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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 2019

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 July 2019 comparing to that of the year ended 31 July 2018 is as follows:

- The Group's revenue decreased by approximately 8.9% from approximately HK$408.1 million to approximately HK$371.7 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 17.8% from approximately 664,000 to approximately 546,000.
- The average number of sessions enrolled per student of private supplementary secondary school education services decreased by approximately 9.9% from approximately 12.1 to approximately 10.9.
- Profit attributable to owners of the Company decreased by approximately 54.1% from approximately HK$25.9 million to approximately HK$11.9 million.
- Bank balances and cash were recorded as approximately HK$145.9 million at the year end.
- The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per share and a special dividend of HK2.0 cents per share for the year ended 31 July 2019.

ANNUAL RESULTS

The board of directors (the "**Board**") 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 2019, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Revenue	*3*	**371,728**	408,120
Other income	*4*	**5,290**	1,396
Other losses	*4*	**(29)**	(335)
Staff costs	*5*	**(103,695)**	(104,650)
Tutor service fees		**(105,257)**	(106,322)
Operating lease payments		**(56,322)**	(53,809)
Advertising and promotion expenses		**(16,890)**	(14,850)
Printing and other operating expenses		**(72,037)**	(89,180)
Depreciation and amortisation expenses		**(10,316)**	(9,166)
Finance costs		**(12)**	—
Impairment loss on accounts receivables		**(47)**	(140)
Profit before taxation		**12,413**	31,064
Taxation	*6*	**(1,883)**	(6,899)
Profit for the year		**10,530**	24,165
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Change in the fair value of available-for-sale financial asset		**—**	(395)
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		**(85)**	—
Other comprehensive loss for the year		**(85)**	(395)
Total comprehensive income for the year		**10,445**	23,770
Profit/(loss) is attributable to			
– Owners of the Company		**11,928**	25,883
– Non-controlling interests		**(1,398)**	(1,718)
		10,530	24,165
Total comprehensive income/(loss) for the year is attributable to			
– Owners of the Company		**11,843**	25,488
– Non-controlling interests		**(1,398)**	(1,718)
		10,445	23,770
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	*7(a)*	**2.39**	6.78
Diluted earnings per share	*7(b)*	**2.37**	6.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**23,375**	28,928
Investment property	*9*	**23,347**	—
Intangible assets		**3,776**	—
Available-for-sale financial asset		**—**	2,000
Financial assets at fair value through other comprehensive income		**1,915**	—
Deferred income tax assets		**5,050**	3,589
Prepayments	*11*	**10,671**	9,809
		68,134	44,326
Current assets			
Accounts receivables	*10*	**1,493**	1,328
Deposits, prepayments and other receivables	*11*	**32,045**	35,621
Income tax recoverable		**1,857**	53
Short-term deposits		**—**	914
Cash and cash equivalents		**145,857**	166,700
		181,252	204,616
Total assets		**249,386**	248,942
Equity			
Share capital	*14*	**120,956**	120,956
Other reserves		**12,731**	10,640
Retained earnings		**55,541**	63,613
Equity attributable to owners of the Company		**189,228**	195,209
Non-controlling interests		**(1,707)**	(310)
Total equity		**187,521**	194,899

	Note	**2019**	2018
		HK$'000	*HK$'000*
Liabilities			
Current liabilities			
Other payables	*12a*	**21,459**	26,086
Amount due to a related company		**2,000**	—
Receipts in advance		**—**	15,880
Contract liabilities		**17,951**	—
Current income tax payable		**8,211**	9,412
Borrowings	*13*	**8,573**	—
		58,194	51,378
Non-current liabilities			
Other non-current liabilities	*12b*	**3,666**	2,637
Deferred income tax liabilities		**5**	28
		3,671	2,665
Total liabilities		**61,865**	54,043
Total equity and liabilities		**249,386**	248,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together "the Group") are principally engaged in the provision for private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. The ultimate holding company is Beacon Enterprise Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost basis, except for investment property and financial assets at fair value through other comprehensive income ("FVOCI") which are carried at fair value.

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 recognised 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.

The following new or amended Hong Kong Financial Reporting Standards are mandatory for the first time for the financial year beginning 1 August 2018 and the impacts of the adoption are disclosed in note 2.2.

– HKFRS 9 (2014) “Financial Instruments”

– HKFRS 15 “Revenue from Contracts with Customers”

The following new and amended HKFRSs are mandatory for the first time for the financial year beginning 1 August 2018, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

– Amendments to HKAS 40 “Investment Property”

– Amendments to HKFRS 2 “Share-based Payment”

– Amendments to HKFRS 4 “Insurance Contracts”

– HK(IFRIC) – Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

– Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA

New standards, amendments and interpretations 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 Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19 (2011)	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28 (2011)	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9 (2014)	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
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 2019, 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 except as set out below.

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed, with a right-of-use assets capitalised and depreciated over the estimated lease term together with a corresponding liability that will reduce through rental payments over the same period with an appropriate interest charge recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the Group's current accounting policy, "Lease" (HKAS 17), the Group's future minimum lease payments under non-cancellable operating leases in respect of properties as at 31 July 2019, are amounting to HK$83,101,000, which are not reflected in the consolidated statements of financial position. Based on management's initial assessment, the application of the new standard is expected to result in a significant increase in both assets and liabilities in the consolidated statement of financial position. The adoption will also front-load the expense recognition in the consolidated statement of comprehensive income over the period of the leases, though the effect is not expected to be significant.

HKFRS 16 is mandatory for financial years commencing on or after 1 August 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group plans to apply the modified retrospective transition method under which comparative information will not be restated and has elected to use the following practical expedients and/or recognition exemption permitted by the standard:

– on initial application, HKFRS 16 will be only applied to contracts that were previously classified as leases;

– lease contracts with a duration of less than 12 months and leases of low-value assets will continue to be expensed to the income statement on a straight-line basis over the lease term; and

– the lease term has been determined with the use of hindsight where the contract contains options to extend or terminate the lease.

HKFRS 16 is not expected to impact significantly on the way that the Group accounts for its rights and obligations under a lease when it is the lessor under the lease. However, some additional disclosures will be required from next year.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 (2014) "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the consolidated financial statements.

(a) Impact on the consolidated financial statements

As explained in notes 2.2(b) and 2.2(c) below, the Group elected to adopt HKFRS 9 (2014) and HKFRS 15 without restating comparative information.

The following tables show the amounts by each individual line item affected in current year by the application of HKFRS 9 (2014) and HKFRS 15 as compared to the previous requirements in HKFRSs that were in effect before the adoption of HKFRS 9 (2014) and HKFRS 15. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	As at 31 July 2019 Reported under current accounting polices	HKFRS 9 (2014) (note 2.2(b))	HKFRS 15 (note 2.2(c))	As at 31 July 2019 Balance without the adoption of HKFRS 9 (2014) and HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Non-current assets				
Financial assets at FVOCI	1,915	(1,915)	—	—
Available-for-sale financial asset	—	1,915	—	1,915
Liabilities				
Current liabilities				
Receipts in advance	—	—	17,951	17,951
Contract liabilities	17,951	—	(17,951)	—

Consolidated statement of financial position (extract)	As at 1 August 2018 Restated	HKFRS 9 (2014) (note 2.2(b))	HKFRS 15 (note 2.2(c))	As at 31 July 2018 As originally presented
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Non-current assets				
Financial assets at FVOCI	2,000	(2,000)	—	—
Available-for-sale financial asset	—	2,000	—	2,000
Liabilities				
Current liabilities				
Receipts in advance	—	—	15,880	15,880
Contract liabilities	15,880	—	(15,880)	—

The adjustments to the consolidated statement of financial position described above do not affect the cash and cash equivalents, but do alter the categorisation of some items in the consolidated statement of cash flows. The adjustments are principally within monetary working capital movements.

(b) HKFRS 9 (2014) "Financial Instruments"

The Group has adopted HKFRS 9 (2014) "Financial Instruments" from 1 August 2018 which resulted in changes in accounting policies. In accordance with the transition provisions, the Group has adopted HKFRS 9 (2014) retrospectively, with no restatements to the comparatives.

HKFRS 9 (2014) replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1 August 2018 (the date of initial application of HKFRS 9 (2014)), the Group's management assessed the Group's business models of management, and the contractual cash flow characteristics, of each of the Group's financial instruments, and classified them into the appropriate categories under HKFRS 9 (2014).

Accordingly, an investment previously classified as available-for-sale financial asset with a carrying amount of HK$2,000,000 was reclassified to financial assets at FVOCI on 1 August 2018 as this investment is held as long-term strategic investment that is not expected to be sold in the short to medium term.

On 1 August 2018 (the date of initial application of HKFRS 9 (2014)), the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
			HK$'000	*HK$'000*	*HK$'000*
Non-current financial assets					
Equity investment	Available-for-sale	FVOCI	2,000	2,000	—
Current financial assets					
Accounts receivables	Amortised cost	Amortised cost	1,328	1,328	—
Deposits and other receivables	Amortised cost	Amortised cost	25,845	25,845	—
Short-term deposits	Amortised cost	Amortised cost	914	914	—
Cash and cash equivalents	Amortised cost	Amortised cost	166,700	166,700	—
Current financial liabilities					
Other payables (exclude provision for reinstatement cost)	Amortised cost	Amortised cost	24,102	24,102	—
Non-current financial liabilities					
Other non-current liabilities (exclude provision for reinstatement cost)	Amortised cost	Amortised cost	422	422	—

(ii) Impairment of financial assets

The Group's financial assets classified at amortised cost, including accounts receivables, deposits and other receivables, are subject to the new expected credit loss model for impairment assessment. The adoption of the new impairment model as at 1 August 2018 has not resulted in material impact on the carrying amount of the Group's financial assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 (2014), the identified impairment loss was immaterial.

– *Accounts receivables*

The Group applies the HKFRS 9 (2014) simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivables. This resulted in no material impact on the loss allowance on 1 August 2018.

– *Other financial assets at amortised cost*

Other financial assets at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. Applying the expected credit loss model resulted in no material impact on the loss allowance on 1 August 2018 and on 31 July 2019.

(c) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 August 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard, which the comparative information for prior periods is not restated.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at the date of initial application, 1 August 2018:

Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 August 2018 to be consistent with the terminology used under HKFRS 15:

– Contract liabilities relating to receipts in advance which were the tuition fee received while tuition services are not yet provided.

3. REVENUE AND SEGMENT INFORMATION

The Executive Directors are the Group's chief operating decision-maker ("**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 considers the business by nature of business activities and assesses the performance of private supplementary secondary school education services, private secondary day school services and ancillary education services and products.

The CODM considers that the Group is operated and 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.

	2019	2018
	HK$'000	*HK$'000*
Major products/service lines		
Private supplementary secondary school education services	**317,696**	360,039
Private secondary day school services	**11,207**	11,213
Ancillary education services and products	**42,825**	36,868
	371,728	408,120

	2019
	HK$'000
Timing of revenue recognition *(Note (i))*:	
Over time	**350,249**
At a point in time	**21,479**
	371,728

Note:

(i) The Group has initially applied HKFRS 15 using modified retrospective method. Under this method, the comparative information for the year ended 31 July 2018 is not provided.

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong. All unsatisfied contracts of the Group related to education service contract and those contracts are 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 LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income	**2,055**	10
Advertising income	**1,759**	1,186
Sundry income	**1,243**	200
Dividend income from equity investments held at FVOCI	**192**	—
Rental income from investment property	**41**	—
	5,290	1,396
Other losses		
Loss on disposal of property, plant and equipment	**—**	(334)
Exchange differences – net	**(29)**	(1)
	(29)	(335)

5. STAFF COSTS (Including directors' and chief executive's emoluments)

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and bonus	**99,130**	100,461
Share-based compensation expenses	**372**	—
Pension costs – defined contribution retirement plans	**4,193**	4,189
	103,695	104,650

6. TAXATION

The amounts of taxation charged to profit or loss represent:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– provision for current year	**3,816**	9,264
– over-provision in prior year	**(449)**	(506)
Current income tax	**3,367**	8,758
Deferred income tax	**(1,484)**	(1,859)
	1,883	6,899

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 July 2019.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for both years are based on the following data:

	2019	2018
a) Basic		
Profit attributable to owners of the Company (HK$'000)	**11,928**	25,883
Weighted average number of shares in issue (thousand shares) *(Note (i))*	**500,000**	381,507
Total basic earnings per share for profit attributable to owners of the Company (HK cents)	**2.39**	6.78

	2019	2018
b) Diluted		
Profit attributable to owners of the Company (HK$'000)	**11,928**	25,883
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousand shares)	**502,425**	381,900
Total diluted earnings per share attributable to owners of the Company (HK cents)	**2.37**	6.78

Note (i): The weighted average of 500,000,000 and 381,507,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 July 2019 and 2018 comprising: (i) 10 ordinary shares of the Company in issue as at 31 July 2017; (ii) 374,999,990 ordinary shares of the Company issued and allotted to Beacon Enterprise Limited credited as fully-paid shares pursuant to the shareholders' resolution dated 21 June 2018 as if these shares had been issued at 1 August 2017, the beginning of the earliest period reported; and (iii) 125,000,000 ordinary shares offered to the public were issued on 13 July 2018.

8. DIVIDENDS

During the year ended 31 July 2019, the Company declared and paid a dividend of HK$20,000,000 to its shareholders in respect of the retained earnings for the year ended 31 July 2018. The dividend was settled in full.

A final dividend of HK1.0 cent per share and a special dividend of HK2.0 cents, totalling HK$15,000,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The amount will be reflected as an appropriation of retained earnings for the year ending 31 July 2020.

9. INVESTMENT PROPERTY

	2019	2018
	HK$'000	*HK$'000*
At 1 August	**—**	—
Acquisition *(Note (i))*	**23,347**	—
At 31 July *(Notes (ii), (iii) and (iv))*	**23,347**	—

Notes:

(i) On 11 July 2019, the Group completed the acquisition of a commercial property with a tenancy at a consideration of approximately HK$21,433,000 and the ancillary costs, such as stamp duty, legal costs and commission amounted to approximately HK$1,914,000, resulting a carrying value of approximately HK$23,347,000. The tenancy is expiring in August 2021 upon the tenant's exercise of the option of renewal. The Group intends to use the commercial property as its teaching center after the expiration of the tenancy.

(ii) The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 July 2019 was determined based on management's assessment with reference to the recent market transaction price.

(iii) As at 31 July 2019, the Group's investment property with carrying value of approximately HK$23,347,000 were pledged to secure bank facilities of the Group.

(iv) Particulars of the Group's investment property as at the date of this announcement 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	Medium

10. ACCOUNTS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Accounts receivables	**1,680**	1,468
Less: Allowance for impairment	**(187)**	(140)
Accounts receivables – net	**1,493**	1,328

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. As at 31 July 2019 and 2018, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2019	2018
	HK$'000	*HK$'000*
1 - 30 days	**773**	1,175
31 - 60 days	**34**	2
Over 60 days	**873**	291
	1,680	1,468

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2019** **HK$'000**	2018 *HK$'000*
Other receivables	*i*	**7,080**	7,440
Deposits and prepayments	*ii*	**35,636**	37,990
		42,716	45,430
Less: non-current portion		**10,671**	9,809
Deposits, prepayments and other receivables – current portion		**32,045**	35,621

Notes:

(i) Other receivables mainly represent amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors.

(ii) Deposits and prepayments mainly represent deposits for utilities, operating lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.

As at 31 July 2019, deposits of HK$10,464,000 (2018: HK$9,635,000), prepayments of HK$14,501,000 (2018: HK$18,546,000) and other receivables of HK$7,080,000 (2018: HK$7,440,000) are expected to be recovered within one year. The Group applies the expected credit loss model on deposits and other receivables which resulted in no material impact on the loss allowance on 1 August 2018 and on 31 July 2019.

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

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

12. OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

(a) Other payables

	Note	2019 HK$'000	2018 HK$'000
Other payables	*i*	**18,477**	22,187
Provision of reinstatement cost	*ii*	**1,977**	1,984
Unamortised rent-free expenses		**1,005**	1,915
Current portion		**21,459**	26,086

Note (i):

Other payables mainly represent accrued staff costs, printing expenses and advertising expenses, etc.

Note (ii):

Included in other payables is a current portion of provision of reinstatement cost of HK$1,977,000 (2018: HK$1,984,000). Movement of provision of reinstatement cost is as follows:

	2019 HK$'000	2018 HK$'000
Balance as at beginning of the year	**4,199**	3,604
Additions	**135**	654
Utilisation	**(39)**	(59)
Balance as at closing of the year	**4,295**	4,199
Less: non-current portion *(Note 12b)*	**(2,318)**	(2,215)
Current portion	**1,977**	1,984

(b) Other non-current liabilities

	2019 HK$'000	2018 HK$'000
Provision of reinstatement cost *(Note 12a)*	**2,318**	2,215
Unamortised rent-free expenses	**1,348**	422
Other non-current liabilities	**3,666**	2,637

13. BORROWINGS

	2019	2018
	HK$'000	HK$'000
Secured bank loan	**8,573**	—

As at 31 July 2019, the bank loan bears interest on a floating basis and its effective interest rate is 2.275% per annum. The bank loan was classified as current liabilities because the corresponding bank facilities agreement contains a repayment on demand clause. The carrying amount of bank loan approximates its fair value and is denominated in HK$.

As at 31 July 2019, the Group had access to an undrawn bank overdraft facility amounted to HK$6,000,000. This facility may be drawn at any time and may be terminated by the bank without notice.

As at 31 July 2019, the bank loan and bank overdraft facility were secured by a pledge of the investment property of the Group and corporate guarantee given by the Company.

14. SHARE CAPITAL

		2019		2018	
	Note	**Number of shares**	**HK$'000**	Number of shares	HK$'000
Authorised:					
At beginning of the year	**(a)**	**10,000,000,000**	**100,000**	38,000,000	380
Increase in authorised share capital	**(b)**	**—**	**—**	9,962,000,000	99,620
At end of the year		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
At beginning of the year	**(a)**	**500,000,000**	**120,956**	10	—
Issue of shares pursuant to the Capitalisation	**(c)**	**—**	**—**	374,999,990	—
Issue of shares pursuant to the Listing	**(d)**	**—**	**—**	125,000,000	135,000
Listing expenses charged to share premium		**—**	**—**	—	(14,044)
At end of the year		**500,000,000**	**120,956**	500,000,000	120,956

Note:

a) On 15 April 2015, the Company was incorporated in the Cayman Islands as an exempted company under the laws of the Cayman Islands with authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the same day, 1 share was allotted and issued to the initial subscriber, and was subsequently transferred to Beacon Enterprise Limited at par. On 2 October 2015, every issued and unissued share of par value of HK$0.10 in the share capital of the Company was subdivided into 10 shares of HK$0.01. Upon completion of the subdivision of the shares, the Company had an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and the issued share capital of the Company increased from 1 share to 10 shares.

b) On 21 June 2018, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 10,000,000,000 shares of HK$0.01 each, by the creation of an additional 9,962,000,000 shares, ranking pari passu in all respects with the existing shares.

c) Pursuant to the written resolution passed by the shareholders on 21 June 2018 and conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 374,999,990 Shares, credited as fully-paid, at par by way of capitalisation for the sum of HK$3,749,999.90 standing to the credit of the share premium account of the Company (the "**Capitalisation**").

d) On 13 July 2018, the Company issued 125,000,000 ordinary shares of HK$0.01 each at a price of HK$1.08 per share pursuant to the initial public offering and Listing of the Company's shares on the Main Board.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development. We provide all of our private supplementary education services from teaching centres in Hong Kong Island, Kowloon and the New Territories. As at 31 July 2019, we operated 21 teaching centres, with a total of 143 classrooms, which, in accordance with the Education Bureau of the Government's (the "EDB") guidelines, allow a maximum classroom capacity of 4,116 students to attend class at any one time.

Revenue

We offer a range of education programmes and services in Hong Kong under the following three categories:

i) private supplementary secondary school education services;

ii) private secondary day school services; and

iii) ancillary education services and products.

Set out below is a summary of our revenue and session enrollments for each category of services which we provided for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July	
	2019	2018
Private supplementary secondary school education services		
– Revenue (HK$'000)	**317,696**	360,039
– Unique student enrollment ('000)	**50**	55
– Session enrollment ('000)	**546**	664
Private secondary day school services		
– Revenue (HK$'000)	**11,207**	11,213
– Unique student enrollment ('000)	**0.4**	0.4
– Session enrollment ('000)	**3.0**	3.0
Ancillary education services and products		
– Revenue (HK$'000)	**42,825**	36,868
– Session enrollment ('000)	**36**	37

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. For the year ended 31 July 2019, we had (i) approximately 50,000 (2018: approximately 55,000) unique private supplementary secondary school education student enrollments and approximately 546,000 (2018: approximately 664,000) private supplementary secondary school education session enrollments. Notwithstanding the keen competition within the industry and continuous reduction of the number of candidates attending the Hong Kong Diploma of Secondary Education (the "HKDSE") in recent years, our Group has invested in the enhancement of the Group's information infrastructure aiming to strengthen the Group's education services, particularly in bettering students' learning experience and intensifying the Group's measurement and assessment on students' learning progress. Through upgrading the Group's information infrastructure, the Group believes that the extensive experience in information technology (the "IT") can allow better retention of existing students and higher number of new enrollments.

The following table sets forth the gross revenue, the number of session enrollments of each category and the average course fee of secondary tutoring courses for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July			
	2019		2018	
	Session enrollment	**Revenue**	Session enrollment	Revenue
	'000	***HK$'000***	*'000*	*HK$'000*
Regular courses	**404**	**254,071**	478	285,449
Intensive courses	**70**	**30,054**	86	35,735
Summer courses	**72**	**33,571**	100	38,855
Total	**546**	**317,696**	664	360,039
Average course fees per session enrollment (HK$)		**582**		542

Mainly due to the decline in session enrollments as experienced in the private supplementary secondary school industry, our Group's total revenue declined by approximately 8.9% when compared with the same period in the previous financial year.

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. The number of private secondary day school session enrollments remained stable as experienced in the private secondary day school industry, revenue was maintained at a level of approximately HK$11.2 million when compared with the same period in the previous financial year. There was no significant change in our course fees as well as the number of session enrollments in the past two financial years. Nevertheless, we are integrating resources across different brands within our Group such as Beacon CAPE, GES, Beacon BExcellent and Beacon College to create more values and opportunities to our day school students who, for example, are interested to study abroad.

iii) Ancillary education services and products

Our Group offers various ancillary education services and products such as (i) mock examination services; (ii) interview preparation and supplementary primary school education, tutorial and consultation services under our "Beacon Childhood", "BeConfident", "Glocal Education" brands; (iii) video-induced-pedagogy self-study services (the "VIP self-study services"); (iv) IELTS, general interest and foreign language courses under our "Beacon BExcellent" brand; (v) other services and products including but not limited to online course scheduling and management services, a Higher National Diploma in Business (QCF) registered with the EDB under our "Beacon CAPE" brand, other educational services under our "Ascent Prep" brand, overseas study consultation services under our "GES" brand, online retail business under our "Beacon Living" brand, and our Group received service fees from another private supplementary secondary school education service provider pursuant to a collaboration arrangement. The table below shows the revenue components of the ancillary education services and products for each of the years ended 31 July 2019 and 2018:

	For the year ended 31 July	
	2019	2018
	HK$'000	*HK$'000*
Mock examination services	**11,633**	12,557
Beacon Childhood	**11,204**	9,432
VIP self-study services	**6,853**	7,296
Beacon BExcellent	**2,660**	2,137
Others	**10,475**	5,446
Total	**42,825**	36,868

Our Group continues to achieve high growth in other ancillary education services and products which align with our Group's policy to diversify our product and service range and sources of revenue.

Beacon Childhood is one of the growth momentums for revenue in recent few years and achieved approximately 18.8% (2018: approximately 69.6%) revenue growth for the year ended 31 July 2019. We have been strengthening our teaching team and the team composition together with network optimisation and our continuous efforts in widening course variety. A new teaching centre, namely Diverse Learning Centre, commenced operation in May 2019 in Prince Edward and two more teaching spots in Yuen Long and Tsuen Wan commenced operation under the brand of "Diverse Learning Club" that provide a variety of childhood education services subsequently after the year ended 31 July 2019. In view of the market potential in childhood education industry experienced in the past few years, our Group will continue to capture such market growth by (i) expanding our network through opening new centres/spots or acquisition of existing ones; (ii) engaging highly qualified tutors to enhance the credibility of our child education services; and (iii) collaborating with reputable education brands in launching various educational programs.

OUTLOOK AND FUTURE DEVELOPMENT

Year 2019 marks the 30th anniversary of our Group. Having gone through numerous glorious and dark times in Hong Kong, the Directors believe that "education never fades" and are optimistic towards the market of education services, despite the recent social situation and the decline in the teenage population in recent years. The Group adopts a prudent and cautious approach to balance its expansion in the ever evolving education market.

In line with our goal to maintain and further strengthen our position as a leading private supplementary secondary school education services provider in Hong Kong, we adopt growth strategies of (i) continuously optimizing our teaching centre network; (ii) extending ancillary education services to various horizons powered by IT; (iii) expanding our service offerings in both secondary and post-secondary education; and (iv) further expanding our Beacon Childhood network and products offering.

In view of the recent social events in Hong Kong, our Group is cautious in reviewing our expansion plan and strikes to achieve higher centre utilisation and more effective resources allocation through strategic network planning from time to time. The Group has been optimizing centre network in the Yau Tsim Mong district, and subsequently other districts, through upgrading centre infrastructure such as upgrading centre outlooks and facilities, launching online enrollment and electronic payment system, and reallocation of classrooms and manpower.

Aligning with the core private supplementary secondary education business of our Group, we have been expanding our offerings in ancillary education services in order to provide students with an all-rounded learning experience with strong academic support. BOnLine was launched to connect students' offline learning to online, creating a business model of online learning and assessment. The platform will be further equipped with enhanced functions and a strong team of academic elites to back up the knowledge development.

It is our strategy to leverage and maximize the synergy among different services spectrums. We will continue to invest for the expansion of our offerings in secondary and post-secondary education services, such as international tests preparation, and non-HKDSE curriculum programmes and overseas studies consultancy services. Subsequent to the year ended 31 July 2019, we acquired the remaining 49% shares of Ascent Prep to focus on future development of overseas test prep as well as studying abroad preparation together with the brands GES consultancy, Beacon BExcellent IELTS Prep and Beacon CAPE. We are at the same time prudently exploring the market of further studies in the mainland China through an education partner in Zhejiang province and our newly established subsidiary in Shenzhen.

On the other hand, various brands of our Group's childhood education business are growing robustly. In order to capture the market opportunity, we established 3 new teaching spots within our teaching centre networks under the name of Diverse Learning Club to nurture the growth of various brands such as Beacon Childhood, Glocal Education, BeConfident and Mathgic. Leveraging on the collaboration with an authorized Cambridge Assessment English exam centre GPEX, we commenced providing English education services to schools and kindergartens as well as individuals.

FINANCIAL REVIEW

Revenue

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

The Group's total revenue decreased by approximately HK$36.4 million, or approximately 8.9%, from approximately HK$408.1 million for the year ended 31 July 2018 to approximately HK$371.7 million for the year ended 31 July 2019. This was mainly due to the revenue decline from provision of private supplementary secondary school education services partially offset by the growth in revenue from ancillary education services and products.

Revenue from provision of private supplementary secondary school education services decreased by approximately HK$42.3 million, or approximately 11.8% from approximately HK$360.0 million for the year ended 31 July 2018 to approximately HK$317.7 million for the year ended 31 July 2019, which was largely due to the decrease in number of the Group's session enrollments by approximately 118,000 or approximately 17.8% from approximately 664,000 for the year ended 31 July 2018 to approximately 546,000 for the year ended 31 July 2019.

Revenue from the provision of the ancillary education services and products increased by approximately HK$5.9 million, or approximately 16.1% from approximately HK$36.9 million for the year ended 31 July 2018 to approximately HK$42.8 million for the year ended 31 July 2019. As a result of the decrease in number of session enrollments of the private supplementary secondary school education, the revenue from mock examination services and VIP self-study services for the year ended 31 July 2019 decreased by approximately HK$ 0.9 million or approximately 7.3% and approximately HK$0.4 million or approximately 6.1% respectively when compared to the revenue generated in the year ended 31 July 2018.

Nevertheless, our Group was able to achieve overall revenue growth in ancillary education services and products as a result of our expansion in the child education market in terms of brands and service variety. Revenue from Beacon Childhood increased by approximately HK$1.8 million or approximately 18.8% from approximately HK$9.4 million for the year ended 31 July 2018 to approximately HK$11.2 million for the year ended 31 July 2019. During the year, we have launched new childhood education services under names of "BeConfident" and "Glocal Education" that contributed part of the growth. Other than the childhood education services, continuous revenue growth was observed in Beacon BExcellent, overseas study consultation business and other education services.

Other income

Other income consists primarily of advertising income, interest income from bank deposit, dividend income from unlisted investment and income from the newly acquired subsidiary during the year ended 31 July 2019. Other income significantly increased by approximately 278.7% from approximately HK$1.4 million for the year ended 31 July 2018 to approximately HK$5.3 million for the year ended 31 July 2019. This increase was primarily attributable to the advertising income of approximately HK$1.8 million and interest income of approximately HK$2.1 million from bank deposits of the unutilized Listing proceeds.

Major costs component

The summary below shows the major costs components of our Group among which approximately 58.9% (2018: approximately 57.2%) is related to labor costs followed by operating lease payment, advertising and promotion expenses, and printing and other operating expenses:

	2019		2018	
		% of		*% of*
	HK$'000	***revenue***	*HK$'000*	*revenue*
Staff costs	**103,695**	**27.9**	104,650	25.6
Tutor service fee	**105,257**	**28.3**	106,322	26.1
Operating lease payment	**56,322**	**15.2**	53,809	13.2
Advertising and promotion expenses	**16,890**	**4.5**	14,850	3.6
Printing and other operating expenses	**72,037**	**19.4**	89,180	21.9

Staff costs

As at 31 July 2019, the Group has 334 full-time employees and 711 part-time employees in Hong Kong.

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 slightly decreased by approximately HK$1.0 million or approximately 0.9% from approximately HK$104.7 million for the year ended 31 July 2018 to approximately HK$103.7 million for the year ended 31 July 2019. Such decrease was mainly attributable to the net effect of (i) a number of tutors with service fees remunerated having their contracts renewed and switched from employment contracts to service agreements; and (ii) the increase in general staff benefit as well as recruitment of more staff to cope with our business expansion and development.

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 fee is in general positively correlated to our Group's revenue. Such expense decreased from approximately HK$106.3 million for the year ended 31 July 2018 to approximately HK$105.3 million for the year ended 31 July 2019. The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services partially offset by the increase in the number of the existing tutors being engaged under employment contracts switching to service agreements after the expiration of their respective employment contracts.

Operating lease payments

Operating lease payments are one of the largest components of the Group's operating costs, accounting for approximately 15.2% (2018: approximately 13.2%) of the Group's total revenue. Such payments increased by approximately HK$2.5 million or approximately 4.7% from approximately HK$53.8 million for the year ended 31 July 2018 to approximately HK$56.3 million for the year ended 31 July 2019. Such increase was mainly attributable to the newly leased centres in Prince Edward and Sheung Shui and upward adjustments in rental payments upon renewal of certain leases after their expiry.

Advertising and promotion expenses

Advertising and promotion expenses consist of media advertising costs including but not limited to advertising on newspapers and magazines, outdoor billboards, public transit vehicles, social media, search engines and third party websites. Such expenses increased from approximately HK$14.9 million for the year ended 31 July 2018 to approximately HK$16.9 million for the year ended 31 July 2019 and this was mainly attributable to the increase in one-off other marketing expenses for the Group's brand building according to the plan of use of proceeds from the Listing which was partially offset by the decrease in advertising expenses, such as advertising on newspapers, magazines and marketing campaigns in tutorial centres.

Printing and other operating expenses

Printing and other operating expenses primarily consist of the printing expenses, building management fees, legal and professional fees, utilities and other administrative expenses. These expenses decreased by approximately HK$17.2 million or approximately 19.2% from approximately HK$89.2 million for the year ended 31 July 2018 to approximately HK$72.0 million for the year ended 31 July 2019. Such decrease was mainly attributable to the (i) absence of legal and professional fees in relation to the Listing and (ii) decrease in printing expenses in relation to the decline in revenue from private supplementary secondary school education services, offset by the increase in directors' fees and other service fees in relation to preparation of teaching material. Printing expenses are the largest component within the printing and other operating expenses. However, the Group was able to manage the printing costs by enhancing the efficiency and effectiveness of the whole production and logistics process and such costs decreased from approximately HK$30.0 million (or approximately 7.4% of the Group's revenue) for the year ended 31 July 2018 to approximately HK$25.6 million (or approximately 6.9% of the Group's revenue) for the year ended 31 July 2019.

Income tax expenses

Income tax expenses decreased from approximately HK$6.9 million for the financial year ended 31 July 2018 to approximately HK$1.9 million for the financial year ended 31 July 2019, mainly due to the decrease in assessable profits of certain subsidiaries of the Company. The effective tax rates of the Group for the financial years ended 31 July 2019 and 2018 were approximately 15.2% and approximately 22.2% respectively.

Profit for the year

Profit for the year of the Group decreased by approximately 56.4% from approximately HK$24.2 million for the financial year ended 31 July 2018 to approximately HK$10.5 million for the financial year ended 31 July 2019.

Contingent liabilities

Save as disclosed in the section headed "Litigation", as at 31 July 2019, the Group did not have any material contingent liability.

Acquisition and disposal of subsidiaries, associates and joint ventures

On 22 January 2019, the Group acquired 60% of the equity interest in Vioo Company Limited ("Vioo") at a total consideration of HK$1.2 million. Vioo is principally engaged in the provision of innovative digital solutions which computerize business operation to enhance business achievement. The management considers that such acquisition will enable the Group to enhance its information infrastructure to strengthen its education services. For details of the acquisition, please refer to the Company's announcement dated 23 January 2019.

CHARGES ON THE GROUP'S ASSETS

The Group has investment property with carrying value of approximately HK$23.3 million pledged to secure borrowings and general banking facilities granted to the Group (2018: Nil). There was no charge on the Group's other assets.

GEARING RATIO

As at 31 July 2019, the Group's gearing ratio (calculated based on bank borrowings amount to approximately HK$8.6 million divided by equity attributable to the owners of the Company as at the year end date amount to approximately HK$189.2 million) was approximately 4.5% (2018: Nil).

LITIGATION

Reference is made to the prospectus of the Company date 30 June 2018 (the "Prospectus"), the Annual Report 2018, and the Company's announcements dated 1 August 2018 and 22 October 2018 respectively. Capitalised terms used in this section of this announcement shall have the meanings as ascribed therein. The legal action of the alleged claims by the Tutorial Services Provider is now in discovery stage and a Case Management Summons Hearing has been fixed in April 2020. The Board, having obtained legal advice, considers that the Tutorial Services Provider has a very slim chance of success in holding Beacon College liable for the allegations. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity for all damages, reasonable costs (including legal costs), expenses or other liabilities resulting from any litigation, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing amounted to approximately HK$92.0 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy for the new shares of the Company and the Listing expense in connection with the share offer as defined in the Prospectus.

During the year ended 31 July 2019, approximately HK$29.1 million has been utilized. The Group has been striving to achieve the milestone events as stated in the Prospectus. Nevertheless the Group will remain cautious when adopting the business plans making reference to the market situation from time to time and now provides an analysis comparing the business objectives set out in the Prospectus with the Group's actual business progress from the listing date of the Company to the date of this announcement as set out below:

	Amount of net proceeds allocated	**Amount of net proceeds utilised**	**Balance as at 31 July 2019**	**Progress up to the date of this announcement**
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*	
i) Acquisition of premise(s) to be used as teaching centre(s)	31.1	14.8	16.3	The Group completed the acquisition of a property located at Yau Ma Tei on 11 July 2019 and is in progress of seeking another suitable property.
ii) Optimization/ establishment of teaching centres	23.3	2.7	20.6	The Group opened a new centre in Sheung Shui and optimized our centre network in the Yau Tsim Mong district.
iii) Acquisition of established teaching centres or opening new teaching centres for Beacon Childhood	12.8	–	12.8	Subsequent to July 2019, the Group established two teaching spots in Yuen Long and Tsuen Wan. The Group is still in progress of locating other appropriate location(s) and seeking potential partners.
iv) Upgrades of teaching centres facilities, IT infrastructure and recruitment of non-teaching staff	16.9	6.3	10.6	IT infrastructure remains in development. The Group has hired certain additional non-teaching staff members for various positions in marketing, course management, IT and business development divisions. The Group has started to upgrade centre facilities in various districts such as Kowloon East and Yuen Long.
v) Enhancing brand awareness	5.8	5.6	0.2	The Group has conducted a series of brand building activities through media interviews, sponsorships and advertisements through both online and offline platforms.
vi) General working capital	2.1	1.1	1.0	N/A
Total	**92.0**	**30.5**	**61.5**	

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 ("**Shareholders**") and to enhance corporate value and accountability.

During the year ended 31 July 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities in the Stock Exchange (the "**Listing Rules**").

RISK MANAGEMENT AND INTERNAL CONTROL

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. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group in respect of the year ended 31 July 2019 and considered the systems effective and adequate.

The Group appointed an external consultant to conduct enterprise risk assessment and perform internal audit function to review the effectiveness of the Group's internal control system for the year ended 31 July 2019. The annual enterprise risk assessment identifies and evaluates the risk level of the Group's operation and business, including the strategic, operational, financial reporting and compliance risks.

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 2019, 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 2019 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 Articles of Association of the Company, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules (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 2019 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 2019, 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 has resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31 July 2019, and a special dividend of HK2.0 cents per share, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") to be held on Friday, 6 December 2019. The proposed final and special dividend are expected to be paid on or about Tuesday, 24 December 2019 to Shareholders whose names appear on the register of members of the Company on Friday, 13 December 2019.

ANNUAL GENERAL MEETING

The AGM is to be held on Friday, 6 December 2019. 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 AGM to be held on Friday, 6 December 2019 (or at any adjournment of it), the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 2 December 2019.

For determining the entitlement to the proposed final dividend and special dividend, subject to the approval by the Shareholders at the forthcoming AGM, for the year ended 31 July 2019, the register of members of the Company will be closed from Thursday, 12 December 2019 to Friday, 13 December 2019, both days inclusive, during which no transfer of shares will be effected. In order to be qualified for the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 December 2019.

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 2019 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, 21 October 2019

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 non-executive director is Dr. Shen Xu Hui; and the independent non-executive directors are Mr. Kwan Chi Hong, Mr. Li Kai Sing, and Professor Wong Roderick Sue Cheun.