges on the Group’s Assets

The Group has an investment property with carrying value of approximately HK\$18.0 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 2023, the Group’s gearing ratio (calculated based on bank borrowings amounting to approximately HK\$63.6 million and lease liabilities amounting to approximately HK\$19.4 million divided by equity attributable to the owners of the Company as at the year-end date amounting to approximately HK\$77.1 million) was approximately 107.6% (31 July 2022: 74.9%).

Contingent liabilities

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 July 2023 (2022: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to maintaining 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 2023 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, which will be further illustrated in the Corporate Governance Report of the Annual Report of the Company for the year ended 31 July 2023 to be published in due course for Shareholders' evaluation.

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 decisions that involve material risk exposures are 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, and 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 to perform internal audit function to review the effectiveness of the Group's risk management and internal control systems for the year ended 31 July 2023. 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, ESG 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 2023 covered the review on (i) the risk management system; (ii) cost of services, expenditures and payments; (iii) human resources and payroll management; (iv) corporate governance practices according to the corporate governance code in Appendix 14 of the Listing Rules; and (v) the follow up on the findings identified in last year's report.

The Board considered the enterprise risk assessment report and internal audit report and concluded (i) the risk management and internal control systems of the Group; and (ii) the process for financial reporting and compliance on Listing Rules effective and adequate. Upon the Board's annual review, the Board considered and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting 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 sets 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 2023, 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 2023 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 2023 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 2023 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 2023 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 2023 (2022: Nil).

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR ENDED 31 JULY 2023

There is no significant event affecting the Group occurred after 31 July 2023 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM is to be held on Tuesday, 19 December 2023. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM to be held on Tuesday, 19 December 2023 (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 14 December 2023 to Tuesday, 19 December 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13 December 2023.

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 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, 27 October 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; and the independent non-executive Directors are Mr. Kwan Chi Hong, Mr. Li Kai Sing, and Professor Wong Roderick Sue Cheun.