

**BEXCELLENT GROUP HOLDINGS LIMITED**

**精英匯集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 1775*

**SHARE OFFER**

**Sole Sponsor and Bookrunner**



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## IMPORTANT

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If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

# BExcellent Group Holdings Limited

## 精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

### SHARE OFFER

Number of Offer Shares : 125,000,000 Shares  
Number of Public Offer Shares : 12,500,000 Shares (subject to adjustment)  
Number of Placing Shares : 112,500,000 Shares (subject to adjustment)  
Offer Price : Not more than HK\$1.10 per Offer Share  
and expected to be not less than  
HK\$0.90 per Offer Share, plus brokerage  
of 1%, SFC transaction levy of 0.0027%  
and Stock Exchange trading fee of  
0.005% (payable in full on application  
and subject to refund)  
Nominal value : HK\$0.01 per Share  
Stock code : 1775

Sole Sponsor and Sole Bookrunner



Joint Lead Managers  
(in respect of the Placing)



Co-Managers  
(in respect of the Placing)



中天證券有限公司  
CHINA SKY SECURITIES LIMITED



Halcyon Securities Limited



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Bookrunner (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on Saturday, 7 July 2018. If, for any reason, the Sole Bookrunner (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Saturday, 7 July 2018, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will not be more than HK\$1.10 and is currently expected to be not less than HK\$0.90 unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum indicative Offer Price of HK\$1.10 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Sole Bookrunner (on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our Company's website at [www.bexcellentgroup.com](http://www.bexcellentgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the Public Offer.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the U.S. in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Sole Bookrunner (on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you carefully read that section before making any investment.

30 June 2018

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## EXPECTED TIMETABLE

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*Our Company will issue an announcement on our Company's website at [www.bexcellentgroup.com](http://www.bexcellentgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change in the following expected timetable of the Share Offer.*

The Public Offer commences and **WHITE** and **YELLOW** Application Forms available from ..... 9:00 a.m. on  
Saturday, 30 June 2018

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(4)</sup> ..... 11:30 a.m. on  
Friday, 6 July 2018

Application lists open<sup>(2)</sup> ..... 11:45 a.m. on  
Friday, 6 July 2018

Latest time to lodge **WHITE** or **YELLOW** application forms and giving **electronic application instructions** to HKSCC via CCASS<sup>(3)</sup> ..... 12:00 noon on  
Friday, 6 July 2018

Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on  
Friday, 6 July 2018

Application lists close<sup>(2)</sup> ..... 12:00 noon on  
Friday, 6 July 2018

Expected Price Determination Date<sup>(5)</sup> ..... Saturday, 7 July 2018

Announcement of:

- (i) the Offer Price;
- (ii) the indication of the levels of interest in the Placing;
- (iii) the level of applications of the Public Offer; and
- (iv) the basis of allotment of the Public Offer Shares and the number of Offer Shares, if any, reallocated between the Placing and the Public Offer to be published on the website of our Company at [www.bexcellentgroup.com](http://www.bexcellentgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) ..... on or before  
Thursday, 12 July 2018

Results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus ..... Thursday, 12 July 2018

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## EXPECTED TIMETABLE

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Results of allocation in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> , with a “search by ID” function . . . . .	Thursday, 12 July 2018
Despatch of refund cheques and <b>HK eIPO White Form</b> e-Auto refund payment instructions in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer <sup>(6) &amp; (8)</sup> . . . . .	Thursday, 12 July 2018
Despatch/collection of the Share certificates in respect of wholly or partially successfully applications pursuant to the Public Offer <sup>(6), (7) &amp; (8)</sup> . . . . .	Thursday, 12 July 2018
Listing Date . . . . .	Friday, 13 July 2018

*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 2018, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Friday, 6 July 2018, the dates mentioned in this section headed “Expected timetable” may be affected. An announcement will be made by our Company in such event.
- (3) Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) The Price Determination Date is expected to be on Saturday, 7 July 2018. If, for any reason, the Offer Price is not agreed on or before Saturday, 7 July 2018, the Share Offer (including the Public Offer) will not proceed and will lapse.

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## EXPECTED TIMETABLE

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- (6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application. All refunds will be paid by e-Auto Refund payment instruction or a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.
- (7) Share certificates for the Public Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date, which is expected to be Friday, 13 July 2018. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, our Company will make an announcement as soon as possible.
- (8) Applicants who have applied on **WHITE** application forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required in your Application Form, you may collect refund cheques and/or share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 12 July 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong at the time of collection. Applicants who have applied on **YELLOW** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applications are the same as those for **WHITE** application form applicants.
- (9) Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed “How to apply for Public Offer Shares – 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

**You should read carefully the sections headed “Structure and conditions of the Share Offer” and “How to apply for Public Offer Shares” in this prospectus for details relating to the structure of the Share Offer and how to apply for the Public Offer Shares.**

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### IMPORTANT NOTICE TO INVESTOR

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.*

*Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus, including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.*

*There are risks associated with an investment. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### BUSINESS OVERVIEW

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.

According to Euromonitor, as of February 2017, we ranked first among providers of private supplementary secondary school education services in Hong Kong, as measured by the total number of classroom seating capacity. We also ranked first among private secondary day school operators in Hong Kong which follow the HKDSE curriculum, as measured by the number of students enrolled. In addition, 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 the Latest Practicable Date, we operated 18 teaching centres, with a total of 128 classrooms, which, in accordance with EDB guidelines, allows a maximum classroom capacity of 3,873 students to attend class at any one time. Of our 18 operating teaching centres, two operate as both private supplementary secondary school education teaching centres and private secondary day schools, two are dedicated exclusively to our Beacon Childhood business and one is for ancillary education services. All of our teaching centres have obtained a Certificate of Registration of a School or a Certificate of Provisional Registration of a School. For the year ended 31 July 2017, we had (i) 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments; (ii) 484 unique private secondary day school student enrollments and 3,825 private secondary day school session enrollments; and (iii) 37,292 enrollments/registrations in our private ancillary education services and products. For the five months ended 31 December 2017, we had (i) 42,471 unique private supplementary secondary school education student enrollments and 339,197 private supplementary secondary school education session enrollments; (ii) 358 unique private secondary day school students enrollments and 1,336 private secondary day school session enrollments; and (iii) 8,362 enrollments/registrations in our private ancillary education services and products.

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## SUMMARY

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For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our revenue was approximately HK\$327.8 million, HK\$376.2 million, HK\$376.4 million, HK\$170.5 million and HK\$195.8 million, respectively.

### Our Education Programmes and Services

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

- Private supplementary secondary school education services;
- Private secondary day school services; and
- Ancillary education services and products.

Set out below is a summary of our revenue for each category of services and products which we provided during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)									
Private supplementary secondary school education services	286,538	87.4	335,819	89.3	333,040	88.5	155,258	91.1	179,503	91.7
Private secondary day school services	17,862	5.5	13,269	3.5	13,180	3.5	5,970	3.5	5,038	2.6
Ancillary education services and products	<u>23,417</u>	<u>7.1</u>	<u>27,137</u>	<u>7.2</u>	<u>30,176</u>	<u>8.0</u>	<u>9,245</u>	<u>5.4</u>	<u>11,296</u>	<u>5.7</u>
Total	<u>327,817</u>	<u>100.0</u>	<u>376,225</u>	<u>100.0</u>	<u>376,396</u>	<u>100.0</u>	<u>170,473</u>	<u>100.0</u>	<u>195,837</u>	<u>100.0</u>

During the course of a financial year, our revenues and operating results fluctuated as a result of seasonal variations in our business, principally due to the timing of our private supplementary secondary school education courses (summer, intensive and regular) which are offered at different periods of time throughout the financial year. For further details of our quarterly revenue and seasonal fluctuations, please refer to the paragraph headed “Business – Seasonality” in this prospectus.

### 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. We commenced our private supplementary secondary school education services in August 1989 in Yuen Long and as at the Latest Practicable Date, we provided such services at 15 of our total 18 operating teaching centres located in Hong Kong Island, Kowloon and the New Territories.

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## SUMMARY

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For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 62,244, 63,898, 60,391, 45,324 and 42,471 unique private supplementary secondary school education students, respectively, enrolling in at least one of our private supplementary secondary school education sessions. A summary of the breakdown of private supplementary secondary school education session enrollments is set out as follows:

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
Number of unique student enrollments	62,244	63,898	60,391	45,324	42,471
Total number of session enrollments	600,002	681,498	657,936	318,913	339,197
Average number of sessions enrolled per student	9.6	10.7	10.9	7.0	8.0
Total number of sessions held	22,052	20,186	24,753	12,186	13,249
Average number of students per session	27	34	27	26	26
Average session fees (HK\$) ( <i>Note</i> )	478	493	506	487	529

*Note:*

Being total revenue from private supplementary secondary school education services divided by session enrollments for the year/period.

Revenue from our private supplementary secondary school education services for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$286.5 million, HK\$335.8 million, HK\$333.0 million, HK\$155.3 million and HK\$179.5 million, respectively, representing approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7% respectively, of our total revenue.

### Private secondary day school services

As at the Latest Practicable Date, we operated two private secondary day schools located in Yuen Long and Mong Kok respectively under our “Beacon Day School” (遵理日校) brand. We commenced operation of our first private secondary day school in Yuen Long in 1990 which was followed by private secondary day school operations in Mong Kok and Kowloon Bay in 1999 and 2009, respectively. In 2016, we merged our Mong Kok and Kowloon Bay private secondary day school operations into a single private secondary day school in Mong Kok in order to improve efficiency and better manage our resources.

During the Track Record Period, we only provided private secondary day school services in accordance with the HKDSE curriculum to Secondary 4, 5 and 6 level students.

## SUMMARY

Revenue from our private secondary day school services for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$17.9 million, HK\$13.3 million, HK\$13.2 million, HK\$6.0 million and HK\$5.0 million, respectively, representing approximately 5.5%, 3.5%, 3.5%, 3.5% and 2.6% of our total revenue, respectively.

### Ancillary Education Services and Products

During the Track Record Period, our Group offered various ancillary education services and products such as (i) interview preparation and supplementary primary school education services under our “Beacon Childhood” (遵理兒童教育) brand; (ii) an HND in Business (QCF) registered with the EDB under our “Beacon CAPE” (遵理持續進修) brand; (iii) IELTS, general interest and foreign language courses under our “Beacon BExcellent” (遵理精英匯) brand; (iv) mock examination services; (v) VIP self-study services; (vi) online course scheduling and management services; and (vii) other miscellaneous services.

Set out below is a breakdown of the enrollments/registrations and revenue from ancillary education services and products offered by our Group during the Track Record Period:

	Year ended 31 July												Five months ended 31 December					
	2015			2016			2017			2016			2017					
	Enrollments/ Registrations	Revenue	%	Enrollments/ Registrations	Revenue	%	Enrollments/ Registrations	Revenue	%	Enrollments/ Registrations	Revenue	%	Enrollments/ Registrations	Revenue	%			
	HK\$'000												HK\$'000					
	(unaudited)																	
Beacon Childhood	1,427	2,173	9.3	2,076	4,229	15.6	1,867	5,562	18.4	761	2,049	22.2	1,328	3,530	31.3			
Beacon CAPE (Note)	14	613	2.6	15	630	2.3	6	262	0.9	6	131	1.4	3	66	0.5			
Beacon BExcellent	1,894	3,319	14.2	2,158	2,735	10.1	1,931	2,164	7.2	1,212	1,347	14.6	727	914	8.1			
Mock examination services	21,243	8,611	36.8	27,211	10,343	38.1	28,949	12,285	40.7	6,738	1,089	11.8	4,683	855	7.6			
VIP self-study services	4,804	5,475	23.4	4,263	6,044	22.3	4,539	6,831	22.6	1,718	2,820	30.5	1,621	2,943	26.1			
Online course scheduling and management services	N/A	2,823	12.0	N/A	2,694	9.9	N/A	2,368	7.9	N/A	1,480	16.0	N/A	1,371	12.1			
Other miscellaneous services	N/A	403	1.7	N/A	462	1.7	N/A	704	2.3	N/A	329	3.5	N/A	1,617	14.3			
<b>Total</b>	<b>29,382</b>	<b>23,417</b>	<b>100.0</b>	<b>35,723</b>	<b>27,137</b>	<b>100.0</b>	<b>37,292</b>	<b>30,176</b>	<b>100.0</b>	<b>10,435</b>	<b>9,245</b>	<b>100.0</b>	<b>8,362</b>	<b>11,296</b>	<b>100.0</b>			

Note: Beacon CAPE enrollments are for admission to our HND programme which runs for the academic year.

### Our Network

As at the Latest Practicable Date, we provided all our private supplementary education services through our network of 18 operating teaching centres and among which, two teaching centres are operated as both private supplementary secondary school education centres and private secondary day schools, two dedicated exclusively to our Beacon Childhood business and one teaching centre for ancillary education services. All of our teaching centres have obtained a Certificate of Registration of a School or a Certificate of Provisional Registration of a School.

## SUMMARY

A summary of the leasing arrangements for our teaching centres is set out below:

Teaching Centre	Expiration date (Calendar quarter)	Approximate rental (HK\$/Sq. ft.)	Type of lease arrangement (fixed or variable)
1. Beacon College/Beacon (Evening) College	Q1 2020	30 – 35	fixed
2. Beacon College (Mong Kok)/Beacon (Evening) College (Mong Kok)	Q3 2019	20 – 25*	fixed
3. Beacon College (Kowloon Bay)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
4. Beacon College (Tsuen Wan)/Beacon Evening College (Tsuen Wan)	Q3 2019	35 – 40	fixed
5. Beacon College (Tuen Mun)/Beacon Evening College (Tuen Mun)	Q3 2019	45 – 50	fixed
6. Beacon Education Centre (Mong Kok)	Q3 2019	20 – 25	fixed
7. Beacon College (Tsuen Wan)/Beacon Evening College (Tsuen Wan)	Q4 2022	20 – 25	fixed <sup>Note 2</sup>
8. Beacon College (On Kay)	Q4 2020	35 – 40	fixed
9. Beacon College (Tai Po)	Q2 2019	40 – 45	variable <sup>Note 1</sup>
10. Beacon College (Amoy Plaza)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
11. Beacon College (Tseung Kwan O)/Beacon Tutorial Evening School (Tseung Kwan O)	Q3 2021	30 – 35	fixed <sup>Note 2</sup>
12. Beacon College (Tsim Sha Tsui)	Q3 2018 <sup>Note 3</sup>	25 – 30	fixed
13. Beacon College (Shatin Belair Garden)	Q3 2019	25 – 30	fixed
14. Beacon Childhood Education Centre (Causeway Bay)	Q4 2020	30 – 35	fixed
15. Beacon College (North Point)	Q2 2020	25 – 30	fixed
16. Beacon College (Causeway Bay)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
17. Beacon Childhood Education Centre (Prince Edward)	Q1 2019	35 – 40	fixed
18. Ascent Prep Education Centre	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
19. Beacon Plus Learning Centre <sup>Note 4</sup>	Q3 2021	20 – 25	fixed

*Notes:*

- (1) The rental charged under variable lease arrangement consists of a fixed amount of base rent and a variable amount of rent charged based on a fixed percentage of the monthly turnover.
- (2) The rental charged under the lease arrangement is fixed and there are fixed amount of increment for different rental periods throughout the term of lease.
- (3) Lease renewal was in progress as at the Latest Practicable Date.
- (4) This centre has not yet commenced operation as at the Latest Practicable Date.

\* Average rental amount of two leases at the premises

# Due to confidentiality provisions under the relevant tenancy agreements, we are unable to disclose such particulars.

For further details of the location of our teaching centres please refer to the paragraph headed “Business – Our network and properties” in this prospectus.

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## SUMMARY

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In addition, as further disclosed in the section headed “Future plans and use of proceeds” in this prospectus, we intend to open/optimize up to 14 teaching centres throughout Hong Kong for various education services and products by (i) opening ten new teaching centres; and (ii) optimizing up to four existing teaching centres for utilizing our resources more efficiently. Our Directors estimate that a new private supplementary secondary school teaching centre of approximately 2,000 sq. ft. will require an investment cost of approximately HK\$1.2 million to establish and will provide approximately HK\$5.2 million additional revenue each year. Such teaching centre should reach breakeven and investment payback within one year and two years, respectively, since the commencement of operation. Such investments will be funded by the estimated net proceeds from the Share Offer.

### OUR TEACHING TEAM

As at the Latest Practicable Date, we had a teaching team of 515 individuals, which comprised of 78 tutors, nine day school teachers, 67 full-time and 361 part-time teaching assistants. Of our 78 tutors, eight also teach at our private secondary day schools. For further details, please refer to the paragraph headed “Business – Our teaching team” in this prospectus.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from courses and products (including mock examinations services and VIP self-study services) provided by our Top Five Tutors accounted for approximately 64.6%, 64.5%, 61.0%, 60.0% and 53.6% of our total revenue, respectively. For details of the remuneration payable to our Top Five Tutors, please refer to the paragraph headed “Business – Our teaching team – Tutors – Our Top Five Tutors” in this prospectus. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from courses and products provided by our Top One Tutor accounted for approximately 40.5%, 36.2%, 31.5%, 31.8% and 28.7% of our total revenue, respectively. Over the same period, remuneration payable to our Top One Tutor was approximately HK\$35.4 million, HK\$34.6 million, HK\$43.4 million, HK\$16.2 million and HK\$20.0 million, respectively, which accounted for approximately 22.2%, 19.0%, 22.9%, 22.2% and 23.6% of our total staff costs and service fees, respectively. In June 2016, we entered into a new service agreement with our Top One Tutor which has extended the term of our Top One Tutor’s engagement with us until August 2021. For further details, please refer to the paragraph headed “Business – Our teaching team – Tutors – Our Top One Tutor” in this prospectus.

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## SUMMARY

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The table below sets out the expiry date of the existing service agreements with our Top Five Tutors:

	<b>Expiry date of service agreement (calendar quarter)</b>
Tutor A	Q3 2021
Tutor B	Q3 2023
Tutor C	Q3 2020
Tutor D	Q3 2021
Tutor E	Q3 2020
Tutor F	Q3 2028
Tutor G	Q2 2027

None of the Top Five Tutors left our Group during each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017.

### MARKET AND COMPETITION

According to the Euromonitor Report, the private supplementary education services industry in Hong Kong is rapidly evolving, highly fragmented and competitive. Competition is expected to persist and intensify in the near future. At the same time, the industry is also experiencing consolidation among existing operators as those unable to attract students will have to close their centres/branches, or enter into a partnership with other larger centres. The student enrollment of private supplementary secondary school education services is expected to increase at a CAGR of 5.0% from 2017 to 2021; and its market revenue is expected to grow at a CAGR of 5.7% from 2017 to 2021. The private secondary day school market in Hong Kong has experienced a significant decline in total number of private secondary student enrollments and as a result the number of private secondary schools has decreased. The decrease in enrollments has been influenced by the change to the NSS Academic Structure coupled with the slower growth of secondary school attending population and a decline in birth rate. The enrollments for private secondary day school are expected to decline at a CAGR of approximately -0.8% from 2017 to 2021 due to the decline in birth rates in Hong Kong and the secondary school attending population. Correspondingly, the overall revenue of the private secondary day school market is expected to decrease at a CAGR of approximately -0.7% from 2017 to 2021.

According to the Euromonitor Report, our Group was (1) the largest provider of private supplementary secondary school education services in terms of total number of classroom seating capacity, as of February 2017; and (2) the largest private secondary day school by number of students enrolled for the academic year 2016/2017.

For further details, please refer to the paragraph headed “Competitive Landscape” under the section headed “Industry Overview” of this prospectus.

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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

Our Directors believe that the key competitive advantages of our Group include, among other things:

- a leading provider of private supplementary secondary school education services in Hong Kong;
- a leading provider of private secondary day school services which follows the HKDSE curriculum;
- our platform and infrastructure;
- broad range of ancillary education services and products;
- experienced and dedicated management team; and
- brand strength.

### OUR FUTURE PLANS AND STRATEGIES

Our Group intends to capitalise on our competitive advantages set out above by pursuing the following core strategies:

- further expansion and optimisation of our network of teaching centres and offering of education services;
- further expansion of our Beacon Childhood network and products offering;
- enhancement of our brand strength through continued marketing efforts; and
- enhancement and mobilisation of IT infrastructure and upgrade of teaching facilities and equipment.

### SUMMARY OF FINANCIAL INFORMATION

Prospective investors should read the summary of financial information set out below in conjunction with our Group's consolidated financial information set out in the section headed "Accountant's report" in Appendix I to this prospectus.

The table below provides a summary of the results of operations for our Group prepared on a consistent basis for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 and a summary of the financial positions of our Group as at 31 July 2015, 2016 and 2017 and as at 31 December 2017. The information has been extracted from the section headed "Accountant's report" in Appendix I to this prospectus and has been prepared on the basis described in the paragraph headed "Notes to the historical financial information" in the section headed "Accountant's report" in Appendix I to this prospectus.

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## SUMMARY

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### Highlights of consolidated statements of comprehensive income

#### Consolidated statements of comprehensive income

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	327,817	376,225	376,396	170,473	195,837
<b>Profit for the year</b>	<b><u>30,769</u></b>	<b><u>30,268</u></b>	<b><u>34,051</u></b>	<b><u>28,055</u></b>	<b><u>32,419</u></b>
Profit/(loss) attributable to:				(unaudited)	
– Owners of the Company	30,769	30,546	34,426	28,174	33,106
– Non-controlling interests	<u>–</u>	<u>(278)</u>	<u>(375)</u>	<u>(119)</u>	<u>(687)</u>
	<b><u>30,769</u></b>	<b><u>30,268</u></b>	<b><u>34,051</u></b>	<b><u>28,055</u></b>	<b><u>32,419</u></b>

As shown in the above table, the audited profits attributable to owners of the Company for the five months ended 31 December 2017 amounted to approximately HK\$33.1 million, while the unaudited profits attributable to owners of the Company for the five months ended 31 December 2016 amounted to approximately HK\$28.2 million. It should be noted that the above unaudited profits attributable to owners of the Company for the five months ended 31 December 2016 of HK\$28.2 million contributed to a significant part of the profits attributable to owners of the Company for the year ended 31 July 2017, which amounted to approximately HK\$34.4 million. This phenomenon was caused mainly by the seasonal enrollment patterns of private supplementary secondary school education services and based on our Group's historical financial performance for the three years ended 31 July 2015, 2016 and 2017, our Directors expect that these patterns are likely to recur in this financial year as well as in the future. Further details of seasonality are set out in the paragraph headed "Business – Seasonality" in this prospectus.

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## SUMMARY

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### Highlights of consolidated statements of financial position

#### Consolidated statements of financial position

	As at 31 July			As at 31 December
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	27,015	34,216	38,662	43,303
Current assets	97,987	129,539	84,100	115,507
<b>Total assets</b>	<b>125,002</b>	<b>163,755</b>	<b>122,762</b>	<b>158,810</b>
Non-current liabilities	1,323	3,654	2,902	3,340
Current liabilities	50,210	55,890	51,923	74,182
<b>Total liabilities</b>	<b>51,533</b>	<b>59,544</b>	<b>54,825</b>	<b>77,522</b>
Net current assets	<u>47,777</u>	<u>73,649</u>	<u>32,177</u>	<u>41,325</u>
Total equity	<u>73,469</u>	<u>104,211</u>	<u>67,937</u>	<u>81,288</u>

The non-current assets primarily composed of property, plant and equipment, and non-current portion of prepayments. The continual increase of non-current assets was mainly due to the inclusion of additional leasehold improvement of teaching centres. An amount of approximately HK\$40.9 million due from shareholders was recorded as current assets as at both of 31 July 2015 and 31 July 2016. Such entire amount of HK\$40.9 million was offset by way of dividend declared during the year ended 31 July 2017, and this mainly led to the drop of current asset balance as at 31 July 2017 as compared to that as at 31 July 2016. The increase of current assets as at 31 December 2017 as compared to that of 31 July 2017 was largely contributed by the increase in prepayments of service fees and other receivables due from a cash collection company. The amount of current liabilities was relatively stable as at 31 July 2015, 2016 and 2017. The increase of current liabilities from approximately HK\$51.9 million as at 31 July 2017 to approximately HK\$74.2 million as at 31 December 2017 was mainly as a result of additional receipt of tuition fee which was recorded as receipts in advance, and increase of other payables.

The table below provides a summary of the cash flows of our Group for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017.

## SUMMARY

### Highlights of consolidated statements of cash flows

	For the year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from operating activities	32,018	53,867	29,034	28,782	41,423
Net cash generated/(used in) from investing activities	23,816	(10,549)	(8,782)	(3,784)	(8,224)
Net cash used in financing activities	<u>(45,237)</u>	<u>(9,860)</u>	<u>(34,211)</u>	<u>(9,086)</u>	<u>(24,430)</u>
Net increase/(decrease) in cash and cash equivalents	10,597	33,458	(13,959)	15,912	8,769
Cash and cash equivalents at the beginning of the year/period	22,901	33,490	66,949	66,949	52,990
Exchange (losses)/gains on cash and cash equivalents	<u>(8)</u>	<u>1</u>	<u>–</u>	<u>(1)</u>	<u>1</u>
Cash and cash equivalents at the end of the year/period	<u><u>33,490</u></u>	<u><u>66,949</u></u>	<u><u>52,990</u></u>	<u><u>82,860</u></u>	<u><u>61,760</u></u>

### Key financial ratios

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	<i>Notes</i>	As at 31 July		As at 31 December	
		2015	2016	2017	2017
Current ratio	<i>1</i>	1.95	2.32	1.62	1.56
Gearing ratio	<i>2 &amp; 6</i>	N/A	N/A	N/A	N/A
		For the year ended 31 July			Five months ended 31 December
		2015	2016	2017	2017
Return on assets ratio	<i>3 &amp; 7</i>	24.6%	18.7%	28.0%	N/A
Return on equity ratio	<i>4 &amp; 7</i>	41.9%	29.2%	51.7%	N/A
Interest coverage ratio	<i>5 &amp; 6</i>	N/A	N/A	N/A	N/A

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## SUMMARY

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*Notes:*

1. Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period end date.
2. Gearing ratio is calculated by dividing net debts by equity attributable to the owners of the Company as at the respective year/period end date.
3. Return on assets ratio is calculated by dividing profit for the year attributable to owners of the Company by the total assets as at the respective year end date.
4. Return on equity ratio is calculated by dividing profit for the year attributable to owners of the Company by the equity attributable to the owners of the Company as at the respective year end date.
5. Interest coverage ratio is calculated by dividing profit before interest and tax by the finance cost for the corresponding year/period.
6. Our Group had no bank borrowings throughout the Track Record Period.
7. The ratios of return on asset and return on equity are not applicable to our Group for the five months ended 31 December 2017 since the calculation is on a full year basis.

### RECENT DEVELOPMENTS

*Financial information for the four months ended 30 April 2018*

According to the unaudited consolidated financial information of our Group for the four months ended 30 April 2018, both of the revenue of our Group and the revenue from private supplementary secondary school education services were relatively the same as compared to those of the corresponding period of the previous financial year. Although there was an increase in average session fee in respect of private supplementary secondary school education services with effect from September 2017 which was expected to increase the revenue of our Group, our actual revenue was eroded by the setback in the number of session enrollments for certain course offerings during the four months ended 30 April 2018, as compared to the corresponding period of the previous financial year.

Save for the Listing expenses and a relatively large increase in service fees attributable to our tutors, our expenses for the four months ended 30 April 2018 remained relatively stable. The increase in service fees attributable to our tutors are primarily due to the increase in the number of session enrollments for courses provided by certain tutors who are engaged with a comparatively high revenue-sharing proportions.

*Teaching centres*

Our teaching centre located in Causeway Tower, Causeway Bay was closed in April 2018 because its landlord requested us to early surrender the leased premises. Our Directors consider that the closure of this teaching centre does not pose material adverse impact on our Group's operation and financial position as a whole because classes of the closed centre can be alternatively offered at our teaching centre in Yee Woo Street, Causeway Bay which is in the immediate vicinity. On the other hand, certificate of registration of a school in respect of our teaching centre located in D-Park, Tsuen Wan was granted to us in April 2018. The opening of this new teaching centre marked the implementation of our plan and

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## SUMMARY

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strategy of network expansion of private supplementary secondary school education services. A Certificate of Provisional Registration of a School was obtained in June 2018 in respect of Beacon Plus Learning Centre, which is expected to commence operation in mid-July 2018.

### *Litigations against Tutor G and Our Group*

In March 2018, a tutorial services provider filed a Writ of Summons with an Indorsement of Claim (the “**Writ**”) with the High Court of the Hong Kong Special Administrative Region (the “**Court**”) against (i) Tutor G, as the 1st defendant, for breach of a previous service contract entered into between Tutor G and that tutorial services provider and (ii) Beacon College, as the 2nd defendant, for tort of procuring Tutor G in breach of such previous service contract. In May 2018, the Writ was served on Beacon College through its solicitors, and Beacon College subsequently through its solicitors filed the Acknowledgment of Service of the Writ with the Court. After the Court has granted an order for an extension of time for the Tutorial Services Provider to file and serve the SOC on 30 May 2018, the Tutorial Services Provider sought a further 28-day extension of time on 26 June 2018. On 26 and 27 June 2018, Tutor G and Beacon College (through their respective solicitors) respectively gave consent to such further 28-day extension of time on an “unless basis”. Notwithstanding the above communications between the parties (through their solicitors), our Company cannot preclude the possibility of the Tutorial Service Provider filing and serving the SOC shortly after 27 June 2018, or it seeking further extension of time for the filing and serving of the SOC near the expiry of said 28-day extension period. As advised by our Litigation Legal Counsel, such tutorial services provider has a very slim chance of success in holding Tutor G and Beacon College liable for the above allegations. For details, please refer to the paragraph headed “Legal and Regulatory – Litigation” under the section headed “Business” in this prospectus.

Our Directors confirmed that, since 31 December 2017 and up to the date of this prospectus, save as disclosed above and as disclosed in the section headed “Summary – Listing Expenses” of this prospectus, there had been no material adverse change to our operational, financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the accountant’s report set out in Appendix I to this prospectus. For information related to the trend or other factors that may affect our results of operations, please refer to the section headed “Financial information” in this prospectus.

### **OUR CONTROLLING SHAREHOLDERS**

For the purpose of the Listing Rules, the Controlling Shareholders of our Company are Beacon Enterprise, Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Li and Mr. Chan. Immediately after completion of the Share Offer and the Capitalisation Issue, Ms. June Leung, Mr. Tam, Ms. Irene Leung and Mr. Ng will, pursuant to the Deed of Acting in Concert, indirectly through Beacon Enterprise, control the exercise of voting rights of 75.0% of the Shares eligible to vote in a general meeting of our Company. In addition, on the basis that Mr. Li and Mr. Chan together with our Core Shareholders hold their respective interest in our Company through a common investment holding company, namely, Beacon Enterprise, Mr. Li and Mr. Chan together with our Core Shareholders and Beacon Enterprise are regarded as a group of Controlling Shareholders of our Company. If the Pre-IPO Share

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## SUMMARY

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Options under the Pre-IPO Share Option Scheme are exercised in full, a maximum of 5.0% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue will be issued, and Beacon Enterprise's shareholding in our Company will be reduced to approximately 71.4%. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Our Core Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of our business history and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Deed of Acting in Concert. For details, please refer to the paragraph headed "History, development and corporate structure – Shareholding and corporate structure – (2) Acting in concert confirmation" in this prospectus.

### Pre-IPO Share Option Scheme

On 21 June 2018, our Company adopted the Pre-IPO Share Option Scheme pursuant to which an option to subscribe up to 5.0% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Schemes) has been granted to a service company of a tutor of our Group. None of the grantee and its owner under the Pre-IPO Share Option Scheme is a Director, a member of the senior management of our Group or a connected person of our Company. As at the Latest Practicable Date, the exercise price for the Pre-IPO Share Options is 50% of the Offer Price. The exercise of the Pre-IPO Share Options would have a dilutive effect on the earnings per Share. Please refer to the paragraph headed "Statutory and general information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus for details.

### SHARE OFFER STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.90 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.10 per Share</b>
Market capitalisation at Listing ( <i>Note 1</i> )	HK\$450.0 million	HK\$550.0 million
Unaudited pro forma adjusted net tangible assets per Share ( <i>Note 2</i> )	HK\$0.35	HK\$0.39

*Notes:*

1. The calculation of our market capitalisation is based on 500,000,000 Shares which will be in issue immediately following completion of the Capitalisation Issue and the Share Offer, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share capital" in this prospectus.

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## SUMMARY

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2. The unaudited pro forma net tangible assets per Share is calculated after the adjustments referred to in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and on the basis of a total 500,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 December 2017 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share capital” in this prospectus.

### DIVIDENDS

For the year ended 31 July 2016, no dividends were declared by our Group. For the year ended 31 July 2015, Beacon College declared a dividend of HK\$45.0 million out of distributable profits and such dividend was settled in full. For the year ended 31 July 2017, a dividend of HK\$75.0 million was declared by our Company. Among the dividends declared, HK\$34.1 million was settled in cash while the remaining balance was settled by offsetting the amounts due from shareholders of Beacon College. During the five months ended 31 December 2017, our Group had declared a dividend of HK\$20.0 million. This dividend has been paid.

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon (1) our Group’s (a) overall results of operation; (b) financial position; (c) capital requirements; (d) cash flows; and (e) future prospects; (2) the amount of distributable reserves of the Company; and (3) other factors which our Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our Group currently has neither formulated any dividend policy nor determined any target dividend payout rate after Listing.

### LISTING EXPENSES

The listing expenses in connection with the Share Offer and the Listing consist primarily of underwriting commission and professional fees, and, assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the estimated Offer Price range, are estimated to be HK\$39.3 million. During the Track Record Period, we incurred listing expenses of approximately HK\$21.0 million, of which HK\$18.5 million was recognised in the consolidated statements of comprehensive income and HK\$2.5 million was recognised as prepayments in the consolidated statements of financial position which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of approximately HK\$18.3 million prior to and upon completion of the Share Offer, of which (i) approximately HK\$7.1 million is expected to be recognised as expenses in our consolidated statements of comprehensive income during the remaining seven months of the year ending 31 July 2018; and (ii) approximately HK\$11.2 million is expected to be accounted for as a deduction from equity upon Listing which shall not have impact to our consolidated statements of comprehensive income for the year ending 31 July 2018. The listing expenses are estimates only and subject to adjustment based on audit and the actual amount incurred or to be incurred. In view of this, **prospective investors should note that the financial results and the net profit of our Group for the**

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## SUMMARY

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year ending 31 July 2018 may be adversely affected by the non-recurring expenses in relation to the Share Offer and the Listing and may not be comparable to the financial performance of our Group in the past.

### NON-COMPLIANCES

On certain occasions, we did not fully comply with the applicable laws and regulations in respect of certain requirements which can broadly be categorised under the following: (i) the Predecessor Companies Ordinance and the Companies Ordinance; (ii) the Mandatory Provident Fund Scheme Ordinance; (iii) the Occupational Safety and Health Ordinance; (iv) our previous head office lease; and (v) the Inland Revenue Ordinance. For details regarding the non-compliance incidents and the relevant risks, please refer to the section headed “Risk factors” and paragraph headed “Business – Legal and regulatory – Non-compliances of our Group” in this prospectus.

### USE OF PROCEEDS FROM THE SHARE OFFER

Based on the Offer Price of HK\$1.00 per Offer Share (being the mid-point of the estimated Offer Price range), the net proceeds received by us from the Share Offer are expected to be approximately HK\$85.7 million after deducting the underwriting fees and commissions and estimated expenses payable by our Group in relation to the Share Offer.

Our Directors intend to use the net proceeds from the Share Offer for the following purposes:

- approximately HK\$62.5 million (being approximately 73% of the net proceeds) will be used for the opening/optimisation of up to 14 teaching centres and partial financing of acquisition of premise(s) as teaching centre(s);
- approximately HK\$15.8 million (being approximately 19% of the net proceeds) for non-teaching staff recruitment and upgrading of teaching centres facilities and IT infrastructure (including IT systems, audio-visual systems, student learning and management portal, mobile application and system security) to enhance the students’ learning experience and to cope with the growth of our business and the expansion of our network of teaching centres;
- approximately HK\$5.4 million (being approximately 6% of the net proceeds) for marketing activities in order to further enhance our brand awareness and image in Hong Kong; and
- the remaining amount of approximately HK\$2 million (being approximately 2% of the net proceeds) will be used for funding working capital and general corporate purposes.

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## SUMMARY

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### RISK FACTORS – HIGHLIGHTS

- During the Track Record Period, a significant amount of revenue was generated from courses and products provided by our Top One Tutor. As such, we rely on the services of our Top One Tutor. Our operations and profits may be materially and adversely affected if we cannot retain or maintain a good relationship with our Top One Tutor or our Top One Tutor fails to deliver high-quality teaching.
- We have substantial reliance on our Top Five Tutors, in particular, a significant proportion of our revenue, profitability and business is generated from courses and products provided by our Top Five Tutors.
- Our Group and teaching team could be subject to negative publicity, which may materially and adversely affect our brand, reputation and business, etc..
- Any event which negatively affects our private supplementary secondary school education services in Hong Kong could have a material adverse effect on our business and results of operations.
- Our Group may not be able to enforce the restrictive covenants of the employment contracts and services agreements against our tutors to prevent them from immediately directly competing with our Group within the restrained period.
- Intellectual property infringement claims against our Group could materially and adversely affect our business and operating results.
- If we are not able to obtain or renew the relevant registrations or exemptions or such registration or exemptions are revoked by the relevant regulatory authorities, our operation will be suspended and our business, operating and financial results may be materially and adversely affected.
- Our business is subject to the regulation of the Education Ordinance and its subsidiary legislations, and the differences in our understanding and interpretation of these legislations from those of the regulatory and judicial authorities may expose us to risk of certain activities of our Group being considered by the latter as non-compliances, which may negatively impact on our business, financial conditions, results of operations and prospects.

A detailed discussion of the risk factors that we may encounter or in connection with the investment in our Shares is set forth in the section headed “Risk factors” in this prospectus. Prospective investors should read the section headed “Risk factors” in its entirety before making any investment decision in our Shares.

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## SUMMARY

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### **POSSIBLE IMPACT OF THE FUTURE APPLICATION OF HKFRS 16 “LEASES”**

During the Track Record Period, our Group was lessee under various lease arrangements related to our business operation. As at 31 December 2017, our total non-cancellable operating lease commitments amounted to approximately HK\$90.2 million and were not reflected in our consolidated statements of position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year beginning on 1 August 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Upon the adoption of the new standard, there will be an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position, which will affect our related financial ratios, such as an increase in debt to equity ratio. Further, interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. Further details of the application of HKFRS 16 are set out in Note 2.1 of the Accountant’s Report in Appendix I to this prospectus. You may also refer to “Risk Factors – In respect of our operating lease commitments, the future application of HKFRS 16 “Leases” may materially affect the amounts of right-of-use assets, lease liabilities, rental expenses, depreciation and interest expense to be recognised after the adoption of this standard” for details.

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## DEFINITIONS

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*Unless the context otherwise requires, the following words and expressions shall have the following meanings in this prospectus.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company were conditionally adopted on 21 June 2018 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beacon College”	Beacon College Limited (遵理學校有限公司), a company incorporated in Hong Kong with limited liability on 13 July 1993 and an indirect wholly-owned subsidiary of our Company
“Beacon Enterprise”	Beacon Enterprise Limited (遵理企業有限公司), a company incorporated in the BVI with limited liability on 5 March 2015 and owned as to 60% by Ms. June Leung, 26% by Mr. Tam, 4% by Ms. Irene Leung, 4% by Mr. Ng, 3% by Mr. Chan and 3% by Mr. Li. Beacon Enterprise is a Controlling Shareholder which will hold 75% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and Share Offer
“Beacon Group”	Beacon Group Limited, a company incorporated in the BVI with limited liability on 6 March 2015 and a direct wholly-owned subsidiary of our Company
“Beacon Holdings”	Beacon Holdings Limited (必盈控股有限公司), a company incorporated in Hong Kong with limited liability on 11 May 2001 and an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“business day(s)”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands

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## DEFINITIONS

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“Call Option Deed”	the call option deed dated 21 June 2018 and executed between Ms. June Leung and our Company, pursuant to which Ms. June Leung granted an option to our Company in consideration of HK\$1.0 to acquire the shares in Dragonway Bliss Holdings Limited (龍好控股有限公司), particulars of which are set out in the sections headed “Connected transactions – Exempt connected transaction – Call Option Deed” and “Relationship with our Controlling Shareholders – Call Option Deed” in this prospectus
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to credit of the share premium account of our Company as described in the section headed “Statutory and general information” in Appendix IV to this prospectus
“Cayman Islands Share Registrar”	Conyers Trust Company (Cayman) Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands
“Company” or “our Company”	BExcellent Group Holdings Limited 精英匯集團控股有限公司 (formerly known as Beacon Group Holdings Limited 遵理集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 April 2015

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the case of our Company, refers to Beacon Enterprise, our Core Shareholders, Mr. Chan and Mr. Li
“Copyright Ordinance”	the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Core Shareholders”	Ms. June Leung, Ms. Irene Leung, Mr. Ng and Mr. Tam, each being a Controlling Shareholder through the Deed of Acting in Concert, who in aggregate hold 94% of the issued share capital of Beacon Enterprise
“Deed of Acting in Concert”	the deed of acting in concert dated 2 October 2015 executed by our Core Shareholders, whereby they confirmed the existence of their acting in concert arrangements. For details, please refer to the section headed “History, development and corporate structure – Shareholding and corporate structure – (2) Acting in concert confirmation” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 21 June 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) in respect of taxation and other indemnities, particulars of which are set out in the paragraph headed “F. Other information – 1. Indemnities” in Appendix IV to this prospectus

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## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated 21 June 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain non-competition undertakings, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of our Company
“EDB”	the Education Bureau of the Government
“Education (Exemption) Order” or “Exemption Order”	the Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Education Ordinance”	the Education Ordinance (Chapter 279 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Education Regulations”	the Education Regulations (Chapter 279A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EO Legal Counsel”	Mr. Bernard Mak, barrister-at-law of Hong Kong
“Euromonitor”	Euromonitor International Limited, an industry research consultant commissioned by us to prepare the Euromonitor Report, and an Independent Third Party
“Euromonitor Report”	the industry report prepared by Euromonitor
“Government”	the government of Hong Kong
“Grant Date”	the date (which shall be a Business Day) on which the grant of an option pursuant to the Pre-IPO Share Option Scheme was made to (and subject to acceptance by) a participant as determined in accordance with Pre-IPO Share Option Scheme
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company

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## DEFINITIONS

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“Group”, “our Group”, “we”, “our”, or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by them or their predecessors (as the case may be)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form(s)”	the application(s) for Public Offer Shares to be issued in the name(s) of the applicant(s) by submitting application(s) online through the designated website of the <b>HK eIPO White Form</b> Service Provider at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Advisers”	P. C. Woo & Co., being the legal advisers to our Company as to Hong Kong laws
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive director(s) of our Company
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected person(s) (as defined in the Listing Rules) of our Company
“Jiangxi Dragonway Bliss”	江西龍好教育諮詢有限公司 (Jiangxi Dragonway Bliss Education Limited*), a company established in the PRC with limited liability on 29 April 2015 and is indirectly owned as to 70% by Ms. June Leung and 30% by Mr. Yung Chui Shun (an Independent Third Party). Jiangxi Dragonway Bliss is an associate of Ms. June Leung

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## DEFINITIONS

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“Joint Lead Managers”	Joint lead managers in respect of the Placing, collectively, VMS and Great Roc Capital Securities Limited
“Labour and Welfare Bureau”	the Labour and Welfare Bureau of the Government
“Latest Practicable Date”	20 June 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Legal Counsel”	Mr. Julian C.P. Yeung, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date, expected to be on or about Friday, 13 July 2018, on which dealings in the Shares first commence on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Litigation Legal Counsel”	Mr. Anson Wong SC, Senior Counsel, barrister-at-law of Hong Kong
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MPF”	the Mandatory Provident Fund
“MPF Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Mr. Chan”	Mr. Chan Tsz Ying, Wister, being an executive Director and holder of 3% of the issued share capital of Beacon Enterprise, and one of our Controlling Shareholders
“Mr. Li”	Mr. Li Man Wai, being an executive Director and holder of 3% of the issued share capital of Beacon Enterprise. He is the nephew of Ms. June Leung and Mr. Tam, and one of our Controlling Shareholders

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## DEFINITIONS

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“Mr. Ng”	Mr. Ng King Hang, spouse of Ms. Irene Leung and cousin of Ms. June Leung and one of our Controlling Shareholders
“Mr. Tam”	Mr. Tam Wai Lung, being our chief executive officer, an executive Director and one of our Controlling Shareholders. He is the spouse of Ms. June Leung, brother-in-law of Ms. Irene Leung and uncle of Mr. Li
“Ms. Irene Leung”	Ms. Leung Ho Yan, Irene, spouse of Mr. Ng, sister of Ms. June Leung and sister-in-law of Mr. Tam and one of our Controlling Shareholders
“Ms. June Leung”	Ms. Leung Ho Ki, June, being the chairman of our Board, an executive Director and one of our Controlling Shareholders. She is the sister of Ms. Irene Leung, spouse of Mr. Tam, cousin of Mr. Ng and aunt of Mr. Li
“Non-local Higher and Professional Education (Regulation) Ordinance”	the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupational Safety and Health Ordinance”	the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, pursuant to the Share Offer, to be determined as further described in the section headed “Structure and conditions of the Share Offer – Price determination of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company with selected professional, institutional and/or other investors, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Placing Shares”	the 112,500,000 Shares (subject to adjustment) initially being offered by our Company for subscription at the Offer Price under the Placing described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Managers and the Placing Underwriters, as further described in the section headed “Underwriting – Placing” in this prospectus
“Post-IPO Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 21 June 2018, further details of which are described in the paragraph headed “E. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Pre-IPO Share Option(s)”	the option(s) granted pursuant to the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the share option scheme adopted by our Company on 21 June 2018, further details of which are described in the paragraph headed “D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be reached between our Company and the Sole Bookrunner (on behalf of the Underwriters) at or before the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on Saturday, 7 July 2018 (or such other time and date as may be agreed between our Company and the Sole Bookrunner (on behalf of the Underwriters)), on which the Offer Price will be determined for the purposes of the Share Offer

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## DEFINITIONS

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“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions stated in this prospectus and in the related Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 12,500,000 Shares (subject to adjustment) being initially offered by our Company for subscription at the Offer Price under the Public Offer as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer Shares whose name is set out in the section headed “Underwriting – Public Offer Underwriter” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 June 2018 relating to the Public Offer and entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter as further described in the section headed “Underwriting – Underwriting arrangements – Public Offer” in this prospectus
“Reorganisation”	the reorganisation that resulted in our current group structure as described in the section headed “History, development and corporate structure – Reorganisation” in this prospectus
“Reporting Accountant”	PricewaterhouseCoopers, the reporting accountant to our Company in respect of the Listing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Schemes”	together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as issued by the SFC and as amended from time to time
“Top Five Tutors”	the tutors who generated the top five highest revenues for our Group from courses and products (including mock examinations services and VIP self-study services) provided during the Track Record Period
“Top One Tutor”	the tutor who generated the highest revenue for our Group from courses and products (including mock examinations services and VIP self-study services) provided during the Track Record Period
“Track Record Period”	the three financial years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017
“Underwriters”	collectively, the Placing Underwriters and the Public Offer Underwriter
“Underwriting Agreement(s)”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.”, “US”, “USA” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“VMS”, “Sole Sponsor”, “Sole Bookrunner” or “Bookrunner”	VMS Securities Limited, a corporation licenced under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole sponsor to the Listing, the Sole Bookrunner, one of the Joint Lead Managers and an Underwriter and an Independent Third Party
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicant’s own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

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## DEFINITIONS

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“%” per cent

“sq. ft.” square foot/feet

*In this prospectus, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in China or the awards, certificates given in China and their English translations, the Chinese language version shall prevail. English translation of company names in Chinese or another language which are marked with “\*” is for identification only.*

*Any websites referred to in this prospectus or any information appearing on such websites do not form part of this prospectus.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains certain definitions and other terms used in this prospectus in connection with our Group and our business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.*

“academic year(s)”	the academic school year in Hong Kong which typically commences in September and concludes in June of the following year
“CAGR”	the compound annual growth rate
“CEF”	Continuing Education Fund, a fund established by the Government which subsidises adults with learning aspirations to pursue continuing education and training courses
“certificate(s) of accommodation” or “Certificate(s) of Accommodation”	certificate(s) of accommodation issued by the EDB specifying, inter alia, the maximum number of pupils permitted in a classroom of a certain school
“certificate(s) of provisional registration of a school” or “Certificate(s) of Provisional Registration of a School”	certificate(s) of provisional registration of a school issued by the EDB certifying the provisional registration of school under section 15 of the Education Ordinance
“certificate(s) of registration of a school” or “Certificate(s) of Registration of a School”	certificate(s) of registration of a school issued by the EDB certifying the registration of school under Section 13 of the Education Ordinance
“consumer expenditure”	all goods and services purchased by private consumers (i.e. the household sector). This excludes government expenditure and expenditure by private companies and by all other profit-making organisations
“Extended Non-means Tested Loan Scheme”	a government scheme providing financial assistance in the form of loan(s) to eligible students to settle tuition fees of specific post-secondary/continuing and professional education courses provided in Hong Kong
“fees certificate(s)” or “Fees Certificate(s)”	fees certificate(s) issued by the EDB containing, inter alia, the name of school, name of supervisor/chairperson, address of school, course name(s), tuition fees per instalment and number of instalments
“GDP”	gross domestic product

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## GLOSSARY OF TECHNICAL TERMS

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“HKALE” or “HK A-level(s)”	Hong Kong Advanced Level Examination administered by the HKEAA and the related final examination was administered for school candidates and private candidates in 2012 and 2013 respectively
“HKCAAVQ”	Hong Kong Council for Accreditation of Academic and Vocational Qualifications under the Hong Kong Qualifications Framework
“HKCEE”	Hong Kong Certificate of Education Examination administered by the HKEAA and the related final examination was administered for school candidates and private candidates in 2010 and 2011 respectively
“HKDSE”	Hong Kong Diploma of Secondary Education
“HKDSE Examinations”	examinations administered by the HKEAA in each subject offered under the HKDSE curriculum
“HKEAA”	the Hong Kong Examinations and Assessment Authority, an independent, self-financing statutory body which administers public examinations in Hong Kong
“HND”	Higher National Diploma, a higher education qualification of the United Kingdom
“intensive course(s)”	courses which are normally organised several months before school assessments or the HKDSE Examinations are held, and they are designed to help students review the key areas of a subject. The courses focus on specific topics of each subject, and provide insight on examination techniques and topics as well as providing additional preparation materials. Intensive courses typically comprise three to four individual lessons, or an individual lesson each running for approximately 75 to 90 minutes
“International Baccalaureate” or “IB”	a set of international qualifications intended to qualify successful candidates for higher education
“International English Language Testing System” or “IELTS”	an international standardised test of English language proficiency
“IT”	information technology
“lesson(s)”	a lesson typically runs for approximately 60 to 75 minutes

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## GLOSSARY OF TECHNICAL TERMS

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“maximum classroom capacity”	the maximum number of students permitted in our classrooms pursuant to the certificates of accommodation issued to our schools, and for school(s) in which the application for the certificate(s) of accommodation is/are being made, the maximum number of students in our classrooms that we have applied for
“NSS Academic Structure” or “334 System”	the new Hong Kong academic structure, consisting of three years of junior secondary education (S1 to S3), three years of senior secondary education (S4 to S6) and four years of tertiary education, implemented by the EDB in September 2009
“permitted teacher”	a person, not being a registered teacher, who is permitted to be employed as a teacher in a school in accordance with a permit to teach issued under section 50(1) of the Education Ordinance or predecessor ordinances, which have since been repealed
“per capita GDP”	GDP divided by population
“Primary (1, 2, 3, 4, 5 or 6)” or “P (1, 2, 3, 4, 5 or 6)”	the respective primary 1 to 6 (as the case may be) school levels under the 334 System
“private secondary schools”	private schools include private local day and evening secondary schools which are not administered or funded by the Government. Such schools provide secondary courses according to the guidelines of the local curriculum by the EDB. Private independent scheme schools and international schools are excluded
“PSNFC(s)”	private school(s) offering non-formal curriculum under the Education (Exemption) Order
“QF”	Qualifications Framework, a qualification structure set up by the Government
“QCF”	Qualification and Credit Framework, the national credit transfer system for education qualification in England, Northern Ireland and Wales, which recognises qualifications and units by awarding credits
“registered teacher”	a person who is registered to teach under section 45(1) of the Education Ordinance or predecessor ordinances, which have since been repealed

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## GLOSSARY OF TECHNICAL TERMS

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“regular course(s)”	courses which are offered from September to June. In general, regular course consists of four individual lessons, each running for approximately 60 to 75 minutes
“Secondary (1, 2, 3, 4, 5 or 6)” or “S (1, 2, 3, 4, 5 or 6)”	the respective secondary 1 to 6 (as the case may be) school levels under the 334 System
“secondary day school education”	secondary school education under the formal secondary school curriculum set forth by the EDB
“session(s)”	for supplementary secondary school education services, a session represents an independent course which consists of a number of lessons each running for no longer than a month; for day school services, a session represents a monthly duration of a course which runs in the academic year
“session enrollment(s)”	a student may enroll in a number of our sessions resulting in a number of enrollments. As such, the number of enrollment(s) may not correspond to the number of student(s)
“summer course(s)”	courses which are designed to prepare students for the forthcoming academic year and are typically offered from mid-July until August and occasionally ended in September. In general, a summer course typically comprises three to six individual lessons, each running for approximately 60 to 75 minutes
“unique student(s)”	students who paid for at least one session
“VIP self-study service(s)”	“video-induced-pedagogy” self study services, which enable students to view pre-recorded lessons on an individual basis on computer terminals at selected teaching centres

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## RISK FACTORS

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*Investing in the Shares involves certain risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including, but not limited to, the following risk factors and your own investment objectives. Our business, financial condition or results of operations could be materially and adversely affected by the occurrence of any of the risks and uncertainties described below. The trading price of the Shares may decline significantly due to any of these risks and uncertainties and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**During the Track Record Period, a significant amount of revenue was generated from courses and products provided by our Top One Tutor. As such, we rely on the services of our Top One Tutor. Our operations and profits may be materially and adversely affected if we cannot retain or maintain a good relationship with our Top One Tutor or our Top One Tutor fails to deliver high-quality teaching**

During the Track Record Period, a significant amount of our revenue was generated from courses and products provided by our Top One Tutor. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, a significant amount of our revenue was generated from courses and products provided by our Top One Tutor, which accounted for approximately 40.5%, 36.2%, 31.5%, 31.8% and 28.7% of our total revenue, respectively. As such, we rely on the services of our Top One Tutor and if, for any reason, we lose the services of our Top One Tutor, our business, operation and profitability may be materially and adversely affected.

Any negative behaviour or damage to the reputation of our Top One Tutor would have material adverse impact on the reputation and brand of our Group. Further, any material disagreement with our Top One Tutor may materially and adversely affect the working relationship with us and in turn our reputation, business and revenue may be materially and adversely affected.

In addition, as at the Latest Practicable Date, 104 of our 428 teaching assistants were working under the team of our Top One Tutor to provide support and assistance to our Top One Tutor in respect of course development, preparation of course materials and lesson handouts, marking of homework and mock examinations, etc. Moreover, seven of our tutors are members of our Top One Tutor's team. If our Top One Tutor ceases to be engaged by us, some of these teaching team members may leave our Group, with or without any solicitation or enticement by our Top One Tutor. The operation, business and profit of our Group may be materially and adversely affected if the number of teaching team members who leave us as a result of the cessation of the engagement of our Top One Tutor is significant and if we are unable to engage suitable replacements in a timely and cost effective manner.

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## RISK FACTORS

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**We have substantial reliance on our Top Five Tutors, in particular, a significant proportion of our revenue, profitability and business is generated from courses and products provided by our Top Five Tutors**

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from courses and products provided by our Top Five Tutors accounted for approximately 64.6%, 64.5%, 61.0%, 60.0% and 53.6%, respectively, of our total revenue. Our continued success is therefore reliant to a large extent on our ability to engage, develop and retain suitable and qualified tutors, in particular, our Top Five Tutors. Our business depends on the continuing performance of all our tutors, in particular our Top Five Tutors, and if we lose any one of their services, our business and profitability may be materially and adversely affected. The engagements with our tutors are typically for a duration of around five to ten years and typically include clauses such as revenue sharing, termination and restrictive covenants. In the event of termination, or if any of our tutors (in particular our Top Five Tutors) do not renew their agreements with us upon expiry of their agreements, we may not be able to identify and recruit suitable replacements in a timely and cost effective manner, which may materially and adversely affect our business, results of operations, revenue and profits. Further, the renewed terms made by our Group with any tutor are likely to contain changes, including without limitation to those relating to revenue sharing arrangement with such tutor. Such changes may not always be favorable to us, especially in the short term.

Furthermore, there is no guarantee that our Top Five Tutors will not join a competitor or establish their own education business which may compete with our Group in their respective subjects. The loss of any Top Five Tutor who may compete with us by joining a competitor or establishing their own private supplementary education business may lead to a loss of students and reduction in enrollments, which may materially and adversely affect our revenue and profits.

**Our Group and teaching team could be subject to negative publicity, which may materially and adversely affect our brand, reputation, business, results of operations, financial condition and prospects**

Due to our extensive out-of-home advertising campaigns in Hong Kong, our Group and our tutors may have a relatively high profile. As such, the conduct and actions of our Group and in particular our teaching team may attract greater attention from the media and we may from time to time receive negative publicity. During the Track Record Period, there was certain negative media coverage on certain of our tutors. The content of such media reports were not authorised by our Group, and may contain inaccurate, incomplete or false information about our tutors or us. For instance, one of our tutors was publicly solicited in media advertisements by a competitor of our Group to join their schools. We cannot assure that we will not be the subject to further negative media coverage, whether expressly or impliedly directed against us and our teaching team in the future. Such negative publicity could have material adverse effect on our brand and reputation. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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## RISK FACTORS

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**We depend on our private supplementary secondary school education services in Hong Kong which have been an important source of our revenue during the Track Record Period. Any event which negatively affects such services in Hong Kong could have a material adverse effect on our business and results of operations**

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we derived approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, of our total revenue from our private supplementary secondary school education services in Hong Kong. We expect such services to continue to be a significant and important source of our revenue in the near future. Revenue generated from new services and products may not, in the near future, increase to a level that would significantly reduce the importance of private supplementary secondary school education services to our business. If we experience any event which may negatively affect our private supplementary secondary school education services or if there is any significant change to the format of the secondary school curriculum, such as the implementation of the NSS Academic Structure in 2009, our overall business and results of operations could be materially and adversely affected.

**Our Group may not be able to enforce the restrictive covenants of the employment contracts and services agreements against our tutors to prevent them from immediately directly competing with our Group within the restrained period**

If any dispute arises between any of the tutors and our Group, we may not necessarily be able to enforce the employment contracts or service agreements which are subject to restrictive covenants that are governed by Hong Kong law against the tutors and the enforceability of restrictive covenants may only be determined by the courts on a case-by-case basis. It is thus difficult to predict the outcome of the proceedings or gauge the level of legal protection that such awards or proceedings may provide. If our Group cannot enforce the restrictive covenants of the employment contracts and services agreements with our tutors, tutors who leave our Group upon or before the expiry of their engagements may join a competitor or form a competing company immediately after leaving our Group, which may disrupt our business and materially and adversely affect our financial condition, results of operations and profits.

**Intellectual property infringement claims against our Group could materially and adversely affect our business and operating results**

Each tutor is responsible for the development and preparation of course materials and lesson handouts used by them in our private supplementary secondary school education services. We prohibit our tutors from engaging in any copyright, trademark or other intellectual property infringing activities. From time to time, our course materials and lesson handouts may contain content with reference or extracted from third party sources. Moreover, such course materials and lesson handouts may contain third party content which has been reproduced under licence. There is no assurance that our tutors will follow our established policies and guidance, which are established by us to give guidance to our tutors on the use of any third party content and licenced works in the course materials and lesson handouts, this may infringe third party intellectual property rights or licences. Our course publication censorship committee, which was established to review our usage of course

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materials and third party copyrights, may not be able to ensure that the course materials or lesson handouts developed or used by us do not or will not infringe valid copyrights or other intellectual property rights held by third parties or be in breach of existing licences.

During the Track Record Period and up to the Latest Practicable Date, we received three claims against us from copyright owners in respect of intellectual property right infringements and they were settled without further action or legal proceedings taken or initiated against us. From time to time, course materials and lesson handouts prepared by our tutors may contain extracts of past examinations papers and third party publications. The usage of such past examination papers and/or third party publications is subject to the terms of licence with the HKEAA and copyrights of other third party publications. However, during the Track Record Period and up to the Latest Practicable Date, there were instances in which the usage of past examination papers may not have been in compliance with the terms of the licence which led to a claim by the HKEAA. There were also two disputes with media companies which publish newspapers and magazines in relation to infringement of copyrights which had already been settled. For further details in relation to our intellectual property infringement claims, please refer to the paragraph headed “Business – Intellectual property – Intellectual property claims against our Group” in this prospectus.

Legal proceedings involving intellectual property rights can be expensive and time consuming, and their outcome is uncertain. Successful infringement claims brought by third parties against us could expose us to substantial cost and liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties or subjecting us to injunctions prohibiting the use of such content, which could materially and adversely harm our business and operating results. Furthermore, any intellectual property infringement claims against us, or any publication containing such events could materially and adversely affect the image and reputation of our Group.

**Our operation is subject to certain regulatory requirements and exemptions, in particular, registration with the EDB. If we are not able to obtain or renew the relevant registrations or exemptions or such registration or exemptions are revoked by the relevant regulatory authorities, our operation will have to be suspended and our business, operating and financial results may be materially and adversely affected**

### *Private supplementary secondary school education services*

All of our teaching centres have obtained a Certificate of Registration of a School or a Certificate of Provisional Registration of a School. For details of our teaching centres, please refer to the section headed “Business – Our network and properties” in this prospectus. Our teaching centres which offer private supplementary secondary school education services are categorised as exempted schools (or PSNFCs) under the Exemption Order and are able to enjoy exemption from certain provisions under the Education Ordinance and the Education Regulations. For details of the exemptions, please refer to the section headed “Regulatory overview – Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (“**the Exemption Order**”)” in this prospectus. There is no assurance that we can obtain the abovementioned certificates and/or exemptions in the future or that the certificates and/or exemptions will not be revoked by the relevant regulatory authorities. If we are not able to obtain the

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abovementioned certificates and/or exemptions or our existing certificates and/or exemptions are revoked, our operations in those teaching centres will have to be suspended and our business, operating and financial results may be materially and adversely affected.

### *Private secondary day school services*

As at the Latest Practicable Date, we operated private secondary day schools in two of our 18 operating teaching centres. We have registered all our private secondary day schools with the EDB and obtained the Certificate of Registration of a School for each school. We have also obtained the relevant certificates of accommodation and fees certificates for all our private secondary day schools. We have duly registered with the EDB and obtained the relevant certifications and licensing required. However, there is no assurance that such certificates will not be revoked by the relevant regulatory authorities. If we are not able to obtain the abovementioned certificates or if the certificate(s) is revoked by the relevant regulatory authorities, our operation will have to be suspended and our business, and operating and financial results may be materially and adversely affected.

**Our business is subject to the regulation of the Education Ordinance and its subsidiary legislations, and the differences in our understanding and interpretation of these legislations from those of the regulatory and judicial authorities may expose us to risk of certain activities of our Group being considered by the latter as non-compliances, which may negatively impact on our business, financial conditions, results of operations and prospects**

Our business is subject to and regulated by various laws and regulations currently enforced in Hong Kong, in particular, the Education Ordinance and its subsidiary legislations (the “**Education Legislations**”), and the way of interpretation of the Education Legislations will directly affect the operation of our business. We operate our business based on our understanding and interpretation of the Education Legislations. However, such interpretation involves uncertainties due to, for example, differences in the interpretation of provisions in the Education Legislations or lack of rulings from judicial authorities in the past. We cannot assure you that our understanding and interpretation will not differ from those of the regulatory authorities, including the EDB. If the regulatory authorities or the court interpret the Education Legislations in a way different from ours, our business and operations may be considered to be in breach of the Education Legislations. As a result, we may not be able to obtain, renew or maintain the necessary approvals, licences or permits to provide education services and/or maintain our operation, which may materially and adversely affect our business, financial conditions, results of operations and prospects.

**We rely on our teaching team, in particular our tutors, to develop and provide courses, and if we are not able to develop, engage and retain quality teaching talents, we may not be able to maintain the quality of teaching and as a result our brand, operating results and profitability could be materially and adversely affected**

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had a teaching team of 391, 374, 401, 418 and 495 individuals respectively, which was comprised of tutors, day school teachers and teaching assistants. We rely on our teaching team in particular our tutors to develop courses, deliver

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classes and to prepare course materials and lesson handouts and certain other products and services such as mock examinations for the provision of private supplementary education services to our students. As such, our Directors believe that the ability of our teaching team to provide support to our students in their academic endeavours remains critical to the trust and faith in which students place in our brand and that our tutors' reputation, their teaching style and the quality of teaching materials are critical to student enrollments. Our brand, reputation, business and success depend upon the performance of our teaching team.

**Our business depends on our Beacon brand and our reputation as a leading provider of private supplementary secondary school education services. If we are not able to maintain the brand strength and reputation, our brand value, business and operating results could be materially and adversely affected**

We believe that our Beacon brand is instrumental to the success of our business. We rely on the strength of our brand to enhance our reputation as a leading provider of private supplementary secondary school education services and as a trustworthy education services provider to provide reliable support for our students in their academic endeavours. If the value of our brand or image and reputation as a leading provider of private supplementary secondary school education services is diminished, we may fail to continue to attract students and our business, financial condition and results of operations could be materially and adversely affected. Furthermore, we cannot guarantee that our advertising and marketing efforts to strengthen our brand awareness will be successful in further promoting our brand in order to remain competitive. If we are unable to further enhance our brand recognition and increase awareness of our education services, our business and results of operations could be materially and adversely affected.

Moreover, we market our business and brand in part through the advertising and promotion of our tutors. As representatives of our Group, our tutors play an important role in the development of our brand. If we are not able to preserve and promote the positive image of our tutors or if the behaviour, actions or integrity of our tutors, whether in a personal or professional capacity, conflict with our own standards, image and expectations, such behaviour or actions would have a negative impact on our Group and brand. In the event that any of our tutors receive negative allegation or attention due to their own actions or behaviour, whether related to our business or otherwise, such negative publicity could materially and adversely affect our reputation, brand, business and operating results.

If any key members of our teaching team, in particular our tutors, cease to be engaged by our Group in the future and we fail to engage other suitable candidates to replace them in a timely manner, our operations, profitability and prospects may be negatively impacted. There can be no assurance that we are able to retain any key members of our teaching team in the future. In the event that we lose the services of any key members of our teaching team, our business prospects, financial condition and results of operations may be materially and adversely affected.

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**Our Group and teaching team could be subject to claims, regulatory, investigations and litigations in respect of actions, conduct or services and products that we deliver, which may materially and adversely affect our brand, reputation, business, results of operations, financial condition and prospects**

We rely on our teaching team and in particular our tutors to provide courses, services and products in accordance with the terms of their engagements. Any actions on the part of our tutors and other staff, or any failure by us to properly manage our teaching team, teaching activities, teaching centres and products and services may result in undesirable or unexpected outcomes, which may ultimately impact our brand. In particular, as our tutors are providing courses in our teaching centres under our Group's brands, and some of our tutors and all of our day school teachers and teaching assistants are also our employees, we may be subject to claims or negligence, in respect of our products or services or conduct and behaviour of our tutors and other staff. As such, our Group, our tutors and other staff may be subject to complaints, claims and legal actions. In addition, given the nature of teaching and subjective views on satisfaction with services and products provided, we may be susceptible to complaints, claims and legal actions.

During the Track Record Period, some of our students lodged complaints with the Hong Kong Consumer Council. Claims, complaints, regulatory or professional investigations, and legal actions may be brought against relevant tutors or staff and may also seek to include our Group as a defendant. Any legal actions brought against us, our tutors or other staff may have material adverse effects on our brand, reputation, business and results of operations, due to the resources involved in dealing with these legal actions and any possible judgments made against us. A settlement or successful claim against us could also result in significant legal costs, damages, compensation and reputational damage and may materially and adversely affect our business, results of operations, financial condition and prospects. Any claims, complaints, or legal proceedings against our Group, any of our tutors or our staff, regardless of merit, could affect our brand image and reputation. Any failure to maintain and enhance or any damage to our brand image or reputation could materially and adversely affect the level of market recognition of, and trust in our services and products, and in turn our business, results of operations and financial condition.

**Our plan to expand and optimise our network of teaching centres incurs additional costs and expenses and if we cannot secure future financing and generate sufficient revenue, our business, results of operations and growth prospects may be adversely affected**

We plan to expand and optimise our network of teaching centres by opening and/or optimising up to 14 teaching centres throughout Hong Kong within three years upon the Listing. For details of our expansion plan of teaching centres, please refer to the section headed "Business – Our future plans and strategies" in this prospectus. Our plans require significant working capital and capital expenditure. We believe that our current cash, anticipated cash flow from operations and the estimated net proceeds from the Share Offer will be sufficient to meet our anticipated needs for working capital and capital expenditure. However, we may need additional cash resources to finance our continued growth or other future developments thereafter. The amount and timing of such additional financing needs will vary depending a number of factors including the timing of investments in teaching

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centres and the amount of cash flow from our operations. We cannot assure that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available to us on acceptable terms, our business, results of operations and growth prospects may be adversely affected.

In addition, substantial expenses will be incurred before the opening of the new teaching centres such as renovation and equipment costs. For the operation of new teaching centres, there will also be an increase in expenses such as rental, staff costs, tutor service fees or depreciation charges. We cannot assure that there will be enough demand for the new teaching centres to generate sufficient revenue to cover the costs in establishing and operating the new teaching centres. If such establishment and operating costs cannot be covered by our revenue, our operating results may be adversely and materially affected.

**If we are not able to continue to attract students to enroll in our courses, our revenue may decline and we may not be able to maintain our profitability**

Our revenue is primarily generated from tuition fees we receive from students who have enrolled in our courses. Our ability to continue to maintain and attract students to enroll in our courses is critical to the continued success and growth of our business. This in turn depends on several factors, including, amongst others, our ability to develop new courses and enhance existing courses to respond to changes in market needs, the education system and curriculum, expansion of our geographic coverage in Hong Kong, maintaining and improving the teaching quality of our teaching team, effective marketing of our services to a broader base of prospective students and our response to market competition. Inefficiency or failure to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

For compliance with the Education Regulations, our courses for private supplementary secondary school education services are offered on session basis, and a session is an independent course which comprises a number of individual lessons, and running for no longer than a month. Though sessions of the same subject may have some form of continuity, it is possible that students may enroll in one or a few sessions of the same subject, without enrolling the remaining sessions of such subject. Accordingly, our enrollment statistics and the related financial performance during a particular month (or period) may not always be a good indicator of the enrollments and the related financial performance for the coming months (or periods).

**Adjustment of the tuition fee is subject to approval from the EDB in relation to our private secondary day school services**

Under the Education Ordinance, private schools which offer educational courses such as tutorial, commercial, language and computer courses which are courses other than nursery, kindergarten, primary, secondary or post secondary education are categorised as PSNFCs. PSNFCs are exempted from certain regulations in the Education Regulations under the Education Ordinance, such as the requirements relating to approval for change in inclusive tuition fees on all courses. As such, all of our teaching centres, which are classified as PSNFCs, are exempt from acquiring such prior approval. However, certain of our teaching centres are not classified as PSNFCs and are therefore not exempted under the

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Exemption Order. From time to time, we may seek to adjust our tuition fees, which may, in certain circumstances require us to make applications to the EDB for approval of any such changes. There can be no assurance that the EDB will grant approval to our future applications to adjust our tuition fees in a timely manner or at all. If the EDB refuses to approve our applications, or otherwise limit our ability to adjust tuition fees on our courses in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

**Our investment in and design of advertising and marketing campaigns may not lead to higher course or student enrollments nor increase our revenue**

We continuously launch various advertising and marketing campaigns to further increase public awareness of our business and enhance our brand recognition. We advertise on public transit vehicles in Hong Kong, on outdoor billboards, newspapers and magazines, as well as on our own and third party websites. Additionally, from time to time, we organise campaigns and promotional events jointly with other companies in order to promote our Group. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our advertising and promotion expenses amounted to approximately HK\$18.0 million, HK\$15.9 million, HK\$16.5 million, HK\$10.1 million and HK\$8.6 million, respectively. Nonetheless, despite our efforts and the costs incurred in our advertising and marketing campaigns, such efforts and costs may not necessarily lead to higher course or student enrollments which in turn may not lead to an increase in our revenue.

**We operate 18 teaching centres, all of which are leased from Independent Third Parties. We may not be able to renew leases or licences or control rent increases at our existing teaching centres or to obtain leases at desired locations for new teaching centres at comparable rents**

All of our 18 operating teaching centres from which we operate are presently located on leased or licenced premises under operating lease contracts. The supply of premises which are suitable for providing private supplementary education and day school services is limited. We compete for quality sites in a highly competitive market for such premises. As a result, our operations and financial results may be affected, to a certain extent, by the availability and our ability to manage the cost of such leases. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our operating lease payments, which includes lease payments for our teaching centres, amounted to approximately HK\$49.7 million, HK\$57.0 million, HK\$52.5 million, HK\$21.9 million and HK\$22.5 million, respectively, representing approximately 15.2%, 15.1%, 13.9%, 12.8% and 11.5%, respectively, of our total revenue.

In recent years, property prices and the levels of our rents have increased and we expect them to continue to do so. At the end of each lease or licence term, we will need to negotiate with the landlords the terms and conditions of the operating lease contracts or licences for the proposed renewal. We cannot assure that we will be able to renew such leases or licences with the same or similar terms or at all. If we were not able to renew such leases or licences, we may therefore be required to relocate or shut down the operations of the relevant centres. We cannot assure that such centres can be relocated to alternative sites

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in a timely and cost effective manner, and that such alternative sites will be available at a comparable location or can be leased on comparable terms. Relocations of any part of our teaching centres may also cause disruptions to our business and requires significant expenditure. In addition, in any relocation exercise of a teaching centre, it is possible that there is a time lag between the closing of the old teaching centre and the opening of the new teaching centre, and even if there are potential demands for courses offered by our tutors, we may not capture such potential demands during the relocation period when there is a transitory reduction in classroom seating capacity. If we are not able to enter into new leases or licences with the same or similar terms as compared to the previous leases, this may lead to material adverse effects on our business, operation and financial results.

**Our Group had certain historical compliance irregularities which may lead to enforcement actions being taken**

Some of our Group's subsidiaries incorporated in Hong Kong previously have, on certain occasions, been involved in a number of non-compliance matters. These include, among others, non-compliance under certain statutory requirements in the Predecessor Companies Ordinance and Companies Ordinance with respect to matters such as failing to lay financial statements in general meetings and failing to hold annual general meetings in required time manners. For details, please refer to the paragraph headed "Business – Non-compliances of our Group" in this prospectus. There is no assurance that the relevant authorities would not take any enforcement action against the relevant Hong Kong subsidiaries in our Group and their respective directors in relation to the non-compliance. In the event that such enforcement action is taken, the reputation and results of operation of our Group may be materially and adversely affected.

**Our business is subject to seasonal fluctuations which may cause our operating results and cash flow positions to fluctuate from quarter to quarter of each financial year and during the Track Record Period, we experienced net operating cash outflow during the slack season (usually from April to July each year)**

Due to the nature of our business, in particular, the structure of the academic year which typically runs from September to June, we have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. We typically generate higher revenue during the first three quarters of each financial year due to higher enrollments in our summer and regular courses and the timing of our intensive courses. Our summer courses, which typically run from mid-July until August, are followed by the commencement of our regular courses which typically run from September to June. As such, we have a significant number of course enrollments during the first three quarters of each financial year. Moreover, we offer intensive courses in preparation for the HKDSE Examinations which are typically held during the second and third quarters of each financial year (i.e. November to April). Most of our Secondary 6 students cease to enroll in courses once their HKDSE Examinations commence. In addition, as the academic year draws to a close in or around June, when students focus principally on revision and examination preparation, the number of regular courses offered and the number of course enrollments declines during the fourth quarter of each financial year. For further details of our seasonal fluctuations please refer to the section headed "Business – Seasonality" in this prospectus.

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Our expenses, however, vary significantly and do not necessarily correspond with changes in our course enrollments and revenue. Certain expenses incurred by and cash outflows of our Group on a regular basis are fixed in nature, including operating lease charges, staff costs (excluding those for tutors and teaching assistants) and other general and administrative expenses (excluding printing costs). As these expenses are generally fixed while our course enrollments (hence revenue) are subject to seasonal fluctuation, this could result in net cash outflow exposure during the slack season from April to July. For the period from April to July in 2015, 2016 and 2017, we recorded a net cash outflow of approximately HK\$14.9 million, HK\$26.8 million and HK\$42.7 million respectively. Our operating cash inflows and outflows during a financial year are exposed to significant volatility. If we do not maintain sufficient working capital to accommodate the budgeted cash outflow for such period or where there are any significant financial needs which may arise from unforeseeable events which may aggravate our cash outflow position, our Group's business operations and financial performance will be materially disrupted. We expect quarterly fluctuations in our revenue, operating cash flows and results of operations to continue.

**Our success depends on the continuing efforts of our executive Directors, senior management and other key personnel and our business may be materially and adversely affected if we lose any of their services**

We attribute our success to the leadership and contribution of our senior management team in particular, our executive Directors who have over 20 years of experience in education industry. If one or more of our executive Directors, senior management or other key personnel are unable or unwilling to continue services with our Group, we may not be able to replace them easily, in a timely manner, or at all and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. We may not be able to retain the services of our executive Directors, senior management or key personnel, or attract and retain high-quality executive Directors or senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose teaching staff, students and key staff members. All of these may have material adverse effect on our business, operation and financial results.

**We may lose our competitive advantage and our reputation, brand and operations may suffer if we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights**

We rely on our trademarks and trade name to develop and enhance our brand recognition. Our Directors believe that our Beacon brand is synonymous with quality and consistency and has been established by building trust among students, parents, teachers and the relevant authorities with whom we interact. Unauthorised use of our trademarks and trade names by third parties may damage our reputation and brand. From time to time, our trademarks and trade names have been used by third parties, with our consent, for or as part of other branded programmes, services and products. The measures we take to protect our trademarks, trade names, copyrights and other intellectual property rights may not be

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adequate to prevent unauthorised use by third parties. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, our brand may be harmed, and our business may suffer material adverse effect.

**Unauthorised disclosure of student and employee information and other sensitive data, whether through breach of our network security or otherwise, could expose us to costly litigation or could adversely impact our reputation**

Maintaining our network security and internal controls over access rights is of critical importance because proprietary and confidential student and employee information, such as names, addresses, and other personal information, is primarily stored in our computer database located in our headquarters and in cloud servers. Our information technology system and computer networks may be vulnerable to unauthorised access, hacking, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions to or malfunctions in our operations. Any leakage or misappropriation of information from our system could have a material and adverse effect on our reputation and business operations. Moreover, if our security measures are breached as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access student records, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In general, the personal data and information of our students is manually entered into our computer systems by our staff at the registration counters. We run the risk that our employees or third parties could misappropriate or illegally disclose confidential information in our possession. As a result, we may be required to expend significant resources to alleviate problems caused by these breaches. Furthermore, any leakage of personal data and information could materially and adversely damage our business, operations and reputation and could result in legal actions being taken against our Group.

**Failure to effectively implement our future business strategies could materially and adversely affect our business, operations and profitability**

Our business strategies include expanding our private supplementary secondary school education services, our “Beacon Childhood” brand and offering, our network of teaching centres and developing new products and services in a cost-effective and timely manner. The expansion of our education programmes and services may not succeed due to various factors including, amongst others, competition, our failure to effectively market such programmes and services and failure to maintain the quality of our programmes and services. Moreover, we may not be able to (i) identify suitable sites to expand our network of teaching centres; (ii) negotiate acceptable rental terms for new teaching centres; (iii) maintain an efficient and cost effective operation (including adequate management and financial resources); (iv) develop, engage and retain qualified employees and teaching personnel; (v) develop additional education programmes and services in a timely manner; and (vi) attract students and increase course enrollments. As a result of the foregoing, we may not be able to effectively implement our future business strategies and our business, operations and profitability could be materially and adversely affected. In addition, at the initial stage of implementing any expansion plan, we will incur set-up and promotion costs as well as fixed operational costs (such as rentals and staff remunerations). It will also take time for us and our staff to adjust and finalise our strategy and action programmes to generate and satisfy

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the demands of our expected customers. Revenue generated from such expansion plan may not always be in the amounts and timing as we originally plan. It could accordingly result in negative impact on our operational and financial performance.

We plan to expand our operations and business in different geographic locations in Hong Kong. This expansion may result in the recruitment of additional tutors and other teaching personnel. If we are unable to attract, engage and retain such personnel, our business and operations could be materially and adversely affected. Our planned expansion will also place significant demand on maintaining the consistency of our teaching quality to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in our teaching quality.

To further manage and support our growth, we may need to improve our existing operational, administrative and technological systems and our financial and management controls. As such, we cannot assure that we will be able to effectively and efficiently manage the growth of our operations and integrate any new teaching centres, courses and other teaching facilities into our operations. Any failure to effectively and efficiently manage our expansion could materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse impact on our financial condition, results of operations and reputation.

**Our learning platforms rely on technology for lesson delivery through audio-visual systems, pre-recorded videos and viewing lessons on screens and our business may be harmed if we fail to keep up-to-date with technology**

We rely on modern technology to deliver our classes through media including audio-visual systems, pre-recorded videos and viewing lessons on screens. In the event that the technology in respect of our business and class delivery modes rapidly change, there is no assurance that we will be able to replace our existing system and update it in a timely manner. If our competitors adopt new software and technologies in their delivery of education services, we cannot guarantee that our systems will be as advanced or as competitive. This may result in a negative impact on our business and revenue. Further, our method of teaching requires the attendance of students at our teaching centres. If the general mode of learning shifts towards a technology-based distance learning or self-study approach in future, or a disruptive technology or platform that delivers private supplementary education services in an alternative and popular manner is introduced or popularised, there is no assurance that our Group will be able to maintain student enrollments in the face of such developments.

**Our historical dividend payments should not be taken as an indication of our future dividend policy**

For the year ended 31 July 2016, no dividends were declared by our Group. For the year ended 31 July 2015, Beacon College declared a dividend of HK\$45.0 million out of distributable profits and such dividend was settled in full. For the year ended 31 July 2017, a dividend of HK\$75.0 million was declared by the Company. Among the dividends declared, HK\$34.1 million was settled in cash while the remaining was settled by offsetting the amounts due from shareholders of Beacon College. During the five months ended 31

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December 2017, our Group had declared a dividend of HK\$20.0 million. This dividend has been paid. The amount of dividends we may declare and pay will be subject to, among other things, the discretion of our Board, and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition and any other factors which our Directors may consider relevant. Accordingly, the amounts of dividends that we have declared and paid in the past do not indicate the dividends that we may pay in the future.

**Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability**

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. Investors should not rely on our historical results to predict the future performance of our Shares.

**Any exercise of options granted or to be granted under the Share Option Schemes will have a dilutive effect on your shareholding and may result in our issuance of Shares at prices lower than their trading price**

We adopted the Pre-IPO Share Option Scheme on 21 June 2018 and conditionally adopted the Post-IPO Share Option Scheme on 21 June 2018. The maximum number of Shares that may be subscribed for pursuant to the options granted to a service company of a tutor of our Group under the Pre-IPO Share Option Scheme is 5.0% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue (assuming no further Shares are to be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme). Please refer to the paragraphs headed “D. Pre-IPO Share Option Scheme and E. Post-IPO Share Option Scheme” in Appendix IV to this prospectus for details.

We account for all share-based compensation as compensation costs using a fair-value based method, under which the fair value of the options granted on the date of the grant will be charged as an expense on our consolidated statement of comprehensive income over the vesting period. With respect to the Pre-IPO Share Option Scheme, the fair value of options granted is estimated to be approximately HK\$2.4 million, HK\$2.4 million and HK\$3.3 million, for the portions to be vested one, two and three years after the Grant date, respectively. The amount of share-based compensation that is charged to our consolidated statement of comprehensive income for the year ended 31 July 2017 is approximately HK\$2.2 million. This valuation was conducted based on the Black Scholes Model with assumptions on various parameters, such as the expected dividend yield and share price volatility. Due to the limitations of the Black Scholes Model, the result of valuation can vary significantly with changes in the assumptions used and therefore the actual value of an option may differ significantly from its estimated fair value. As the grant of these options will become effective on the Listing Date and the options will vest in three portions with

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one, two and three years after the Grant date. The cost of options granted or to be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme will therefore reduce our profit for the vesting periods after the Listing.

In addition, if any grantees exercise their options under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme, additional Shares will be issued at a price which may be lower than the trading price or fair market value of our Shares at that time. Therefore, your shareholding in our Company is subject to dilution upon exercise of such options.

**We may face regulatory or legal actions or claims of other natures that could interfere with our operations and business**

In the ordinary course of business, we may be named as a party in regulatory or legal actions, claims and disputes in connection with our business activities. These actions may include employment-related claims and contractual disputes or claims for personal injury or property damage or actions by regulatory or tax authorities. While we believe we generally have a satisfactory relationship with our employees, we may nevertheless be subject to the risk of labour disputes and adverse employee relationships. These potential disputes and adverse relationships could result in work stoppage or other events that could disrupt our business operations, which could have a material adverse effect on our business, financial condition or results of operations.

**In respect of our operating lease commitments, the future application of HKFRS 16 “Leases” may materially affect the amounts of right-of-use assets, lease liabilities, rental expense, depreciation and interest expense to be recognised after the adoption of this standard.**

During the Track Record Period, our Group was lessee under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in Note 2.20 of the Accountant’s Report in Appendix I to this prospectus. As at 31 December 2017, our total non-cancellable operating lease commitments amounted to approximately HK\$90.2 million.

During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year beginning on 1 August 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position after the adoption of new standard. This will

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## RISK FACTORS

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affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by change in our lease liability position. In our consolidated statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in Note 2.1 of the Accountant's Report in Appendix I to this prospectus.

### **RISKS RELATED TO OUR INDUSTRY**

#### **Our business is subject to extensive and strict regulatory regime, inspection and supervision by the EDB, which may interfere with the way we conduct our business and may negatively impact our business and results of operations**

The education industry in Hong Kong is subject to extensive government regulations. Moreover, the EDB is empowered to issue and implement regulations governing various aspects of the education industry. As such, we face the risk of intervention by the EDB which could have an adverse impact on our business activities if we are deemed to have been non-compliances with applicable laws and regulations. Extensive regulations and any possible related delays in seeking the appropriate approvals or licences can also significantly delay the implementation of our business expansion plans or establishment of new teaching centres, which could materially and adversely affect our market competitiveness, profitability and prospects. If we fail to obtain or maintain any of these approvals or licences and/or to comply with their terms and conditions, we may be subject to various penalties.

New legislation or changes in the relevant laws and regulations or in their interpretation or enforcement may make it difficult for us to comply with regulatory requirements and in particular how we conduct our business and education programmes. In addition, changes in the rules and regulations could result in limitations on our operation which includes our course delivery modes, the business lines we may conduct, modifications to our business practices or additional costs. If we cannot comply with such regulatory requirements, we may not be able to obtain or maintain the necessary approvals, licences or permits, which may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We face significant competition in each education service we offer and each geographical location in which we operate, and if we fail to maintain our competitiveness, we may lose market share and our profitability could be adversely affected**

The private supplementary education services market in Hong Kong is rapidly evolving, highly fragmented and competitive. Competition is expected to persist and intensify in the near future. We face intense competition in each education service we offer and each district in Hong Kong in which we operate. As a result of such intense competition, our student and/or course enrollments may decrease. In addition, we face competition from many different smaller sized organisations that focus on some of the segments of markets in which we plan to expand such as private supplementary pre-school, kindergarten, primary school and post-secondary school education services, which may be able to respond more promptly to changes in student preferences in these markets. We may need to remain competitive in tuition fees or expend more resources on marketing, facilities upgrade and/or learning support in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our revenue and profitability may decrease. We cannot assure that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitiveness or otherwise respond to market competition effectively, we may lose our market share and our profitability could be adversely affected.

**Protection of intellectual property rights may not prevent third parties and/or our competitors from using our course materials, which could weaken our competitiveness and adversely affect our business and operating results**

Our success depends upon, among other things, the protection of copyrights of our course materials and other intellectual property rights that distinguish our education services from those of our competitors. Our students may disseminate our course materials and lesson handouts through the Internet or other media without our consent. If we fail to prevent the infringement of intellectual property rights, the rights could be diminished and our competitive position could suffer, which could adversely affect our business and operating results.

**Any changes to academic curriculum or structure of secondary schools in Hong Kong could materially and adversely affect our business, financial condition and results of operation**

Following the implementation of the NSS Academic Structure, the EDB might make further changes to the academic curriculum or structure of secondary schools in Hong Kong. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we derived approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, of our revenue from our private supplementary secondary school education services in Hong Kong. As such, any changes to the academic curriculum or structure of secondary schools in Hong Kong could materially and adversely affect our private supplementary secondary school education services, as well as our private secondary day school services in Hong Kong. If the EDB were to make changes to the academic

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## RISK FACTORS

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curriculum or structure of secondary schools which would reduce the demand for private secondary school education services, our business, financial condition and results of operation may be materially and adversely affected.

**Accidents or injuries suffered by our students, our employees or other people at our teaching centres and offices may adversely affect our reputation and subject us to liability**

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017 we operated 18, 18, 19 and 18 teaching centres, respectively for the provision of our private supplementary secondary school education services; private secondary day school services; and ancillary education services and products. Although we maintain property all risks and public liability insurance coverage in respect of any legal liability which may occur as a result of personal injury, fire or other accidents at any of our teaching centres, we could be held liable in the event of personal injuries, fire or other accidents suffered by students, employees or other people that occur at our teaching centres. A successful liability claim against us due to injuries suffered by our students, employees or other people at our teaching centres could adversely affect our reputation and subject us to liability, thereby impacting our financial results. Even if unsuccessful, such claim would likely cause unfavorable publicity, require substantial cost and divert the time and attention of our management.

**Our business may be materially and adversely affected by the declining birth rate**

According to the Euromonitor Report, Hong Kong's annual birth rates had been on the decline for more than 31 years, reaching a low of 7.0 births per 1,000 people in 2003, before a rebound in recent years to reach 13.5 births per 1,000 people in 2011, and dropped to 8.2 per 1,000 people in 2015. Decline in birth rate may reduce the secondary school enrollment. If we are unable to mitigate the negative impact which may result from a smaller secondary school going population, for example, a possible decrease in demand for private supplementary secondary school education services, our Group's operating and financial performance may be materially and adversely affected.

**Our business is affected by changes in the total numbers of secondary school students in Hong Kong**

According to the Euromonitor Report, during the academic year 2010/2011, there were approximately 486,800 secondary school students in Hong Kong whereas during the academic year 2016/2017, the number of students dropped by approximately 26.7% to approximately 356,600. The general decline was likely contributed by demographic changes such as Hong Kong's ageing population. The decrease in number of secondary school students may reduce the total number of students seeking private supplementary secondary school education services in Hong Kong. Any decrease in the total secondary school population could have adverse effects on the private supplementary secondary school education sector and our Group's operating and financial performance.

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## RISK FACTORS

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### **RISKS RELATING TO THE MACROECONOMIC ENVIRONMENT AND HEALTH EPIDEMICS**

#### **Our business is affected by changes in the economic, political and social conditions in Hong Kong**

As we generate income from our business and operations exclusively in Hong Kong, the economic, political and social conditions in Hong Kong, together with the business environment and its development, will have an impact on our business. In addition, Hong Kong's economy and business environment is open to influences from conditions and developments of the world economy as well as the economic and business of other territories relevant to Hong Kong, such as the PRC.

We primarily generate our revenue from tuition fees paid by students enrolling in our courses. The number of course enrollments may depend on the level of disposable income and consumption behaviour of our students or their households. Uncertainty or adverse changes in the economy could lead to a significant decline in disposable income, which, in turn, could result in a decline in our course enrollments. Any decrease in our course enrollments could have a material adverse impact on our operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing our education programmes and services which could have a material adverse impact on our financial condition and operating results.

#### **We face risks related to health epidemics and other outbreaks. Any future outbreak of any communicable diseases in Hong Kong could severely disrupt our business and operations**

Any outbreak of communicable disease in Hong Kong could have a material and adverse effect on the overall business sentiment and economic environment in Hong Kong, which in turn may have a material and adverse impact on domestic consumption in, and possibly the overall GDP growth of, Hong Kong. Any contraction or slowdown in the growth of domestic consumption and possible slowdown in the GDP growth of Hong Kong could adversely affect our prospects, future growth and overall financial condition. In addition, if any of our students, teaching team members or our employees are affected by any communicable disease outbreaks, we may be required to temporarily shut down the affected teaching centres or offices to prevent the spread of the disease. This could adversely affect and/or disrupt our business operations and the relevant facilities and impact our results of operations and financial condition.

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## RISK FACTORS

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### **RISKS RELATING TO THE SHARE OFFER**

#### **There has been no prior public market for Shares in our Company**

Prior to the Share Offer, there has been no public market for any of the Shares. The Offer Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Share Offer. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Share Offer or that the market price of the Shares will not fall below the Offer Price.

#### **The trading volume and market price of Shares in our Company may be volatile**

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

- investors' perception of our Group and our future business plan;
- variation in the operating results of our Group;
- changes to our Group's senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors in our Group's principal market.

#### **Our Company's share price may be affected if additional Shares are issued and/or sold by our Controlling Shareholder(s)**

The disposals of a substantial number of the Shares in the public market after the Share Offer, or the possibility for such disposals, could adversely affect the market price of the Shares. Except as otherwise described in the section headed "Underwriting – Undertakings by our Controlling Shareholders" in this prospectus, there are no restrictions imposed on our Controlling Shareholders to dispose of their shareholdings. Any major disposal of Shares by our Controlling Shareholder(s), may cause downward pressure on the market price of the Shares. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise capital.

#### **Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

Our Directors will constantly seek opportunities to pursue further growth and development of our business. As such growth and costs in relation thereto cannot be predicted at this juncture, the proceeds raised from the Share Offer may not be sufficient to cover them. As a result, secondary issue(s) of securities after the Share Offer may be necessary in the future as a means to obtain the required capital for capturing such growth opportunities.

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## RISK FACTORS

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Shares issued to existing and/or new Shareholders (including any Shares to be granted under the Share Option Schemes) after the Share Offer may be priced at a discount to the then prevailing market price of the Shares traded on the Stock Exchange. Under such circumstances, existing Shareholders' equity interests may be diluted. In the event of any failure to utilise the new equity to generate a commensurate increase in the earnings, the earnings per Share of our Company will be diluted, which may result in a decline in the Share price.

**We may require debt financing, which may not be available on favourable terms or at all**

We may require additional funding due to changes in business conditions, the expansion of our business or potential investments or acquisitions that we may pursue to grow our business. To meet our capital needs we may issue debt securities to obtain additional credit facilities. The issuance of debt securities would increase debt service obligations and could contain restrictive covenants regarding dividends, future fund-raising exercises and other operational and financial matters. Financing may not be available in the amounts or terms favourable to us, if at all. Any failure by us to raise additional funds on terms favourable to us, or at all, could limit our ability to expand our business operations and could affect our overall business prospects.

If any of the events stated above occurs, our Group's growth and profitability of its business may be adversely affected.

### **RISKS RELATING TO THIS PROSPECTUS**

**There is a possibility that forward-looking statements contained in this prospectus may not materialise**

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would", or in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our Group's actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding our Group's present and expected future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our Group's key personnel and changes relating to Hong Kong and global economic and business conditions.

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## RISK FACTORS

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**Certain facts and other statistics contained in this prospectus are derived from various official government and third party sources and may not be reliable**

Certain facts and others statistics contained in this prospectus relating to Hong Kong, the Hong Kong education market and the private supplementary education business have been derived from various official government publications and third party sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

**Reliance on any information contained in press articles or other media regarding our Group and the Share Offer**

From time to time, there are press articles and other publications on our Group and/or our operation and/or our tutors or other teaching staff. For example, there were press articles in various newspapers in March 2018 which reported a lawsuit against our Group and one of our tutors. We cannot preclude publications of such nature being made, which may relate to the same matter or other matters. Our Directors wish to emphasise to prospective investors that they do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media and such information was not sourced from and/or authorised by our Group. Our Group makes no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this prospectus or any announcement published by our Company, our Group disclaims all responsibility of all such information contained in any press articles or other media and all liability associated therein. Accordingly, prospective investors should not rely on any of the information in any press articles or other media. Adverse media speculation, claims and other public statements as mentioned above or of other nature in relation to our Group, our business and operations and our tutors, etc. may adversely affect the value of the Offer Shares or distract management from their day-to-day management responsibilities.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains statements that are, or may be deemed to be, “forward-looking statements”. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our Group’s intentions, beliefs or current expectations concerning, among other things, our Group’s business, business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, financial position, liquidity, prospects and other matters.

These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would”, or in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditures, cash flows, working capital, liquidity and capital resources involve a number of risks, uncertainties and other factors, some of which are beyond our control, that may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance to differ materially from those in the forward-looking statements include, among others, the following:

- our business prospects;
- future development, trends and conditions of our industry;
- the competitive markets for our services and the actions and development of our competitors;
- financial condition and performance;
- general political and economic conditions;
- expansion or consolidation or other trends in our industry;
- our ability to successfully implement our business plan and strategies;
- our ability to obtain or extend the terms of the licences necessary for the operation of our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors;

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## FORWARD-LOOKING STATEMENTS

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- other factors discussed in sections headed “Risk factors”, “Business” and “Financial information”;
- our ability to engage and retain our teaching and non-teaching staff; and
- the actions and developments of our competitors.

Forward-looking statements may and often do differ materially from actual results. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our Group’s business. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of 12,500,000 Shares initially offered and the Placing of 112,500,000 Shares initially offered (subject, in each case, to reallocation on the basis under the section headed "Structure and conditions of the Share Offer" in this prospectus).

The Listing is sponsored by the Sole Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price being entered into between our Company and the Sole Bookrunner (on behalf of the Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (on behalf of the Underwriters) and our Company on Saturday, 7 July 2018.

If, for any reason, our Company and the Sole Bookrunner (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Saturday, 7 July 2018, the Share Offer will not proceed and will lapse.

### **RESTRICTIONS ON OFFERS AND SALES OF SHARES**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each of such jurisdictions.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, Sole Bookrunner, the Underwriters, and any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required to confirm, and is deemed by his/her/its acquisition of the Offer Shares to confirm, that he/she/it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and upon the exercise of options granted under the Share Option Schemes.

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 13 July 2018. Except for our pending application to the Stock Exchange for the listing of, and permission to deal in, the Shares, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought on any other stock exchange in the near future.

Under Section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **SHARE REGISTRARS AND STAMP DUTY**

Our Company's principal register of members will be maintained in the Cayman Islands by the Cayman Islands Share Registrar and a branch register of members will be maintained by the Hong Kong Share Registrar, in Hong Kong. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in the Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in the Shares. We emphasise that none of our Company, the Sole Sponsor, Sole Bookrunner, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, or dealing in, the Shares or exercising any rights attached to them.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect their rights, interests and liabilities, investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out under the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out under the section headed "Structure and conditions of the Share Offer" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one, two or three decimal points. Any discrepancies in this prospectus and the Application Forms between totals and sums of individual amounts listed in any table are due to rounding.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 13 July 2018. Shares will be traded in board lots of 4,000 Shares each.

The stock code for the Shares is 1775.

Our Company will not issue any temporary documents of title.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Leung Ho Ki, June (梁賀琪)	46A Block 8, One Silversea 18 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Tam Wai Lung (談惠龍)	46A Block 8, One Silversea 18 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Chan Tsz Ying, Wister (陳子瑛)	Flat H, 40/F, Block 1 Grand Yoho 9 Long Yat Road Yuen Long New Territories Hong Kong	Chinese
Mr. Li Man Wai (李文偉)	Flat A, 33/F, Block 2 Discovery Park 398 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Dr. Shen Xu Hui (沈旭暉)	Flat GH29A, 1/F, Block 29 Forest Hill 31 Lo Fai Road Tai Po New Territories Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Kwan Chi Hong (關志康)	Flat E, 1st Floor The Notting Hill 1 Tung Shan Terrace Stubbs Road Hong Kong	Chinese
Mr. Li Kai Sing (李啟承)	Unit A, 2/F, Tower 11 Deerhill Bay Tower 4699 Tai Po Road Tai Po New Territories Hong Kong	Chinese
Professor Wong Roderick Sue Cheun (王世全)	Flat A, 7/F., Village Gardens 19 Fa Po Street Kowloon Tong Kowloon Hong Kong	Canadian

Further information of the above Directors is disclosed in the section headed “Directors and senior management” in this prospectus.

### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	VMS Securities Limited 49/F, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Sole Bookrunner</b>	VMS Securities Limited 49/F, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Joint Lead Managers</b> ( <i>in respect of the Placing only</i> )	VMS Securities Limited 49/F, One Exchange Square 8 Connaught Place Central Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Auditor and Reporting Accountant</b>	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong
<b>Independent Industry Consultant</b>	Euromonitor International Limited 60-61 Britton Street London EC1M 5UX United Kingdom
<b>Independent Internal Control Consultant</b>	Corporate Risk Advisory Services Limited Suite F, 14th Floor Neich Tower 128 Gloucester Road Wanchai Hong Kong
<b>Receiving Banker</b>	DBS Bank (Hong Kong) Limited 11/F, The Center 99 Queen's Road Central Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head Office and Principal Place of Business in Hong Kong</b>	Units 01-03 & 05-06, 12/F CDW Building 388 Castle Peak Road Tsuen Wan New Territories Hong Kong
<b>Company's Website</b>	<b><u><a href="http://www.bexcellentgroup.com">www.bexcellentgroup.com</a></u></b> <i>(information contained in this website does not form part of this prospectus)</i>
<b>Company Secretary</b>	Mr. Choi Shing Wai, CPA Units 01-03 & 05-06, 12/F CDW Building 388 Castle Peak Road Tsuen Wan New Territories Hong Kong
<b>Authorised Representatives</b>	Ms. Leung Ho Ki, June 46A Block 8, One Silversea 18 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong  Mr. Choi Shing Wai, CPA Units 01-03 & 05-06, 12/F CDW Building 388 Castle Peak Road Tsuen Wan New Territories Hong Kong
<b>Audit Committee</b>	Mr. Li Kai Sing ( <i>Chairman</i> ) Mr. Kwan Chi Hong Professor Wong Roderick Sue Cheun

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Mr. Kwan Chi Hong ( <i>Chairman</i> ) Professor Wong Roderick Sue Cheun Mr. Li Kai Sing Mr. Tam Wai Lung Mr. Li Man Wai
<b>Nomination Committee</b>	Ms. Leung Ho Ki, June ( <i>Chairman</i> ) Professor Wong Roderick Sue Cheun Mr. Kwan Chi Hong Mr. Li Kai Sing Mr. Tam Wai Lung
<b>Cayman Islands Principal Share Registrar and Transfer Office</b>	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Branch Share Registrar and Transfer Office in Hong Kong</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance Adviser</b>	VMS Securities Limited 49/F, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Principal Banker</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

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## INDUSTRY OVERVIEW

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*The information that appears in this “Industry Overview” section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information contained in this “Industry Overview” section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this “Industry Overview” section has not been independently verified by our Group, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, advisers and agents nor any other party involved in the Share Offer (other than Euromonitor) and no representation is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.*

### REPORT CONDUCTED BY EUROMONITOR

We commissioned Euromonitor, an independent market research and consulting company, to conduct an analysis of, and to report on the market for private supplementary education services and private secondary day schools in Hong Kong for the period from 2012 to 2021. Euromonitor is a global research organisation established in 1972, providing strategic research on consumer and industrial markets. The information and analysis contained in the Euromonitor Report was assessed independently by Euromonitor, which is not connected to our Group in any way. Euromonitor charged us a total fee of US\$98,525 for the preparation and the use of the Euromonitor Report, which our Directors consider to reflect market rates.

The following assumptions are used in the Euromonitor Report: (i) Hong Kong’s economy is expected to maintain steady growth over the forecast period; (ii) Hong Kong’s social, economic and political environment is expected to remain stable during the forecast period; (iii) key market drivers such as school-age population growth rates, increase in per capita disposable income, continued emphasis on education, and resources committed to the educational budget are expected to boost the development of the Hong Kong education market; and (iv) key drivers including Hong Kong’s rising disposable income, increased spending on education among families and the expansion of groups consuming higher education are likely to drive the future growth of Hong Kong’s education market.

Based on the review and analysis of the above basis and assumptions, nothing has come to the attention of our Directors and the Sole Sponsor to indicate that such information is misleading. As at the Latest Practicable Date, our Directors confirm that to the best of their knowledge and information and taking reasonable care, there is no adverse change in the market information since the date of the Euromonitor Report, which may qualify, contradict or have an impact on the information in this section.

## INDUSTRY OVERVIEW

### OVERVIEW OF THE EDUCATION SYSTEM IN HONG KONG

#### *Education structure*

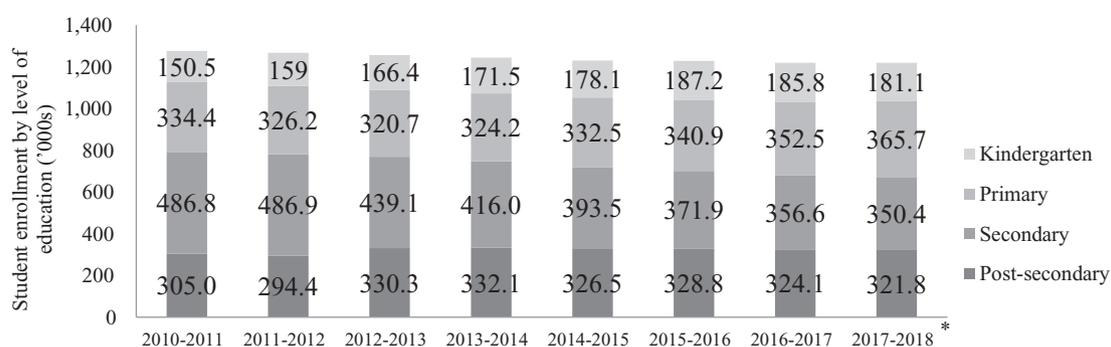
The Education Bureau is the governing authority in charge of the overall planning of education policies, as well as the coordination and management of various kinds and different levels of education in Hong Kong. It outlines the administrative policies for schools during each school year.

The government funds 12 years of free public education which include six years of primary education and six years of secondary education. After which there are several flexible pathways to post-secondary education. These include publicly funded programmes, self-financing local programmes, performing arts programmes, continuous learning programmes and academic research. Students are required to apply for admission to institutions with their HKDSE exam results.

#### *Decline in student enrollment is attributed to declining birth rate*

A slight decline in student enrollment was experienced during the historical period (i.e. 2012 – 2016). The general decline was likely contributed by demographic changes with Hong Kong faced with an ageing population, which was brought about by declining birth rate. It is increasingly common for young couples to place greater focus on their career advancement and financial stability. Another reason for the low birth rate also include the high cost of living in Hong Kong. In 2016-2017, the secondary student enrollment continued to fall by -4.1% to 356,600. Nonetheless, the enrollment figures may improve in 2018/19 due to the improvement of birth rates from 2004 to 2011. The improving birth rates have witnessed the increase in the kindergarten student enrollment which has experienced an year on year increment from 150,500 in 2010-2011 to 185,800 in 2016-2017.

**Student Enrollment by Level of Education, Historical (2010-2018)**



\* provisional figures

Sources: School Education Statistics Section, Education Bureau, Further and Higher Education Branch, Education Bureau, University Grants Committee

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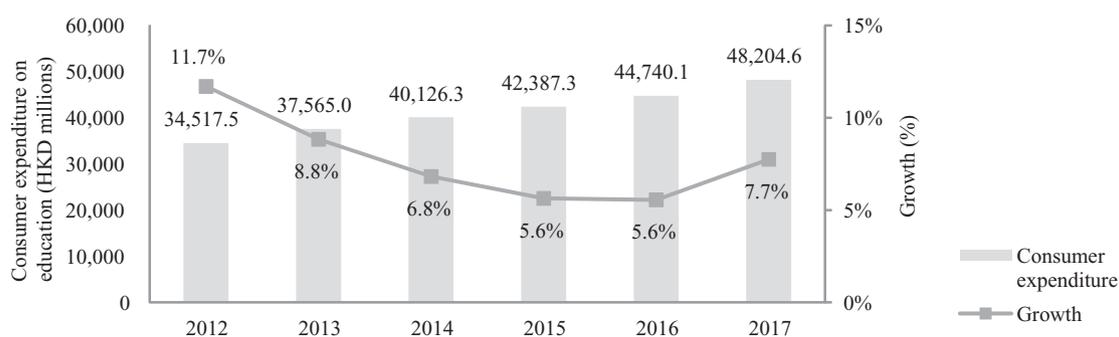
## INDUSTRY OVERVIEW

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### *High levels of consumer expenditure on education*

Investments in education have continued to keep pace despite the slower growth in the economy in 2016, reflecting strong demand for educational services. Educational services are highly regarded in Hong Kong as they are seen to promote social mobility, with parents viewing educational opportunity as the road to success for their children. Consumer expenditure on education during the historical period increased at a CAGR of approximately 6.9%, from approximately HK\$34,517.0 million in 2012 to HK\$48,204.0 million in 2017. This rate was higher than the growth rate in GDP for the same period, reflecting the education industry's strong position relative to the wider Hong Kong market.

**Consumer Expenditure on Education, Historical (2012-2017)**



Source: Euromonitor Passport data – Economies and Consumers 2018

### **INDUSTRY OVERVIEW OF PRE-PRIMARY EDUCATION IN HONG KONG**

Kindergartens provide core part of pre-primary education (nursery, lower and upper classes) for children from three to six years old. All kindergartens in Hong Kong are privately run, owned either by charitable organisations or private enterprises. While most kindergartens have half-day classes, there is a growing demand for whole-day classes to cater to the childcare needs of the dual-earning families in Hong Kong. The curriculum usually covers four key aspects namely Physical Development, Cognitive and Language Development, Affective and Social Development and Aesthetic Development with the objective to cultivate learning at a young age.

With an intense emphasis on education, it is common for parents to enroll children in kindergartens as well as supplementary pre-primary classes to give them a head start in the learning journey. Supplementary pre-primary classes include interview admission training, music, language, and other interest courses that help children learn, discover and expand their skills.

The cost of sending children to kindergarten is on the rise. In 2015/16 school year alone, the Education Bureau reported an average tuition fee increase of 8.3%. Salary adjustments, improving teacher-to-pupil ratio, improving school facilities, school credentials are some contributors to the fee hike. While the pre-primary education is not free, families with needs are able to apply for fee assistance under the Kindergarten and Child Care Centre Fee Remission Scheme to help defray the kindergarten expenses.

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## INDUSTRY OVERVIEW

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According to the official website of EDB, there are 1,014 kindergartens in Hong Kong in 2016/17. This represents a 6% growth from 2012/13. The increase in the number of kindergartens has also helped accommodate the increase in the student enrollment which has grown by 11.7% from 2012/13 to 2016/17.

The demand for kindergarten education and related pre-primary education supplementary courses is expected to stay strong in the forecast period as the learning journey of a child will only intensify and start earlier than before. Apart from the local community, the large expatriate community as well as mainland Chinese parents are likely to continue fuelling the demand for pre-primary education in Hong Kong.

### **INDUSTRY OVERVIEW OF PRIVATE SECONDARY DAY SCHOOLS IN HONG KONG**

The role of private secondary day school operators is to be able to provide students who, for various reasons, have left school after completing only primary or junior secondary school education, or were unsuccessful in secondary school studies at a young age, or students who wish to retake their HKDSE examinations, with a range of choices to pursue further education. Additionally, private operators are more flexible and responsive in meeting the diversified needs of students to ensure that a second learning opportunity can be provided to these students.

#### ***Market overview***

Enrollment rates for private secondary day school students decreased at a CAGR of -9.0% from 5,600 students to 3,848 students between 2012 and 2016. Apart from the slower growth of the private secondary day school attending population and declining birth rates, the implementation of the new academic structure resulted in fluctuations in enrollment rates for private secondary day schools. HKCEE was administered to its last cohort of repeat private candidates in 2011, accounting for a significant decrease in enrollments for private secondary day schools from 2012. The decline repeated for private secondary day schools from 2014 when HKALE was administered to its last cohort of repeat private candidates in 2013.

As there are likely to be more alternatives to HKDSE qualification available, demand for private secondary day schools is likely to be constrained in the forecast period. The market for private secondary day schools is estimated to shrink with lower student enrollment of 3,650 and reduced number of schools to 54 outlets by 2021. Market revenue is estimated to decrease at a CAGR of -0.7% in the forecast period to reach HK\$107.9 million in 2021.

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## INDUSTRY OVERVIEW

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### Student Enrollment, Outlet Count and Revenue for Private Secondary Day Schools, Historical (2012-2016) and Forecast (2017F-2021F)

	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F	2021F	CAGR 2012-16	CAGR 2017-21
<b>Private Secondary Day Schools</b>												
Student enrollment ('000s)	5.6	5.4	4.5	4.7	3.8	3.8	3.7	3.7	3.7	3.7	-9.0%	-0.8%
Number of outlets	73	71	69	66	64	62	60	58	56	54	-3.2%	-3.4%
Revenue (HK\$ mn)	155.1	152.4	129.6	136.9	113.0	110.8	109.7	108.8	108.1	107.9	-7.6%	-0.7%

*Source:* Euromonitor estimates after desk research and trade interviews with a sample of private secondary day school operators in Hong Kong

#### **Market trends**

*Key driver: Recognition of HKDSE qualifications in the workplace*

Many employers in Hong Kong include qualifications such as HKDSE as a requirement for staff recruitment. Various other qualifications from continuing education programmes such as the Diploma Yi Jin (DYJ), formerly known as Yi Jin Diploma<sup>1</sup>, might not be appreciated by employers and might still be insufficient for admission to local or overseas tertiary institutions. This drives demand for the provision of education in parallel with secondary-level educational curricula so that students can have a second opportunity to obtain the HKDSE qualification.

Given the importance of the HKDSE qualification, private secondary day schools provide additional opportunities for those who have attained education below secondary levels or students who want to retake these examinations. With the implementation of the new academic structure in 2010, public schools no longer admitted Secondary 5 students who failed to obtain Secondary 6 places after the 2010 HKCEE. As much as public schools were encouraged to make use of the approved 5% repeater quota computed on a whole school basis during the transition phase, there was still insufficient space for repeat candidates to remain in mainstream schools. Private secondary day and evening schools hence stepped in to cater to the remaining demand, offering classes to prepare Secondary 5 repeaters for re-taking the 2011 HKCEE as private candidates. Even though change was temporary, private secondary day schools still maintain relevance in being able to provide alternative options for students.

<sup>1</sup> The Diploma Yi Jin was introduced in academic year 2012/2013 as a replacement of the former Project Yi Jin. It aims at providing an alternate pathway for Secondary 6 school leavers as well as adult learners to obtain a formal qualification for the purposes of further study and employment. This diploma serves as a bridge between secondary and tertiary education and provides a route for those who had completed secondary education in Hong Kong with unsatisfactory results and those mature students who are 21 or older to obtain a formal qualification for both employment and continuing education purposes.

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## INDUSTRY OVERVIEW

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### *Key constraint 1: Low secondary school enrollment*

Enrollment for private secondary day and evening schools is affected by the total number of secondary school students in Hong Kong. The low birth rate in Hong Kong has led to a persistently lower secondary school enrollment rate, and therefore a lower number of candidates for the HKDSE Examinations. Since the HKDSE Examinations are graded on a bell curve, this leads to a lower number of annual candidate failures, and in turn a lower number of students who have failed and are willing to retake the HKDSE. This naturally impacts the demand for private secondary day schools' services and curriculum tailored towards students who wish to retake the HKDSE examination.

### *Key constraint 2: Hong Kong educational reforms*

The Hong Kong government's educational reforms have impacted the number of students who have failed and are willing to retake the HKDSE Examinations. While the percentage of students failing each year is roughly constant, as the HKDSE Examinations are graded on a bell curve, not all students who fail the HKDSE Examinations will want to retake the exam. This is in part due to the increase in alternative pathways for students who have failed the HKDSE Examinations. For example, these students now have a choice to either retake the HKDSE Examinations, take the Diploma Yi Jin, join the Youth Pre-employment Training Programme or enroll in the Youth Work Experience and Training Scheme.

Alternatively, students and parents can also seek for alternative qualifications and pathways for academic advancement. Instead of sitting for HKDSE Examinations, students may enroll in the International Baccalaureate Diploma programme. Students enrolling in these programmes would further reduce the pool of students who enroll for the HKDSE Examinations, and therefore, reduces the number of students who retake the HKDSE Examinations. As a result, these constraints are expected to keep the growth in the private secondary day and evening schools sector relatively stagnant in the forecast period.

### *Competitive Landscape*

As of February 2017, there were approximately 64 private secondary day schools (inclusive of their branches), excluding the private independent scheme schools and international schools. The major players include (in alphabetical order) Assembly of God Morrison College, Beacon College, Betterment College, Maria College, Modern Day School, Oasis College, Queen's College Old Boys Association, St Gloria College, Times College, and Tsung Tsin Middle School. Most of them have one centre in Hong Kong and they offered day or/and evening private classes of various secondary subjects.

Based on private secondary day school enrollment rates alone, the market share of the top 10 schools constitutes approximately 37.4%, while other players share a fragmented 62.6% market share. There was no significant new entrant in the last three years (2014-2017).

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## INDUSTRY OVERVIEW

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### Top 10 Private Secondary Day School Operators Based on Student Enrollment (as of February 2017)

Private Secondary Day School Operators	Number of Centres	Background (Sessions/Region)	Number of Students Enrolled <sup>(Note)</sup>	Market Share
Beacon College	2		467	12.1%
Player A	1	AM, Kowloon	288	7.5%
Player B	1	AM & PM, Kowloon	242	6.3%
Player C	2	AM & PM, Hong Kong Island, Kowloon	136	3.5%
Player D	1	AM, PM & Evening, Hong Kong Island	130	3.4%
Player E	1	AM & PM & Evening Kowloon	60	1.6%
Player F	1	AM, Kowloon	44	1.1%
Player G	1	AM & PM, Kowloon	28	0.7%
Player H	1	AM & PM & Evening, Kowloon	23	0.6%
Player I	1	AM & PM, Hong Kong Island	20	0.6%

*Note:* Student enrollment is based on the number of students enrolled in secondary day courses for the academic year starting from mid-Aug 2016 to mid-Aug 2017.

*Source:* Euromonitor estimates after desk research and trade interviews with a sample of private secondary day school operators in Hong Kong

\*\* The market ranking data reported above was determined via a fieldwork programme consisting of desk research and trade interviews. While audited data was available for some of the institutions, they typically do not break the enrollment numbers which were covered in this study. For these institutions as well as those that are included in the market rankings but are not publicly listed, we have estimated the enrollment numbers based on estimates provided by various trade sources (i.e. not just the schools themselves) and seeking a consensus on these estimates as much as possible.

#### *Importance of reputation*

Reputation is a key differentiator among private secondary day schools. Reputation is augmented by a long history, a consistent track record and aggressive marketing. The first two factors would not be attainable for new entrants, while the third point may require substantial financial resources to achieve. With bigger players in this sector able to aggressively attract prospective students, new entrants will find it even harder to break into the industry.

#### *Scarcity of resources is key constraint*

Barriers to entry for private secondary day schools are relatively high with the challenge for potential applicants to obtain a school location of suitable size in land-scarce Hong Kong. This creates a bottleneck for the expansion of more private secondary day schools. Applicants also need to identify a suitable pool of qualified teaching staff to cater to the different levels of education and obtain a 'Certificate of Registration of a School'

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## INDUSTRY OVERVIEW

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from the Education Bureau in Hong Kong. Beyond the problems of high school operating costs from land acquisitions, entrants must also compete with more reputable and financially endowed incumbents to attract qualified teaching professionals, a basic requirement for any educational institution.

### INDUSTRY OVERVIEW OF PRIVATE SUPPLEMENTARY SECONDARY EDUCATION CENTRES IN HONG KONG

Private supplementary secondary school education services play a role which is supplemental to regular schools. They supplement what students have learnt in public, regular day schools, helping them revise their daytime lessons and deepen their understanding of underlying concepts or theories through drills and exercises.

#### *Market Overview*

Enrollment for private supplementary secondary school education services experienced a decline at a CAGR of -5.8% from 204,223 students in 2012 to 161,101 students in 2016. This was due to the declining birth rates that attributed to the overall decline in the number of secondary school attending students in the historical period (2012 – 2016).

However, the Census and Statistics Department of Hong Kong reported an improvement in birth rates from 2004 to 2011 which is likely to abate the expected decreasing trend for secondary school student enrollment in the forecast period in the light of the potential growth in secondary student population. The student enrollment is expected to increase at a CAGR of 5.0% to reach 194,622 students in 2021.

Demand for private supplementary secondary school education services will remain resilient as the result-oriented culture continues to prevail. Coupled with the competition for limited university places and parental anxiety, more students are expected to reach out to private supplementary secondary school education services to help improve their school grades. The number of private supplementary secondary school education centre outlets is likely to increase in the forecast period to cater to the strong demand. Market revenue is expected to grow at a CAGR of 5.7% in the forecast period to reach HK\$1.3 billion in 2021.

### Student Enrollment, Outlet Count and Revenue for Private Supplementary Secondary School Education Centres, Historical (2012-2016) and Forecast (2017F-2021F)

Private Supplementary Secondary School Education Centres	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F	2021F	CAGR 2012-16	CAGR 2017-21
Student enrollment ('000s)	204.2	184.2	180.3	170.8	161.1	160.3	162.7	169.2	180.2	194.6	-5.8%	5.0%
Number of outlets	841	875	906	938	972	982	991	1000	1010	1018	3.7%	0.9%
Revenue (HK\$ mn)	1,030.8	985.4	1,024.5	1,022.7	1,011.1	1,031.3	1,062.3	1,110.1	1,187.8	1,288.7	-0.5%	5.7%

*Source:* Euromonitor estimates after desk research and trade interviews with a sample of private supplementary secondary school education operators in Hong Kong

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## INDUSTRY OVERVIEW

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### *Market trends*

#### *Key driver 1: Examination-oriented school culture*

The cut-throat competition for examination, and by extension, career success has spawned the development and growth of these private supplementary secondary school education services. While the initial audience for private supplementary secondary school education services targeted academically weaker students, it has since evolved to cater to students whose academic performance is already good yet who want to maintain their competitive edge. The obsession to obtain good examination performances is in part driven by the limited number of degree places in Hong Kong every year. Parents and students are willing to spend on private supplementary secondary school education services as they are taught the techniques and strategies which are not available in regular school settings, since public school teachers arguably do not have the comparable resources to do so. Additionally, the shift from two to one public examinations due to the implementation of the NSS System in 2009/10 has further accelerated the explosion of students engaging in private supplementary secondary school education services as they experience much more pressure with only one chance in succeeding at their secondary school education. Since the HKDSE Examinations are graded on a bell curve, parents and students also face societal and peer pressure to engage private tutors, lest they feel they are not able to keep up with their peers.

#### *Key driver 2: Emergence of one-child families*

The average household size in Hong Kong remains low at 2.8 in 2016. It is common for families to have one child only. The rise of one-child families has enabled parents to focus more on their single child, as opposed to dividing their investments and resources amongst additional children. Given the prevailing culture and emphasis on examination success in Hong Kong, parents are more willing to spend on their only child's education, for example by enrolling them in private supplementary education classes.

A possible reason for the rise of one-child families is the rising cost of living in Hong Kong. This has also led to an increasing number of families with two working parents. Therefore, many working parents also turn to private supplementary education centres to provide a safe place for their children to study after school. Their rising disposable incomes (due to having two providers in the family) also increases their willingness to invest in additional private supplementary education classes for their children.

#### *Key driver 3: Successful track record of private education centres*

Private education centres and tutors who have proven track records of helping students improve their examination grades are key drivers of demand. Private education centres and tutors who provide the best learning tools and resources (e.g. comprehensive notes summarising key knowledge points, shortcuts for solving exam problem sets), and who are able to provide accurate predictions of future examination trends (e.g. branded 'star tutors') are able to command higher prices in the market. The repositioning of private education centres as a possible source of insider information regarding examination questions, as

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## INDUSTRY OVERVIEW

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opposed to the more traditional purpose of improving the innate test-taking abilities of the student, has led to a heightened interest and demand for education services, particularly from students who did not previously require the services of private centres.

Compared to regular public secondary schools' rigid curricula, insufficient academic guidance and tight study schedules, private education centres cater more effectively to each student's individual learning needs and preferences. They offer a different learning environment where students may have more leeway to ask questions, debate or even interact with their classmates. It is also common for supplementary education centres to provide tailor-made notes highlighting relevant skills and tips needed in the examinations.

### *Key constraint 1: Availability of substitutes for private education services*

The emergence of alternative options for students seeking to improve their academic performance has limited the growth in the private secondary education market. For example, there is a rising trend of one-on-one tuition, which enables tutors to tailor their classes to each individual student. Students and parents seem to value the flexibility that one-on-one tuition brings, as some students may only want teachers to teach them specific topics scattered in varying chapters and years. Large-scale education centres are unable to offer this flexibility due to the sheer size of each class. A second example of a substitute to private education centres is the advent of online learning in the past 10 years, which has allowed students to look for information and solutions from online sources such as YouTube. Certain YouTube channels such as Khan Academy provide educational videos on a wide variety of secondary school subjects for students looking to supplement or refresh their learnings from class.

### *Key constraint 2: Low secondary school enrollment rates*

Similar to private secondary day and evening schools, the growth in private education services depends on the total number of secondary school students in Hong Kong. The low birth rate in Hong Kong has led to a decrease in the number of secondary school students. This has impacted the overall potential market demand for secondary education services as well.

### ***Competitive Landscape***

The private supplementary secondary school education market in Hong Kong is rapidly evolving, highly fragmented and competitive, with competition expected to persist and intensify in the near future. As of February 2017, there was a total classroom seating capacity of approximately 17,493 students in Hong Kong. Of this total, the top 10 private supplementary secondary school education centres captured an approximately 63.5% share.

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## INDUSTRY OVERVIEW

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Beacon College was the market leader with an approximately 20.3% of the total market share in terms of size of classroom seating capacity. Beacon College was also the market leader in terms of number of teaching centres, courses and tutors as of February 2017. At the same time, the industry is also experiencing consolidation among existing operators as those unable to attract enough prospective students will have to close their centres or branches, or enter into a partnership with other bigger centres.

### Top 10 Private Supplementary Secondary School Education Centres Based on Classroom Seating Capacity (as of February 2017)

Private Supplementary Secondary School Education Centres	Number of Teaching Centres	Number of Courses <sup>(Note)</sup>	Number of Tutors	Size of Classroom Seating Capacity	Market share (%)
Beacon College	14	64	46	3,551	20.3
Player J	12	25	43	2,395	13.7
Player K	11	45	41	1,761	10.1
Player L	8	15	11	774	4.4
Player M	12	9	29	745	4.3
Player N	13	38	20	706	4.0
Player O	9	35	29	473	2.7
Player P	5	13	7	300	1.7
Player Q	4	7	7	272	1.6
Player R	4	7	12	135	0.8

*Source:* Euromonitor estimates after desk research and trade interviews with a sample of private supplementary secondary school education centre operators in Hong Kong

*Note:* Number of courses is based on the number of course titles offered by a school which included Intensive, Summer, English, One Day, Intensive and Mock Exam courses

\*\* The market ranking data reported above has been determined via a fieldwork programme consisting of desk research and trade interviews. While audited data was available for some of the institutions, they typically do not break the enrollment numbers which were covered in this study. For these institutions as well as those that are included in the market rankings but are not publicly listed, Euromonitor have estimated the enrollment numbers based on estimates provided by various trade sources (i.e. not just the schools themselves) and seeking a consensus on these estimates as much as possible.

#### *Engagement of quality tutors*

The reputation of private supplementary secondary school education operators is built upon the experience and qualifications of the tutors, which in part is affected by the exam-oriented teaching strategies employed by these individual tutors. The bigger operators are able to help market and advertise their tutors and present compelling numbers to support their assertions to help students excel on the standardised tests. In order to maintain consistency in teaching pedagogy, senior tutors of the same operator form alliances with

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## INDUSTRY OVERVIEW

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newly engaged tutors with similar qualifications to provide more courses. Recordings by senior tutors would be done and shared with these newly engaged tutors so that they gain experience over time and benefit from the resources of the senior tutors.

### *Aggressive marketing campaigns*

The success of most private supplementary secondary school education centres is due to the massive and outstanding advertising campaigns conducted by private supplementary secondary school education centres. Operators with bigger financial capacity are able to help market and advertise their tutors and present compelling numbers to support their claims to help students excel on the standardised tests. Some advertisements emphasize on the professional background of certain tutors or use the concept of getting top grades in public examinations as well as tips on exam questions to attract students. Further, as some of these private supplementary secondary school education centre operators also run private secondary day schools with government accreditation, schools often encourage students to attend tutorials as well, offering scholarships or bursaries.

### *Practical, exam-oriented content and materials*

Exam-oriented teaching strategies are often marketed as the selling point for most private supplementary secondary school education centres. Tutorial notes are entirely edited by the course tutors themselves and are distributed exclusively to students who enroll in their private supplementary education classes. A huge part of the notes consists of discussion on past examination papers or sample examination questions, and this is deemed by many students to be more useful in the context of acing an examination than standard textbook materials in regular day schools. For instance, for notes regarding hot topics for composition and essays, apart from model compositions written by the course tutors themselves, a great deal of supplemental explanation of sentences, phrases and vocabulary in the passages is also found. These often cannot be found in standard textbooks used by regular day schools and teachers often do not have time to cover those tips.

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## REGULATORY OVERVIEW

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### Regulations relating to school registration

In Hong Kong, every school should observe the Education Ordinance (Chapter 279 of the Laws of Hong Kong) and the subsidiary regulations.

According to the Education Ordinance, a “school” means an institution, organisation or establishment which provides for 20 or more persons during any one day or eight or more persons at any one time, any nursery, kindergarten, primary, secondary or post-secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services.

The Education Ordinance provides that an application for registration of a school shall be made to the Permanent Secretary for Education (the “**Permanent Secretary**”) in the specified form and accompanied by the documents specified in such form. If the school is to be operated in or in any part of any premises which are not designed and constructed for the purposes of a school, additional documents should be provided to obtain clearance from various government departments, including the Planning Department, the Lands Department, the Fire Services Department, the Buildings Department and the Housing Department.

A “Certificate of Provisional Registration of A School” will be issued to a school for a period not exceeding 12 months, as the Permanent Secretary thinks fit, before an application for registration is determined. The Permanent Secretary may extend the period of provisional registration of a school for a further period not exceeding 12 months at a time, as he thinks fit. A “Certificate of Registration of A School” will only be issued to a school which has met the requirements or recommendations issued by the Education Bureau and other relevant government departments.

Any person who is an owner or a teacher in a school which is not registered or provisionally registered or any person who manages or takes part in the management of a school which is not registered or provisionally registered shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000 and to imprisonment for two years. The Permanent Secretary may by order in writing close any premises of a school which is not registered or provisionally registered.

No school shall operate in any premises other than the premises specified in the “Certificate of Provisional Registration of A School” or “Certificate of Registration of A School”. The Permanent Secretary and any inspector of schools may enter and inspect any premises which the Permanent Secretary has reason to suspect are being used for the purposes of a school which is not registered or provisionally registered. The Permanent Secretary may, if a school is operating in any premises which is not specified in the certificate of registration or provisional registration of the school, by order in writing close such premises.

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## REGULATORY OVERVIEW

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### **Management of schools without an incorporated management committee**

Every school without an incorporated management committee shall be managed by its management committee, which consists of managers of the school. Managers of a school have to be registered with the EDB. The management committee is responsible for ensuring that (i) the school is managed satisfactorily; (ii) the education of the pupils is promoted in a proper manner; and (iii) the Education Ordinance is complied with. The supervisor of a school who is also a manager of the school is responsible for communicating with the Permanent Secretary or any public officer concerning the management of the school on behalf of the school.

### **Teachers**

In Hong Kong, no person shall teach in a school unless he is a registered teacher or a permitted teacher. An application for registration of a teacher shall be made to the Permanent Secretary in the specified form and accompanied by the documents specified in such forms. The Permanent Secretary shall issue to the applicant a certificate of registration in the specified form. Within one month after the registration or provisional registration of a school, the management committee shall recommend for approval by the Permanent Secretary a teacher of the school to be the principal. The principal of a school shall, subject to the directions of the management committee, be responsible for the teaching and discipline of the school and for such purposes shall have authority over the teachers and pupils of the school. The management authority of a school may apply to the Permanent Secretary to employ a person as a permitted teacher if the management authority is of the opinion that no suitable registered teacher is available for employment as a teacher in a school. Qualifications required of a permitted teacher vary with the type of educational courses. The appointment of any teacher who is to be employed in the school to occupy a teacher post in the establishment of staff provided for in the code of aid for primary schools, code of aid for secondary schools or code of aid for special schools or for a term for not less than 6 months shall be approved by the majority of the managers of the school.

### **Fees and collections**

Upon registering a school with the EDB, the Permanent Secretary shall cause the name and address of the school, the name of the supervisor of the school and the particulars of the inclusive fees to be printed on the fees certificate to the management authority. No management authority, manager or teacher shall charge or accept payment of any money or any school fees other than the inclusive fees as printed on the fees certificate. No change in the inclusive fee shall be made without the approval of the Permanent Secretary. The inclusive fees shall be calculated on an equal monthly basis and collected on or after the first school day of each month of the period during which the educational course is conducted. A management authority may require the firstly monthly instalment to be paid not earlier than one month before the commencement of the educational course. The fees certificate shall be kept conspicuously exhibited at a prominent position in the school. Any person who is guilty of an offence under these regulations shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for one year.

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## REGULATORY OVERVIEW

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### **Accommodation certificate**

In any school providing primary, secondary or post-secondary or any other educational course, not more than 45 students shall be taught at one time by one teacher, except in special cases with permission from the Permanent Secretary. In respect of a school without an incorporated management committee, the supervisor and principal of the school who is guilty of the offence shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for one year.

The accommodation certificate specifying the maximum number of student permitted shall be prominently displayed in that room. In respect of a school without an incorporated management committee, the supervisor and principal of the school who is guilty of the offence shall be liable on conviction to a fine of HK\$250,000 and to imprisonment of one year.

### **Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (the “Exemption Order”)**

Private schools which offer educational courses such as tutorial, commercial, language and computer courses are categorised as private schools offering non-formal curriculum (“PSNFCs”). All PSNFCs are required to register under the Education Ordinance.

The Exemption Order, which came into operation on 1 July 2004, grants exemptions from certain provisions of the Education Ordinance and the Education Regulations to PSNFCs which (i) provide any educational course other than nursery, kindergarten, primary, secondary or post-secondary education; and (ii) are not funded wholly or partly by any subsidy from the Hong Kong government.

PSNFCs are exempted schools under the Exemption Order, and are exempted from certain requirements of the provisions of the Education Ordinance and the Education Regulations relating to five different categories, namely; fees, employment of teachers, teachers’ qualifications, principals and holidays, subject to compliance with specified conditions.

### ***Fees***

PSNFCs and their owners, managers, supervisor, principal and teachers are exempted from the requirements of the provisions relating to, among other things, method of payment of inclusive fees, approval for change in inclusive fees and prohibition of payment of school fees other than inclusive fees subject to compliance with the following conditions:

- (a) The inclusive fees for an educational course shall be calculated on an equal monthly basis. Other than the first instalment, each instalment of the fees shall be collected on or after the first school day of each month of the period during which the educational course is conducted.

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## REGULATORY OVERVIEW

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- (b) The inclusive fees for each of the courses offered, including the fees for each instalment and number of instalments, shall be displayed at a prominent place in the exempted school premises.
- (c) On payment of the school fees, a pupil shall be given a formal receipt, stamped with the chop of the exempted school, signed by the supervisor of the school and containing information on:
  - (i) the school name as specified in the certificate of registration or provisional registration of the school;
  - (ii) the pupil's name;
  - (iii) the course name;
  - (iv) the course venue in the school premises as specified in the certificate of registration or provisional registration of the school;
  - (v) the date and amount of school fees collected; and
  - (vi) the month covered by the school fees paid.
- (d) Before enrolling for a course, a pupil shall be given a leaflet containing the course particulars, school fees, information on the principal and teachers of the exempted school, and refund policies and procedures.

### *Employment of teachers*

PSNFCs and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, application to employ permitted teachers and grounds for refusal to issue permit to teach subject to compliance with the following conditions:

- (a) A teacher who teaches in an exempted school shall possess the minimum qualifications for a permitted teacher, that is, one or two certificates of HKCEE with an aggregate of 5 separate subjects at Grade E or a higher grade, including
  - (i) English Language (Syllabus B), or of a standard which in the opinion of the Permanent Secretary is equivalent to Grade E or a higher grade in that Certificate; or
  - (ii) Chinese Language.
- (b) A teacher who teaches secondary 4 or 5 level in an exempted school shall possess
  - (i) a higher diploma issued by a specified institution or an associate degree of a specified institution; or

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## REGULATORY OVERVIEW

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- (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to a higher diploma or an associate degree.
- (c) A teacher who teaches secondary 6 or 7 level or post-secondary courses in an exempted school shall possess
  - (i) an approved degree of a specified institution; or
  - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to an approved degree.
- (d) The subjects that a teacher shall be required to teach shall only be the ones in which the teacher obtains qualifications or has passed the public examinations.
- (e) A supervisor of an exempted school shall
  - (i) within one month after any teacher commences to teach in the school, report to the Permanent Secretary in writing of the name, identity card number, qualifications and date of first appointment of the teacher;
  - (ii) include in the report a statement in writing certifying that the information on the teacher is correct; and
  - (iii) take reasonable steps to ensure that the qualifications the teacher claims to have obtained are genuine.
- (f) A person specified in paragraph (g) may not teach in an exempted school unless the person
  - (i) is a registered teacher whose registration has not been cancelled under section 47 of the Education Ordinance; or
  - (ii) has a permit to teach which has not been cancelled under section 52 of the Education Ordinance.
- (g) The person referred to in paragraph (f) is one who
  - (i) has been convicted, whether in Hong Kong or elsewhere, of an offence against the persons or involving violence or maltreatment of children;
  - (ii) has been convicted of an offence under Part XII of the Crimes Ordinance (Cap 200 of the Laws of Hong Kong) (which deals with sexual offences) or under the Prevention of Child Pornography Ordinance (Cap 579 of the Laws of Hong Kong); or
  - (iii) without prejudice to paragraphs (i) and (ii), has been convicted, whether in Hong Kong or elsewhere, of any offence and received a custodial sentence, a probation order, a community service order or a fine exceeding HK\$10,000.

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The above exemptions do not apply to a person who is required

- (a) in the course of teaching, to carry out or supervise practical experiments or demonstrations in a science laboratory;
- (b) in the course of teaching, to carry out or supervise practical activities in a school workshop; or
- (c) to teach physical education.

### *Teachers' qualifications*

Teachers of PSNFCs are exempted from the requirements of the provisions relating to, among other things, applications for permits to teach, subject to compliance with the following conditions:

- (a) A teacher who teaches in an exempted school shall possess the minimum qualifications for a permitted teacher, that is, one or two certificates of HKCEE with an aggregate of 5 separate subjects at Grade E or a higher grade, including
  - (i) English Language (Syllabus B), or of a standard which in the opinion of the Permanent Secretary is equivalent to Grade E or a higher grade in that Certificate; or
  - (ii) Chinese Language.
- (b) A teacher who teaches secondary 4 or 5 level in an exempted school shall possess
  - (i) a higher diploma issued by a specified institution or an associate degree of a specified institution; or
  - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to a higher diploma or an associate degree.
- (c) A teacher who teaches secondary 6 or 7 level or post-secondary courses in an exempted school shall possess
  - (i) an approved degree of a specified institution; or
  - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to an approved degree.
- (d) The subjects that a teacher is required to teach shall only be the ones in which the teacher obtains qualifications or has passed the public examinations.

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## REGULATORY OVERVIEW

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- (e) A person specified in paragraph (f) may not teach in an exempted school unless the person
  - (i) is a registered teacher whose registration has not been cancelled under section 47 of the Education Ordinance; or
  - (ii) has a permit to teach which has not been cancelled under section 52 of the Education Ordinance.
- (f) The person referred to in paragraph (e) is one who
  - (i) has been convicted, whether in Hong Kong or elsewhere, of an offence against the persons or involving violence or maltreatment of children;
  - (ii) has been convicted of an offence under Part XII of the Crimes Ordinance (Cap 200 of the Laws of Hong Kong) (which deals with sexual offences) or under the Prevention of Child Pornography Ordinance (Cap 579 of the Laws of Hong Kong); or
  - (iii) without prejudice to paragraphs (i) and (ii), has been convicted, whether in Hong Kong or elsewhere, of any offence and received a custodial sentence, a probation order, a community service order or a fine exceeding HK\$10,000.

The above exemptions do not apply in relation to a teacher who is required

- (a) in the course of teaching, to carry out or supervise practical experiments or demonstrations in a science laboratory;
- (b) in the course of teaching, to carry out or supervise practical activities in a school workshop; or
- (c) to teach physical education.

### ***Principals***

The managers, supervisor, principal and teachers of PSNFCs are exempted from the requirements of the provisions relating to, among other things, grounds for refusal to approve principals and tenure of office of principals subject to compliance with the following conditions:

The supervisor of an exempted school shall:

- (a) appoint a teacher to be the principal of the school;
- (b) within one month after the appointment of the principal, inform the Permanent Secretary in writing of the following particulars concerning the principal:
  - (i) name;

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## REGULATORY OVERVIEW

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- (ii) identity card number;
  - (iii) qualifications;
  - (iv) date of birth;
  - (v) effective date of appointment to be a principal; and
  - (vi) any other information required by the Permanent Secretary under regulation 94 of the Education Regulations.
- (c) if there is any change to the particulars under paragraph (b), within one month of becoming aware of the change, inform the Permanent Secretary in writing of the change.

### ***Holidays and hours of instruction***

An exempted school and its managers, supervisor and principal are exempted from the requirements of the provisions relating to notice of school holidays, restriction on holidays, the power of permanent secretary to forbid the granting of a holiday or to grant a holiday, list of holidays to be posted and hours of instruction.

Exempted schools under the Exemption Order are still required to comply with the provisions of the Education Ordinance and the Education Regulations other than those exempt provisions stipulated in the Exemption Order.

If an exempted school fails to comply with any conditions of a particular category specified in the Exemption Order, it is not entitled to the exemption granted under the category concerned. The school is then obliged to comply with those exempt provisions of that particular category. Appropriate action such as prosecution action, or cancellation of manager registration or school registration will be considered if the school fails to do so.

### **Regulations from the Fire Services Department**

The Fire Services Certificate (FSC) issued by the Fire Services Department is one of the pre-requisites for the registration of any premises which is not designed and constructed for the purposes a school. The FSC is the proof of compliance with fire safety requirements. The Fire Services Department will consider whether the premises are suitable for the operation of a school. Application for a FSC for the purpose of registration of a non-designed school together with three sets of proposed layout plans are required to be submitted to the Fire Services Department or the Education Bureau. For the issue of a Fire Service Certificate, the applicant is required to obtain (i) a Certificate of Compliance and/or a Certificate of Fire Service Installations and Equipment issued by a registered fire service installation contractor; (ii) a test report or catalogue of the emergency lighting unit with valid Certificate of Fire Service Installations and Equipment if self-contained battery type emergency lighting unit is to be installed and (iii) the invoice from the manufacturer/supplier of the polyurethane foam filled furniture items meeting the relevant flammability standards and a copy of the test certificate issued by a testing laboratory accredited to conduct tests

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## REGULATORY OVERVIEW

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according to specified standards if polyurethane foam filled furniture is used. If all fire safety requirements have been complied with and the layout of the premises conform with the approved plan, the Fire Services Certificate will be issued to the applicant.

Our Directors confirm that our Group has complied with the regulations from the Fire Services Departments for all our teaching centres which have obtained Certificates of Registration as a School or Certificates of Provisional Registration as a School in all material respects during the Track Record Period.

### **Syllabus**

There are no laws or regulations governing details of each educational course offered by providers of tutoring services in Hong Kong. The Curriculum Development Council (“CDC”) is an advisory body giving recommendations to the Hong Kong government on all matters relating to curriculum development for schools. The CDC has developed a series of curriculum guides for each of the key learning areas for students in Hong Kong. The curriculum guides aim to present curriculum frameworks which specify the curriculum aims, learning targets and objectives and provide suggestions regarding curriculum planning, learning and teaching strategies, assessment and resources. Schools are encouraged to adopt the recommendations in the curriculum guides and to achieve the learning goals of the school curriculum, taking into consideration their contexts, needs and strengths. The supervisor of every school shall submit the syllabus of instruction of each class to the Permanent Secretary when required, and the Permanent Secretary may give directions in writing as to the instruction which shall be or shall not be included in any syllabus.

### **Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493 of the Laws of Hong Kong)**

The Non-local Higher and Professional Education (Regulation) Ordinance came into force in June 1997 along with its subsidiary legislations which are the Non-local Higher and Professional Education (Regulation) Rules and the Non-local Higher and Professional Education (Appeal Board) Rules. It was enacted to provide for the regulation of courses of higher and professional education which are conducted by non-local institutions or professional bodies and lead to the award of non-local qualifications in Hong Kong, in particular, in relation to the standard, advertisements, payment and refund arrangements of such courses.

Subject to certain exceptions, all courses conducted in Hong Kong that lead to the award of non-local higher academic qualifications (which are sub-degree, degree, postgraduate or other post-secondary qualifications) or professional qualifications must apply for registration under this legislation.

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## REGULATORY OVERVIEW

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### *Registration*

Approval of the registration of a course will be given by the Registrar of the Non-local Courses Registry (the “**Registrar**”) if it meets the criteria stipulated in the Non-local Higher and Professional Education (Regulation) Ordinance. The criteria includes:

- (a) for a course leading to the award of non-local higher academic qualification by a non-local institution -
  - (i) the institution must be a recognised non-local institution;
  - (ii) effective measures must be in place to ensure that the standard of the course offered are maintained at a level comparable to a course leading to the same qualification conducted in its home country; and
  - (iii) this comparability in standard must be recognised by the institution, the academic community and the relevant accreditation authority (if any) of the home country;
- (b) for a course leading to the award of non-local professional qualification by a non-local professional body -
  - (i) the professional body must self recognise the course for the purpose of awarding the qualification or for the purpose of preparing students for the sitting of the relevant professional examinations; and
  - (ii) the professional body must also be generally recognised in its home country as an authoritative and representative professional body in the relevant profession;
- (c) satisfactory arrangements for payment and refund of the fee charged for the course.

After receiving an application for registration, the Registry will normally seek the independent expert opinion of the HKCAAVQ as to whether a course can meet the registration criteria.

### *Premises*

In order to ensure that courses are held in safe premises, operators of registered courses are required to inform the Registrar of particulars of the premises. Nevertheless, registered or provisionally registered schools are exempted from this requirement of prior approval from the Registrar.

As at the Latest Practicable Date, our Hong Kong Legal Advisers are of the view that, each of the schools operated by our Company has obtained all relevant certificates and approvals from the EDB in respect of the operation of the schools in Hong Kong under the Education Ordinance.

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## REGULATORY OVERVIEW

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### **Copyright Ordinance**

The Copyright Ordinance currently in force in Hong Kong has come into effect since 27 June 1997. It provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the Internet.

It is not necessary to register a copyright nor are there other formalities required to obtain copyright protection for a work in Hong Kong. There is no official registry in Hong Kong for registration of copyright works. Works of authors from any place in the world, or works first published anywhere in the world, also qualify for copyright protection in Hong Kong.

### ***Ownership of copyright***

Pursuant to the Copyright Ordinance, the author of a work is the first owner of any copyright in it except for employee work and commissioned work. For employee work, the employer is the first owner of any copyright in it unless an agreement has been made to the contrary. For commissioned work, the ownership of copyright in it depends on the agreement between the author and the commissioner.

The owner of the copyright in a work has the exclusive right to, among other things, reproduce the work, issue copies of the work to the public and make available copies of the work to the public through the Internet.

### **Our business**

As further described in the Business section in this prospectus, we provide courses through our live or video modes of instruction which allow us to provide courses to a large number of students. From time to time, in our live courses, the lesson conducted by our tutor in one classroom may be broadcast simultaneously in other classrooms within a teaching centre, which may be in adjacent classrooms separated by an immovable transparent wall. In each of such other classrooms, a teaching assistant will be present to provide support to students. Under video classes, courses are delivered through pre-recorded videos of live lessons previously provided by our tutors with support from our teaching team. To the best of their knowledge, information and beliefs, our Directors confirm that:

- (i) the provision of courses through pre-recorded and live videos;
- (ii) the classroom arrangement of live courses, in particular, where students may attend classes in classrooms which may be partitioned by immovable transparent walls;
- (iii) the placement of teaching assistants in classrooms; and

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## REGULATORY OVERVIEW

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- (iv) the provision of support by our teaching assistants to our tutors with the preparation and writing of course materials and lesson handouts, in-class support, supervision and administration and preparation of and writing of mock examinations and marking of mock examinations;

are not in breach of the Education Ordinance and its subsidiary legislation and:

- (v) our tutors, being persons who are qualified to teach, are responsible for teaching and that our teaching assistants who provide in-class support are responsible for providing support which is incidental to the tutors' paramount function of imparting or conveying knowledge to students.

Our EO Legal Counsel has confirmed that the aforementioned matters in respect of our business and operation, including the arrangements of our tutors and teaching assistants, are not in breach of the Education Ordinance and its subsidiary legislation.

In addition to the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong as mentioned above, our Group also carries out the following activities/arrangements:

- providing mock examination services;
- hosting oral practice sessions and mock examination debriefing sessions outside school premises; and
- offering bursaries to our students on tuition fees.

Our Directors confirm that, based on the respective legal opinions issued by our legal counsel, our Group's operations in the above respects are neither subject to the Education Ordinance and its subsidiary legislations (in case of the provision of mock examination services, and the hosting of oral practice sessions and mock examination debriefing sessions) nor in breach of the Education Ordinance and its subsidiary legislations (in case of the offering of bursaries to our students on tuition fees). Moreover, the provision of mock examination services is not subject to other applicable legal and regulatory requirements in Hong Kong.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

Our Company was incorporated in the Cayman Islands on 15 April 2015. Through the Reorganisation, our Company has become the holding company of our Group. The principal business of our Group, being the provision of private supplementary secondary school education services and operation of private secondary day schools in Hong Kong, is mainly carried out through our subsidiaries.

Over the course of our business history, our shareholding structure has changed. Prior to the Reorganisation, (i) Ms. June Leung, Mr. Tam, Mr. Ng, Ms. Irene Leung and Mr. Chan owned a subsidiary, Beacon College, in managing the business of our Group; (ii) Mr. Tam and Mr. Ng held the equity interests in most of our operating subsidiaries; and (iii) certain nominees, including Mr. Li, Mr. Wong Kwok Ho, Michael Gianni, Mr. Li Sui Leung and Mr. Tam Wei Lun, held the shareholdings of other subsidiaries for the ultimate benefit of our Core Shareholders and Mr. Chan. Details of the shareholding structure of our Group companies are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section. Notwithstanding the scattered shareholding structure of our Group companies, each of Ms. June Leung, Mr. Tam, Mr. Ng and Ms. Irene Leung, being our Core Shareholders, has, in exercising and implementing the management and operation of our Group companies, been acting in concert with each other in the control of our Group. Details of these arrangements are set out in the paragraph headed “Shareholding and corporate structure – (2) Acting in concert confirmation” in this section.

Immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes), the Core Shareholders will together, through their holding of 94% equity interest in Beacon Enterprise, control approximately 75% of the voting rights in our Company. In addition, on the basis that Mr. Li and Mr. Chan together with our Core Shareholders hold their respective interest in our Company through a common investment holding company, namely, Beacon Enterprise, Mr. Li and Mr. Chan together with our Core Shareholders and Beacon Enterprise are regarded as a group of Controlling Shareholders of our Company. And hence, each of Ms. June Leung, Mr. Tam, Mr. Ng, Ms. Irene Leung, Mr. Li, Mr. Chan and Beacon Enterprise will be our Controlling Shareholders.

### BUSINESS DEVELOPMENT

#### History and Origin

The history of our Group dates back to 1989 when Ms. June Leung and Mr. Ng, established June & Richard Languages & Commercial School in Yuen Long offering private supplementary education services to secondary school students by using start-up funds they obtained from family members.

In 1990, Ms. June Leung and Mr. Ng established the day school in Yuen Long, and were joined by Mr. Chan who was the school’s principal. Together they developed the business of private supplementary secondary school education services and the private secondary day school services under the Beacon brand.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### Business Milestones

The following table sets forth a summary of the key development milestones of the business of our Group:

Year	Milestone Event
1989	● June & Richard Languages & Commercial School founded in Yuen Long
1990	● Registered as a private secondary day school offering daytime classes
1992 – 1993	● Second teaching centre opened in Yuen Long ● Name changed to “Beacon College”
1998	● First teaching centre in Kowloon opened – Beacon College (Mong Kok)
2000	● Form 6 private secondary day school classes offered
2001	● First teaching centre in Hong Kong Island opened – Beacon College (Wan Chai)
2004	● Tenth concurrent teaching centre opened
2009	● Teaching centre in Kowloon Bay opened
2011	● Beacon CAPE established ● Genius Childhood Education Centre established
2014	● BExcellent established ● Diploma of Business Communication accredited by HKCAAVQ as QF Level 3 on Qualification Register ● Genius Childhood renamed as “Beacon Childhood Education Centre”
2015	● Underwent rebranding ● Diploma of Business Communication approved by Labour and Welfare Bureau as a CEF reimbursable course ● 2015 Hong Kong Top Service Brand awarded by Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong
2016	● Certificate of IELTS Exam Preparation course accredited by HKCAAVQ as QF Level 2 on Qualification Register ● Certificate of IELTS Exam Preparation course approved by Labour and Welfare Bureau as a CEF reimbursable course ● 2014-2016 Social Capital Builder awarded by Labour and Welfare Bureau and Community Investment and Inclusion Fund Committee
2017	● Our largest teaching centre in Hong Kong Island opened in Causeway Bay

# HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

## SHAREHOLDING AND CORPORATE STRUCTURE

### (1) Our Subsidiaries

As at the Latest Practicable Date, our Group comprises our Company and 31 subsidiaries which are established in Hong Kong and the BVI. We had adopted a relatively complex Group structure as we believed it was more flexible in terms of the management of operations to set up a company for each teaching centre. In view of the diversification of our business and advancement in our accounting function, we intend to streamline our corporate structure by consolidating similar businesses and teaching centres in the same region under the same subsidiary. Our Group consists of 31 subsidiaries after the Reorganisation and as at the Latest Practicable Date.

Name	Date and place of incorporation	Issued shares prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, issued shares when the companies were incorporated)	Shareholdings prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, shareholdings when the companies were incorporated)	Principal business activities
<b>(I) Intermediate holding companies</b>				
Beacon Group	6 March 2015 in the BVI	1 share	100% by Beacon Enterprise	Investment holdings
Beacon Holdings	11 May 2001 in Hong Kong	2 shares	50% by Mr. Tam; 50% by Mr. Ng	Investment holdings
<b>(II) Operating subsidiaries</b>				
<i>(i) Subsidiaries engaging in the provision of private supplementary secondary school education services, operation of private secondary day schools and other education services</i>				
Advance Bestway Limited	11 February 2014 in Hong Kong	10,000 shares	100% by Mr. Li as nominee on behalf of Beacon College	General business, operation under our sub-brand “Beacon BExcellent (遵理精英匯)”
Ascent Prep International Education Limited (Note 1)	7 February 2017 in Hong Kong	4,200,000 shares	51% by Beacon Holdings; 49% by Edutopia Limited	Operation of a teaching centre for preparation of admission tests of overseas institutions located in Causeway Bay
Beacon Childhood Education Centre Company Limited (遵理兒童教育中心有限公司)	21 April 2011 in Hong Kong	1 share	100% by Beacon Holdings	Operation of childhood education centres in Prince Edward and Causeway Bay
Beacon Continuing and Professional Education Limited (遵理持續進修及專業教育有限公司)	18 September 2000 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Operation under our sub-brand “Beacon CAPE (遵理持續進修)”
Beacon Learning and Development Centre Limited (遵理學習與發展中心有限公司) (previously known as JR (SS) Limited)	19 June 2002 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Operation of ancillary education services
Easy Sky Limited (怡天有限公司)	9 March 2001 in Hong Kong	2 shares	50% by Beacon Holdings; 50% by Mr. Li as nominee on behalf of Beacon College	Operation of teaching centres in Kowloon Bay

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name	Date and place of incorporation	Issued shares prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, issued shares when the companies were incorporated)	Shareholdings prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, shareholdings when the companies were incorporated)	Principal business activities
Glocal Education Services Limited (環城教育服務有限公司) (previously known as Glocal Training Centre Limited (環城培訓中心有限公司)) (Note 1)	2 June 2015 in Hong Kong	1,000 shares	100% by Glocal Development Group Limited	Engaged in the operation of overseas study consultancy services
JR (CB) Limited	27 September 2002 in Hong Kong	10,000 shares	99.99% by Beacon Holdings; 0.01% by Charm Gain Limited on trust for Beacon Holdings	Operation of teaching centres located in Causeway Bay and North Point
JR (MK) Limited	31 July 2002 in Hong Kong	2 shares	50% by Beacon Holdings; 50% by Charm Gain Limited on trust for Beacon Holdings	Operation of teaching centres located in Mong Kok and Tsim Sha Tsui
JR (ST) Limited	29 May 2002 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Operation of a teaching centre located in Shatin
JR (TM) Limited	19 June 2002 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Operation of teaching centres located in Tuen Mun, Tsuen Wan and Tseung Kwan O
BeConfident Alliance Limited (全面發展教育協會有限公司) (previously known as JR (TW) Limited)	10 May 2002 in Hong Kong	2 shares	50% by Beacon Holdings; 50% by Charm Gain Limited on trust for Beacon Holdings	Provision of all-rounded development education services to children
JR (YL) Limited	19 June 2002 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Operation of a teaching centre located in Yuen Long
Top News Limited (訊天有限公司)	11 March 2004 in Hong Kong	2 shares	100% by Beacon Holdings	Operation of a teaching centre located in Tai Po
<i>(ii) Subsidiaries providing administrative, management and ancillary services to our Group</i>				
Beacon College	13 July 1993 in Hong Kong	30,000 shares	37.5% each by Ms. June Leung and Mr. Ng; 8.33% each by Mr. Tam, Ms. Irene Leung and Mr. Chan	Provision of school business management services
Glocal Development Group Limited (環城發展集團有限公司) (previously known as Professional Smart Limited)	28 February 2014 in Hong Kong	10,000 shares	100% by Mr. Li as nominee on behalf of Beacon College	Engaged in research and development of education and assessment materials
New Creation Advertising Agency Limited (新意廣告有限公司)	17 November 2005 in Hong Kong	10,000 shares	100% by Mr. Li Sui Leung on trust for Beacon Holdings	Advertising agency of our Group and other external parties

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name	Date and place of incorporation	Issued shares prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, issued shares when the companies were incorporated)	Shareholdings prior to the Reorganisation (or, in respect of companies incorporated subsequent to the commencement of the Reorganisation, shareholdings when the companies were incorporated)	Principal business activities
<b>(III) Other Subsidiaries</b>				
Beacon Education Limited (遵理教育有限公司) (previously known as Well Young Investment Limited (惠恩投資有限公司))	30 July 1997 in Hong Kong	2 shares	50% each by Mr. Li and Mr. Wong Kwok Ho, Michael Gianni both as nominees on behalf of Beacon College	Idle, entity to be used for future operations
Beacon Group Development Limited (遵理集團發展有限公司) (previously known as Wellfit Star Investment Limited (得星投資有限公司))	5 July 2011 in Hong Kong	10,000 shares	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations
BEE-2-BEE Limited (Note 1)	10 May 2017 in Hong Kong	1,000 shares	70% by Beacon Holdings; 30% by Graceful Hands Learning Center Limited (童手創智教室有限公司)	Idle, entity to be used for future operations
Bexcellent Education Centre Limited	23 July 2014 in Hong Kong	1 share	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations
Gift Dragon Limited (禮龍有限公司)	3 June 2013 in Hong Kong	1 share	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations
Gift Land Inc Limited (禮置有限公司)	8 May 2013 in Hong Kong	1 share	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations
Glocal Research and Development Company Limited (環城研究及發展有限公司) (Note 1)	2 June 2015 in Hong Kong	1,000 shares	100% by Glocal Development Group Limited	Idle, entity to be used for future operations
JR (TKO) Limited	29 May 2002 in Hong Kong	2,000 shares	99.95% by Beacon Holdings; 0.05% by Charm Gain Limited on trust for Beacon Holdings	Idle, entity to be used for future operations
Profit Reward Limited (勤禮有限公司)	9 April 2013 in Hong Kong	1 share	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations
Rich Hero Limited (富雄有限公司)	21 July 2004 in Hong Kong	2 shares	100% by Beacon Holdings	Idle, entity to be used for future operations
Supreme Master Corporation Limited	23 November 2012 in Hong Kong	1 share	100% by Mr. Tam Wei Lun on trust for Mr. Fung Shui Wing, who in turn held the beneficial interest in the share as a nominee on behalf of Beacon College	Idle, entity to be used for future operations
Universe Top Limited (環緯有限公司)	20 March 2013 in Hong Kong	1 share	100% by Mr. Li as nominee on behalf of Beacon College	Idle, entity to be used for future operations

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*Note:*

1. Subsidiaries incorporated after commencement of the Reorganisation.

Prior to the incorporation of our Company and the completion of the Reorganisation, our business was carried out by certain operating subsidiaries listed in the above paragraph headed “(II) Operating subsidiaries – (i) Subsidiaries engaging in the provision of private supplementary secondary school education services, operation of private secondary day schools and other education services”, which were collectively managed by Beacon College under certain school management agreements. Our Directors considered that it was in the interest of our Group to centralise all administration and management functions within a subsidiary, namely Beacon College. As such Beacon College provides the relevant operating subsidiaries with certain services<sup>(Note)</sup>, for the consideration of payment of a fee which is determined based on a percentage of the gross income of the operating subsidiary, to the effect that Beacon College has power to manage and control the operating subsidiaries. To the best knowledge of our Directors, the terms of the school management agreements and such intra-group arrangement on management and administration do not violate any relevant laws or regulations of Hong Kong.

*Note:* Such services include, among others, the selection of school location, decoration and utilities, licensing arrangement and legal compliances, providing teaching staff and relevant manpower, providing teaching materials, administration of student enrollment, providing marketing and promotional services and all other supports and services necessary for the management and operation of relevant teaching centres.

### (2) Acting in Concert Confirmation

Over the course of our business history, our Core Shareholders were either legal owners of the shares in our Subsidiaries, or beneficiaries who shared the operating results of our Subsidiaries by holding the beneficial interests in the shares in our Subsidiaries. Each of our Core Shareholders has, in exercising and implementing the management and operation of our Subsidiaries, been acting in concert with each other in respect of the Shares and shares in each of our Subsidiaries.

Our Core Shareholders have confirmed that the acting in concert arrangements with respect to the shares of each Relevant Subsidiary (as defined below) had become effective upon any Core Shareholder(s) becoming interested in the Relevant Shares (as defined below).

On 2 October 2015, in preparation for the Listing, our Core Shareholders executed the Deed of Acting in Concert, whereby they confirmed: (i) the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing; and (ii) to consolidate their control of our Group until the Deed of Acting in Concert is terminated by any of our Core Shareholders (but shall continue as between the other Core Shareholders) where any of our Core Shareholders at the time when he/she disposes of all Shares held by him/her or his/her interests (direct or indirect) in the Shares and/or in the shares of the Relevant Subsidiaries (the “**Relevant Shares**”) as at the date of the Deed of Acting in Concert or when the Shares cease to be listed on the Main Board of the Stock Exchange. The Deed of Acting in Concert covers our Company and a total of 29 subsidiaries (the “**Relevant Subsidiaries**” and each a “**Relevant Subsidiary**”),

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including Advance Bestway Limited; Beacon Childhood Education Centre Company Limited (遵理兒童教育中心有限公司); Beacon College; Beacon Continuing and Professional Education Limited (遵理持續進修及專業教育有限公司); Beacon Group; Beacon Holdings; Bexcellent Education Centre Limited; Easy Sky Limited (怡天有限公司); Gift Dragon Limited (禮龍有限公司); Gift Land Inc Limited (禮置有限公司); JR (CB) Limited; JR (MK) Limited; Beacon Learning and Development Centre Limited (遵理學習與發展中心有限公司); JR (ST) Limited; JR (TKO) Limited; JR (TM) Limited; BeConfident Alliance Limited (全面發展教育協會有限公司); JR (YL) Limited; New Creation Advertising Agency Limited (新意廣告有限公司); Glocal Development Group Limited (環城發展集團有限公司); Profit Reward Limited (勤禧有限公司); Rich Hero Limited (富雄有限公司); Supreme Master Corporation Limited; Top News Limited (訊天有限公司); Universe Top Limited (環綽有限公司); Beacon Education Limited (遵理教育有限公司); Glocal Research and Development Company Limited (環城研究及發展有限公司); Glocal Education Services Limited (環城教育服務有限公司) and Beacon Group Development Limited (遵理集團發展有限公司).

The Deed of Acting in Concert contains the following salient terms:

Each of our Core Shareholders confirms and undertakes to each other that, since the date when any of our Core Shareholders had an interest (direct or indirect) in the Relevant Shares and upon the Listing:

- (i) they have actively cooperated, consulted and communicated with each other, and have adopted a consensus building approach to reach unanimous decisions and have been able to exercise joint control regarding any shareholders' resolution to be passed by the Relevant Subsidiaries prior to putting forward such resolution to be passed at any shareholders' meeting of the Relevant Subsidiaries;
- (ii) they have acted in concert as one party in casting votes (by themselves and/or through companies controlled by them and/or their trustees) and exercised joint control regarding the corporate matters relating to the financials and operations of the Relevant Subsidiaries at the shareholder level of each of the Relevant Subsidiaries;
- (iii) they will continue to actively cooperate, consult and communicate with each other, and adopt a consensus building approach to reach unanimous decisions and exercise joint control regarding any shareholders' resolution prior to putting forward such resolution to be passed at any shareholders' meeting of our Company and the Relevant Subsidiaries; and
- (iv) they will continue to act in concert as one party in casting votes (by themselves and/or through companies controlled by them and/or their trustees) and to exercise joint control regarding the corporate matters relating to the financials and operations of our Company and the Relevant Subsidiaries at the shareholder level of our Company and each of the Relevant Subsidiaries.

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Hence, pursuant to the Deed of Acting in Concert, Ms. June Leung, Ms. Irene Leung, Mr. Ng and Mr. Tam will together be entitled to exercise and control approximately 75% of the voting rights in our Company through their 94% equity interest in Beacon Enterprise upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes).

### **(3) The Excluded Companies**

According to our Directors, nine companies, namely Beacon Kids Club Limited, Beacon Sports Association Limited, Business Linkage Limited, JR (WC) Limited, JR (MOS) Limited, Joinway Consultant Limited, Smart Keen Limited, Charm Gain Limited and Nice China Limited, were set up to operate or open new business or teaching centre(s) which were subsequently closed prior to the Track Record Period. During the Track Record Period and prior to the Reorganisation, these nine companies did not conduct any business activity and hence, were disposed to streamline the corporate structure of our Group. Details of the disposals of such excluded companies are set out in the paragraph headed “Reorganisation – (5) Disposal of excluded companies” in this section.



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*Notes:*

- (1) JR (YL) Limited, JR (TM) Limited, JR (TKO) Limited, JR (ST) Limited, Beacon Learning and Development Centre Limited, Beacon Continuing and Professional Education Limited, JR (MOS) Limited and Joinway Consultant Limited were held as to 99.95% by Beacon Holdings and 0.05% by Charm Gain Limited on trust for Beacon Holdings.
- (2) Supreme Master Corporation Limited was held as to 100% by Mr. Tam Wei Lun on trust for Mr. Fung Shui Wing, who in turn was a nominee on behalf of Beacon College. Mr. Tam Wei Lun is the nephew of Mr. Tam and Ms. June Leung, Mr. Fung Shui Wing is an employee of our Group and an Independent Third Party.
- (3) New Creation Advertising Agency Limited was held as to 100% by Mr. Li Sui Leung on trust for Beacon Holdings. Mr. Li Sui Leung is the nephew of Mr. Tam and Ms. June Leung.
- (4) Charm Gain Limited was held as to 50% by Beacon Holdings and 50% by JR (YL) Limited on trust for Beacon Holdings.
- (5) JR (CB) Limited was held as to 99.99% by Beacon Holdings and 0.01% by Charm Gain Limited on trust for Beacon Holdings.
- (6) BeConfident Alliance Limited, JR (MK) Limited and JR (WC) Limited were held as to 50% by Beacon Holdings and 50% by Charm Gain Limited on trust for Beacon Holdings.
- (7) Mr. Li and Mr. Wong Kwok Ho, Michael Gianni were nominees of Beacon College, and they are employees of our Group. Mr. Wong Kwok Ho, Michael Gianni is an Independent Third Party. Mr. Li is the nephew of Mr. Tam and Ms. June Leung.
- (8) Mr. Tam, Ms. June Leung, Mr. Ng and Ms. Irene Leung are family members and/or relatives and are parties acting in concert with each other pursuant to the Deed of Acting in Concert dated 2 October 2015. Details of their relationship is further set out in the sections headed “Definitions” and “Directors and senior management” in this prospectus.
- (9) Smart Keen Limited was held as to 99.9% by Beacon Holdings and 0.1% by JR Beacon Limited on trust for Beacon Holdings.

### REORGANISATION

The Reorganisation, the purpose of which is to consolidate our subsidiaries into our Company in preparation for the Listing, involved the following steps:

#### **(1) Incorporation of the holding company of our Company**

Beacon Enterprise was incorporated with limited liability on 5 March 2015 in the BVI to act as the holding company of our Company upon completion of the Reorganisation. Upon incorporation, Beacon Enterprise was authorised to issue 50,000 ordinary shares of a single class each with a par value of US\$0.10. On the same date, 1,125, 1,125, 250, 250 and 250 shares of Beacon Enterprise were allotted and issued, credited as fully paid at par, to Ms. June Leung, Mr. Ng, Mr. Tam, Ms. Irene Leung and Mr. Chan respectively, such that their respective shareholdings in Beacon Enterprise were 37.5%, 37.5%, 8.33%, 8.33% and 8.33%.

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### **(2) Incorporation of the intermediate holding company**

Beacon Group was incorporated with limited liability on 6 March 2015 in the BVI. Upon incorporation, Beacon Group was authorised to issue 50,000 ordinary shares of a single class each with a par value of US\$1. On the same date, 1 share in Beacon Group was allotted and issued, credited as fully-paid at par, to Beacon Enterprise.

### **(3) Incorporation of our Company**

On 15 April 2015, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. On the same date, 1 share was allotted and issued, nil paid, to our initial subscriber, and was subsequently transferred to Beacon Enterprise at par.

### **(4) Acquisition of the subsidiaries by Beacon Group**

The equity interest in each of the following 11 companies, namely Beacon College, Supreme Master Corporation Limited, Beacon Education Limited, Advance Bestway Limited, Bexcellent Education Centre Limited, Gift Dragon Limited, Gift Land Inc Limited, Glocal Development Group Limited, Profit Reward Limited, Universe Top Limited and Beacon Group Development Limited, was acquired by Beacon Group from their then shareholders.

Details of the shareholding information of the abovementioned subsidiaries prior to the Reorganisation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

#### **(i) Beacon College**

On 23 April 2015, the entire equity interest in Beacon College was transferred by Ms. June Leung, Mr. Ng, Mr. Tam, Ms. Irene Leung and Mr. Chan to Beacon Group which was nominated by Beacon Enterprise for receipt of Beacon College’s shares. In consideration of this transfer, Beacon Enterprise allotted and issued 1,125, 1,125, 250, 250 and 250 shares to Ms. June Leung, Mr. Ng, Mr. Tam, Ms. Irene Leung and Mr. Chan respectively, pro-rata to their respective interests in Beacon College, on the same date. Following the allotment, Beacon Enterprise was held as to 2,250, 2,250, 500, 500 and 500 shares by Ms. June Leung, Mr. Ng, Mr. Tam, Ms. Irene Leung and Mr. Chan respectively, representing 37.5%, 37.5%, 8.33%, 8.33% and 8.33% of the issued share capital in Beacon Enterprise respectively.

#### **(ii) Supreme Master Corporation Limited**

On 23 April 2015, the entire equity interest in Supreme Master Corporation Limited was transferred to Beacon Group by Mr. Tam Wei Lun who held the share in Supreme Master Corporation Limited by way of trust for Mr. Fung Shui Wing who in turn held the beneficial interest in Supreme Master Corporation

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Limited as a nominee on behalf of Beacon College. The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Supreme Master Corporation Limited, and was fully settled on the same date by cash.

**(iii) Beacon Education Limited**

On 23 April 2015, the entire equity interest in Beacon Education Limited was transferred to Beacon Group by Mr. Li and Mr. Wong Kwok Ho, Michael Gianni (who both held the shares as nominees on behalf of Beacon College). The total consideration for this transfer was HK\$2, which was determined based on the then nominal value of the share capital of Beacon Education Limited, and was fully settled on the same date by cash.

**(iv) Advance Bestway Limited**

On 23 April 2015, the entire equity interest in Advance Bestway Limited was transferred to Beacon Group by Mr. Li (who held the shares as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$10,000, which was determined based on the then nominal value of the share capital of Advance Bestway Limited, and was fully settled on the same date by cash.

**(v) Bexcellent Education Centre Limited**

On 23 April 2015, the entire equity interest in Bexcellent Education Centre Limited was transferred to Beacon Group by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Bexcellent Education Centre Limited, and was fully settled on the same date by cash.

**(vi) Gift Dragon Limited**

On 23 April 2015, the entire equity interest in Gift Dragon Limited was transferred to Beacon Group by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Gift Dragon Limited, and was fully settled on the same date by cash.

**(vii) Gift Land Inc Limited**

On 23 April 2015, the entire equity interest in Gift Land Inc Limited was transferred to Beacon Group by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Gift Land Inc Limited, and was fully settled on the same date by cash.

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### **(viii) Glocal Development Group Limited**

On 23 April 2015, the entire equity interest in Glocal Development Group Limited was transferred to Beacon Group by Mr. Li (who held the shares as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$10,000, which was determined based on the then nominal value of the share capital of Glocal Development Group Limited, and was fully settled on the same date by cash.

### **(ix) Profit Reward Limited**

On 23 April 2015, the entire equity interest in Profit Reward Limited was transferred to Beacon Group by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Profit Reward Limited, and was fully settled on the same date by cash.

### **(x) Universe Top Limited**

On 23 April 2015, the entire equity interest in Universe Top Limited was transferred to Beacon Group by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Universe Top Limited, and was fully settled on the same date by cash.

### **(xi) Beacon Group Development Limited**

On 23 April 2015, the entire equity interest in Beacon Group Development Limited was transferred to Beacon Group by Mr. Li (who held the shares as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$10,000, which was determined based on the then nominal value of the share capital of Beacon Group Development Limited, and was fully settled on the same date by cash.

Upon completion of the Reorganisation, the abovementioned companies became indirect wholly-owned subsidiaries of our Company save for Glocal Development Group Limited which became an indirect non-wholly-owned subsidiary pursuant to a subsequent disposal of 30% interest in it held by Beacon Group as set out in the paragraph headed “Reorganisation – (12) Disposal of 30% of the entire equity interest in Glocal Development Group Limited” in this section.

### **(5) Disposal of Excluded Companies**

The equity interest in each of the following nine companies, namely Beacon Kids Club Limited, Beacon Sports Association Limited, Business Linkage Limited, JR (WC) Limited, JR (MOS) Limited, Joinway Consultant Limited, Smart Keen Limited, Charm Gain Limited and Nice China Limited, was disposed of by Beacon Holdings, Charm Gain Limited, JR Beacon Limited and Easy Sky Limited (as appropriate).

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Please refer to the paragraph headed “Shareholding and corporate structure – (3) The excluded companies” in this section for the reasons of disposal of the excluded companies.

Details of the shareholding information of the abovementioned excluded companies prior to the Reorganisation are set out in the corporate structure chart headed “Pre-Reorganisation corporate structure of our Group” in this section.

**(i) Beacon Kids Club Limited**

On 23 April 2015, the entire equity interest in Beacon Kids Club Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings. The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Beacon Kids Club Limited, and was fully settled on the same date by cash. On 30 December 2016, Beacon Kids Club Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(ii) Beacon Sports Association Limited**

On 23 April 2015, the entire equity interest in Beacon Sports Association Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings. The consideration for this transfer was HK\$10,000, which was determined based on the then nominal value of the share capital of Beacon Sports Association Limited, and was fully settled on the same date by cash. On 13 April 2017, Beacon Sports Association Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(iii) Business Linkage Limited**

On 23 April 2015, the entire equity interest in Business Linkage Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and Charm Gain Limited. The total consideration for this transfer was HK\$10,000, which was determined based on the then nominal value of the share capital of Business Linkage Limited, and was fully settled on the same date by cash. On 29 April 2016, Business Linkage Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(iv) JR (WC) Limited**

On 23 April 2015, the entire equity interest in JR (WC) Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and Charm Gain Limited (which held the share on trust for Beacon Holdings). The total consideration for this transfer was HK\$2, which was determined based on the then nominal value of the share capital of JR

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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(WC) Limited, and was fully settled on the same date by cash. On 17 February 2017, JR (WC) Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(v) JR (MOS) Limited**

On 23 April 2015, the entire equity interest in JR (MOS) Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and Charm Gain Limited (which held the share on trust for Beacon Holdings). The total consideration for this transfer was HK\$2,000, which was determined based on the then nominal value of the share capital of JR (MOS) Limited, and was fully settled on the same date by cash. On 30 December 2016, JR (MOS) Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(vi) Joinway Consultant Limited**

On 23 April 2015, the entire equity interest in Joinway Consultant Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and Charm Gain Limited (which held the share on trust for Beacon Holdings). The total consideration for this transfer was HK\$2,000, which was determined based on the then nominal value of the share capital of Joinway Consultant Limited, and was fully settled on the same date by cash. On 30 December 2016, Joinway Consultant Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

**(vii) Smart Keen Limited**

On 23 April 2015, the entire equity interest in Smart Keen Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and JR Beacon Limited (which held the share on trust for Beacon Holdings). The total consideration for this transfer was HK\$1,000, which was determined based on the then nominal value of the share capital of Smart Keen Limited, and was fully settled on the same date by cash.

**(viii) Charm Gain Limited**

On 23 April 2015, the entire equity interest in Charm Gain Limited was transferred to Mr. Li (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Beacon Holdings and JR (YL) Limited (which held the share on trust for Beacon Holdings). The total consideration for this transfer was HK\$2, which was determined based on the then nominal value of the share capital of Charm Gain Limited, and was fully settled on the same date by cash. On 6 January 2017, Charm Gain Limited was dissolved by way of deregistration pursuant to section 751 of the Companies Ordinance.

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### **(ix) Nice China Limited**

On 23 April 2015, 1% of the equity interest in Nice China Limited was transferred to Star Force Limited (acting as a nominee on behalf of our Core Shareholders and Mr. Chan) by Easy Sky Limited. The consideration for this transfer was HK\$100, which was determined based on the then nominal value of the share capital of Nice China Limited, and was fully settled on the same date by cash.

Upon completion of the said disposals, the abovementioned nine companies are no longer members of our Group.

### **(6) Acquisition of 50% of the equity interest in Easy Sky Limited by Beacon Holdings**

On 23 April 2015, immediately after the disposal of Nice China Limited as mentioned in the paragraph headed “Reorganisation – (5) Disposal of Excluded Companies – (ix) Nice China Limited” in this section, 50% of the equity interest in Easy Sky Limited was transferred to Beacon Holdings by Mr. Li (who held the share as a nominee on behalf of Beacon College). The consideration for this transfer was HK\$1, which was determined based on the then nominal value of the share capital of Easy Sky Limited, and was fully settled on the same date by cash.

Details of the shareholding information of Easy Sky Limited prior to the Reorganisation is set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

Upon completion of the Reorganisation, Easy Sky Limited became an indirect wholly-owned subsidiary of our Company.

### **(7) Reversion of shares of Subsidiaries held on trust to Beacon Holdings**

The equity interest in each of the following ten companies, namely Beacon Continuing and Professional Education Limited, JR (CB) Limited, JR (MK) Limited, Beacon Learning and Development Centre Limited, JR (ST) Limited, JR (TKO) Limited, JR (TM) Limited, BeConfident Alliance Limited, JR (YL) Limited and New Creation Advertising Agency Limited, which was originally held by Charm Gain Limited or Mr. Li Sui Leung both on trust for Beacon Holdings (as appropriate) was reverted back to Beacon Holdings.

Details of the shareholding information of the abovementioned subsidiaries prior to the Reorganisation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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**(i) Beacon Continuing and Professional Education Limited**

On 23 April 2015, 0.05% of the entire equity interest in Beacon Continuing and Professional Education Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(ii) JR (CB) Limited**

On 23 April 2015, 0.01% of the entire equity interest in JR (CB) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(iii) JR (MK) Limited**

On 23 April 2015, 50% of the entire equity interest in JR (MK) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(iv) Beacon Learning and Development Centre Limited**

On 23 April 2015, 0.05% of the entire equity interest in Beacon Learning and Development Centre Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(v) JR (ST) Limited**

On 23 April 2015, 0.05% of the entire equity interest in JR (ST) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(vi) JR (TKO) Limited**

On 23 April 2015, 0.05% of the entire equity interest in JR (TKO) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(vii) JR (TM) Limited**

On 23 April 2015, 0.05% of the entire equity interest in JR (TM) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

**(viii) BeConfident Alliance Limited**

On 23 April 2015, 50% of the entire equity interest in BeConfident Alliance Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### (ix) JR (YL) Limited

On 23 April 2015, 0.05% of the entire equity interest in JR (YL) Limited held by Charm Gain Limited on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

### (x) New Creation Advertising Agency Limited

On 23 April 2015, the entire equity interest in New Creation Advertising Agency Limited held by Mr. Li Sui Leung on trust for Beacon Holdings was reverted back to Beacon Holdings at nil consideration.

Upon completion of the Reorganisation, the abovementioned ten companies became indirect wholly-owned subsidiaries of our Company.

### (8) Acquisition of Beacon Holdings by Beacon Group

On 23 April 2015, the entire equity interest in Beacon Holdings was transferred to Beacon Group by Mr. Ng and Mr. Tam. The total consideration for this transfer was HK\$2, which was determined based on the then nominal value of the share capital of Beacon Holdings, and was fully settled on the same date by cash, paid to Mr. Ng and Mr. Tam pro-rata to their respective interests in Beacon Holdings.

In addition to the ten companies mentioned in the paragraph headed “Reorganisation – (7) Reversion of shares of subsidiaries held on trust to Beacon Holdings” in this section, the entire equity interests of Easy Sky Limited, Rich Hero Limited, Top News Limited and Beacon Childhood Education Centre Company Limited were also wholly-owned by Beacon Holdings. Upon completion of the Reorganisation, the abovementioned 14 companies became indirect wholly-owned subsidiaries of our Company.

Details of the shareholding information of the abovementioned subsidiaries prior to our Reorganisation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

### (9) Share swap

After the above acquisitions, disposals and reversions of trust arrangements, the entire equity interest in Beacon Group was transferred to our Company by Beacon Enterprise pursuant to a share swap agreement on 29 April 2015. The consideration for this transfer was to credit the one nil paid share of our Company held by Beacon Enterprise since the date of incorporation of our Company i.e. 15 April 2015 as fully paid at par (the “Share Swap”). Upon completion of the Share Swap, our Company became the holding company of our Group companies and a wholly-owned subsidiary of Beacon Enterprise.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### (10) Transfers of shares in Beacon Enterprise

On 30 April 2015, various transfers of shares in Beacon Enterprise took place, such that Mr. Li would become a Shareholder and the respective shareholding in Beacon Enterprise of Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li would be 60%, 26%, 4%, 4%, 3% and 3%, the details of which are set out as follows:

- (i) 1,060 shares in Beacon Enterprise held by Mr. Ng were acquired by Mr. Tam at a consideration of HK\$53,883,333, which was determined at fair value based on independent valuation and was fully settled on 10 June 2015 by cash;
- (ii) 950 shares in Beacon Enterprise held by Mr. Ng were acquired by Ms. June Leung at a consideration of HK\$48,291,667, which was determined at fair value based on independent valuation and was fully settled on 7 July 2015 by cash;
- (iii) 260 shares in Beacon Enterprise held by Ms. Irene Leung were acquired by Ms. June Leung at a consideration of HK\$13,216,667, which was determined at fair value based on independent valuation and was fully settled on 8 July 2015 by cash;
- (iv) 140 shares in Beacon Enterprise held by Mr. Chan were acquired by Ms. June Leung at a consideration of HK\$7,116,667, which was determined at fair value based on independent valuation and was fully settled on 15 July 2015 by cash; and
- (v) 180 shares in Beacon Enterprise held by Mr. Chan were acquired by Mr. Li at a consideration of HK\$9,150,000, which was determined at fair value based on independent valuation and was fully settled on 20 July 2015 by cash.

Subsequent to the abovementioned transfers, the shareholding of Beacon Enterprise was as follows:

<b>Shareholder</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
Ms. June Leung	3,600	60%
Mr. Tam	1,560	26%
Ms. Irene Leung	240	4%
Mr. Ng	240	4%
Mr. Chan	180	3%
Mr. Li	180	3%

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Our Directors confirm that the disposal by Mr. Ng of his shareholding in our Group was driven by a number of reasons including, the desire to redistribute ownership in our Group to family members, together with personal retirement plans, and the desire to retire and step away from the business entirely. As such, Mr. Ng sold his shares in Beacon Enterprise to Mr. Tam and Ms. June Leung, who would be leading our Group in its next phase as a listed entity.

Our Directors confirm that although he is a co-founder of our Group, prior to the Track Record Period, Mr. Ng's role within our Group was principally focused on providing English language and IELTS tutorial courses. Given no revenue contribution by Mr. Ng during the Track Record Period, our Directors believe that there will be no material adverse impact on our Group's financial performance as a result of Mr. Ng's departure.

Mr. Ng retired from the business and operations of our Group in July 2014, in order to pursue other interests. However, up until July 2015, Mr. Ng remained a director of three of our subsidiary companies. Due to the preparation of the Listing, all normalising corporate matters, including Mr. Ng's resignation as director from such subsidiary companies, were conducted as part of the Reorganisation. The three companies in which Mr. Ng was a director until July 2015 were JR (TM) Limited, JR (YL) Limited and Beacon Holdings. Both JR (TM) Limited and JR (YL) Limited are considered as operating companies which run teaching centres in Tuen Mun and Yuen Long, respectively, whilst Beacon Holdings is an investment company with no significant business activities. In order to ensure that such companies were adequately administered until July 2015, Mr. Ng remained as a director of such subsidiaries, however, save for the preparation of our Group for Listing, our Directors confirm that no material business, operational or corporate actions which required any material input from the directors of such companies were undertaken during the period between July 2014 and July 2015 when Mr. Ng resigned from all such directorships. Since his resignation from such directorships, our Directors confirm that Mr. Ng has not been involved in the operations, administration and management of our Group, with the main responsibility for such matters being led by our management team.

As a co-founder and due to his long-term relationship with our Group, Mr. Ng may, from time to time, lend his support to us in a marketing capacity. As a well-recognised former tutor, our Directors believe that Mr. Ng's reputation and experience in the industry is a useful marketing tool and resource for promoting our Group and brand. As such, from time to time since his retirement, Mr. Ng has appeared as a teaching alumni at certain marketing and social functions. Save as disclosed above, and save for Mr. Ng's shareholding in our Company and as a Core Shareholder, our Directors have confirmed that, as at the Latest Practicable Date, Mr. Ng has no role with our Group.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### **(11) Incorporation of 2 subsidiaries of our Company**

On 2 June 2015, Glocal Research and Development Company Limited and Glocal Education Services Limited were incorporated with limited liability in Hong Kong. On the same date, 1,000 shares of each of the 2 abovementioned subsidiaries were allotted and issued, credited as fully-paid, to Glocal Development Group Limited for a subscription amount of HK\$1,000 respectively.

Details of the shareholding information of the abovementioned companies upon their incorporation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

### **(12) Disposal of 30% of the equity interest in Glocal Development Group Limited**

On 10 July 2015, 30% of the equity interest in Glocal Development Group Limited held by Beacon Group was acquired by Dr. Shen Xu Hui, who was an Independent Third Party at the material time (other than being a substantial shareholder of this subsidiary) and our non-executive Director (with effect from 18 September 2017), so that Dr. Shen Xu Hui would provide advice concerning connections, expertise and know-how in relation to the education industry pertaining to public examinations and their requisite standards to our Group. The consideration for this transfer, being HK\$3,000, was determined based on the then nominal value of the share capital of Glocal Development Group Limited, and was fully settled on the same date by cash. Upon completion of the abovementioned disposal, Glocal Development Group Limited, Glocal Research and Development Company Limited and Glocal Education Services Limited became indirect non-wholly-owned subsidiaries of our Company.

Glocal Development Group Limited together with its subsidiaries principally engage in the research and development of education and assessment materials, and the provision of overseas study consultancy services at tertiary level.

### **(13) Incorporation of a subsidiary of our Company**

On 7 February 2017, Ascent Prep International Education Limited was incorporated with limited liability in Hong Kong. On the same date, 510 shares and 490 shares were allotted and issued, credited as fully-paid, to Beacon Holdings and Edutopia Limited for a subscription amount of HK\$510 and HK\$490 respectively. Ascent Prep International Education Limited offers programmes to prepare students for admission tests of overseas institutions.

Edutopia Limited is wholly-owned by Britannia Study Link (Asia) Limited which principally engages in the provision of overseas educational consultancy services for studying in the United Kingdom to primary and secondary school students. Britannia Study Link (Asia) Limited is owned as to approximately 70.3% by Mr. Chan Sze Ming Samuel, 8.0% by Mr. Cheung Chi Ho Howard, 7.0% by Mr. Lui Hong Peace, 4.8% by Eternity Rich Investment Limited, 4.0% by Mr. Mak Hon Wai Ronald, 2.4% by Beacon Holdings, 1.0% by Mr. Tam Jeffrey Chun Ip, 1.0% by Ms. Yeung Sum Yee, 1.0% by Ms. Chan Pik Ah, 0.5% by Mr. Cheung Ka Shing. Edutopia Limited and its ultimate

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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beneficial owners (save for Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li who are interested in the shares of Edutopia Limited through Beacon Holdings) are Independent Third Parties.

Details of the shareholding information of Ascent Prep International Education Limited upon its incorporation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

### **(14) Incorporation of a subsidiary of our Company**

On 10 May 2017, BEE-2-BEE Limited was incorporated with limited liability in Hong Kong. On the same day, 700 shares and 300 shares were allotted and issued, credited as fully-paid, to Beacon Holdings and Graceful Hands Learning Center Limited for a subscription amount of HK\$700 and HK\$300 respectively.

Graceful Hands Learning Center Limited principally engages in the provision of English linguistic education to children aged one to 12 through neuro-linguistic programming and entertaining learning courses in Hong Kong, Malaysia and Taiwan. Graceful Hands Learning Center Limited and its ultimate beneficial owners, namely Kwok Tsui Ping Heide and Cheng Kam Wah, are Independent Third Parties.

BEE-2-BEE Limited is currently idle and our Directors intend that such collaboration will lay a foundation for future business networking and franchising in the education industry.

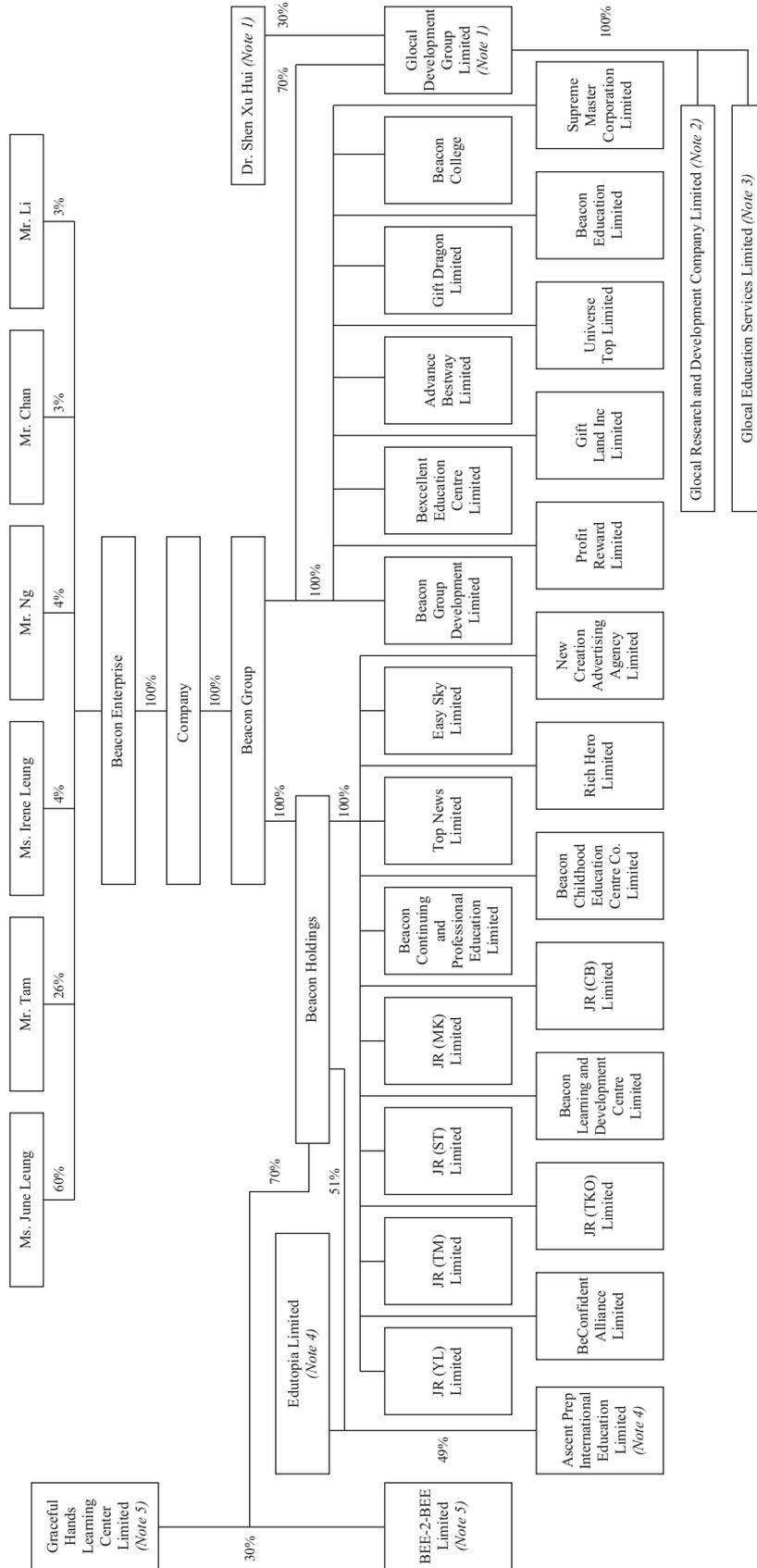
Details of the shareholding information of BEE-2-BEE Limited upon its incorporation are set out in the paragraph headed “Shareholding and corporate structure – (1) Our subsidiaries” in this section.

### **(15) Allotment of shares in Ascent Prep International Education Limited**

On 31 July 2017, 2,141,490 shares and 2,057,510 shares in Ascent Prep International Education Limited were allotted and issued, credited as fully-paid, to Beacon Holdings and Edutopia Limited in proportion to their respective shareholding for a subscription amount of HK\$2,141,490 and HK\$2,057,510 respectively. After the allotment, the respective shareholding of Beacon Holdings and Edutopia Limited in Ascent Prep International Education Limited remains 51% and 49%.

Corporate Structure of our Group immediately following completion of the Reorganisation

The following chart sets out the corporate structure of our Group immediately following the completion of the Reorganisation:



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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*Notes:*

- (1) Glocal Development Group Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held directly by Dr. Shen Xu Hui, who is the non-executive Director.
- (2) Glocal Research and Development Company Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held indirectly by Dr. Shen Xu Hui, who is the non-executive Director.
- (3) Glocal Education Services Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held indirectly by Dr. Shen Xu Hui, who is the non-executive Director.
- (4) Ascent Prep International Education Limited is an indirect non-wholly-owned subsidiary of our Company (51%) with the remaining 49% of its equity interest held directly by Edutopia Limited. Edutopia Limited is wholly-owned by Britannia Study Link (Asia) Limited which is owned as to approximately 70.3% by Mr. Chan Sze Ming Samuel, 8.0% by Mr. Cheung Chi Ho Howard, 7.0% by Mr. Lui Hong Peace, 4.8% by Eternity Rich Investment Limited, 4.0% by Mr. Mak Hon Wai Ronald, 2.4% by Beacon Holdings, 1.0% by Mr. Tam Jeffrey Chun Ip, 1.0% by Ms. Yeung Sum Yee, 1.0% by Ms. Chan Pik Ah, 0.5% by Mr. Cheung Ka Shing. Edutopia Limited and its ultimate beneficial owners (save for Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li who are interested in the shares of Edutopia Limited through Beacon Holdings) are Independent Third Parties.
- (5) BEE-2-BEE Limited is an indirect non-wholly-owned subsidiary of our Company (70%) with the remaining 30% of its equity interest held directly by Graceful Hands Learning Center Limited. Graceful Hands Learning Center Limited and its ultimate beneficial owners, namely Kwok Tsui Ping Heide and Cheng Kam Wah, are Independent Third Parties.

### **Subdivision of shares of our Company**

On 2 October 2015, every issued and unissued share of par value of HK\$0.10 in the share capital of our Company was subdivided into 10 Shares of HK\$0.01 each. Upon completion of the subdivision of the shares, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each and the 1 share of HK\$0.10 each in the issued share capital of our Company held by Beacon Enterprise became 10 Shares of HK\$0.01 each.

### **Capitalisation Issue**

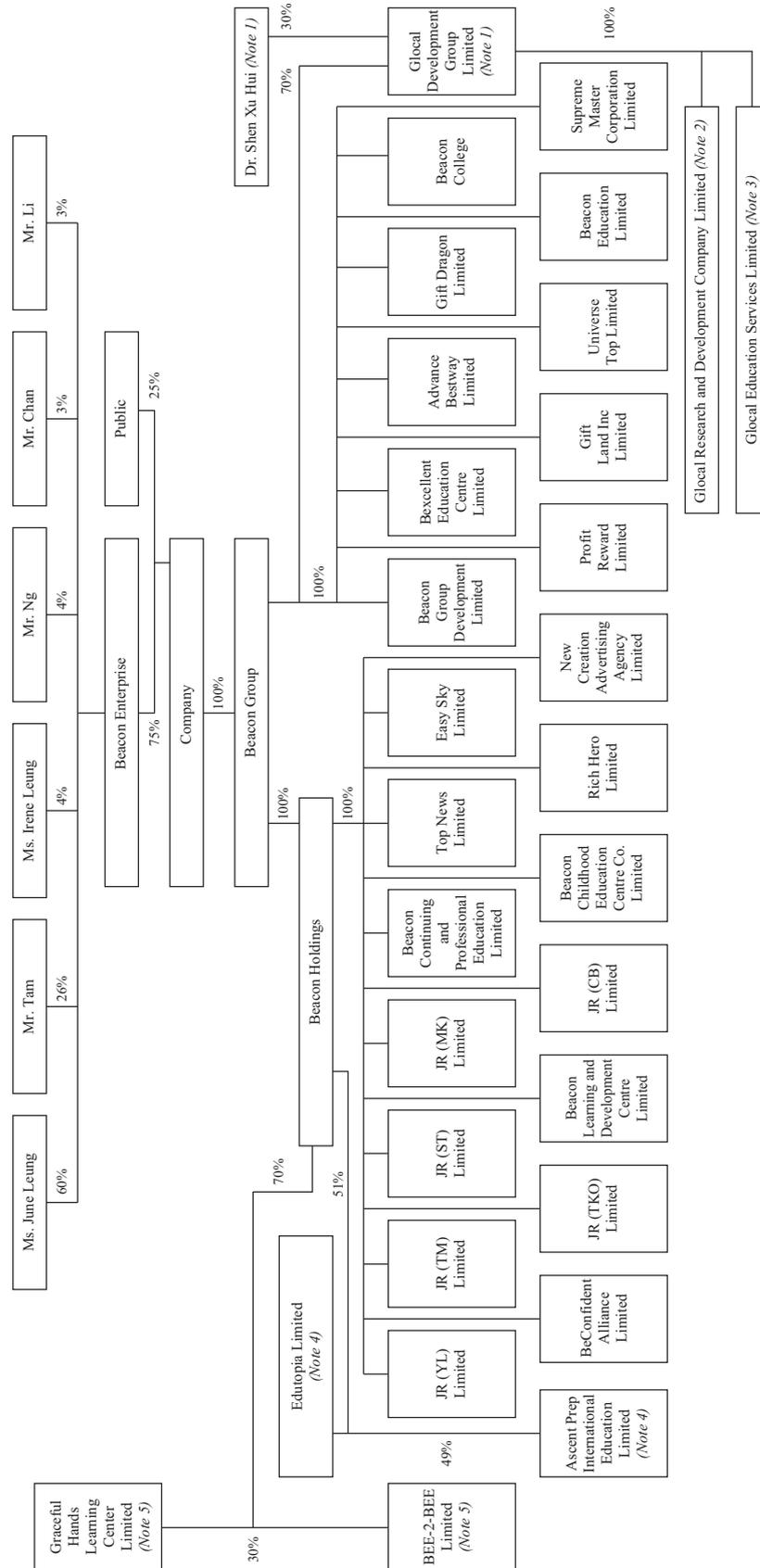
On 21 June 2018, our then sole Shareholder, namely, Beacon Enterprise resolved that, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue on the Listing Date a total of 374,999,990 Shares, credited as fully-paid, at par to Beacon Enterprise by way of capitalisation for the sum of HK\$3,749,999.90 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

Details of the resolution of our then sole Shareholder dated 21 June 2018 are set out in the section headed “Statutory and general information” in Appendix IV to this prospectus.

As at the Latest Practicable Date, with the exception of the Capitalisation Issue which will take place on the Listing Date, all steps of our Reorganisation have been properly and legally completed and settled and no approval is required from the relevant regulatory authorities.

**Corporate Structure of our Group immediately following the Capitalisation Issue and the Share Offer**

The following chart sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Schemes):



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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*Notes:*

- (1) Glocal Development Group Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held directly by Dr. Shen Xu Hui, who is the non-executive Director.
- (2) Glocal Research and Development Company Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held indirectly by Dr. Shen Xu Hui, who is the non-executive Director.
- (3) Glocal Education Services Limited is an indirect non-wholly-owned subsidiary of our Company with 30% of its equity interest held indirectly by Dr. Shen Xu Hui, who is the non-executive Director.
- (4) Ascent Prep International Education Limited is an indirect non-wholly-owned subsidiary of our Company (51%) with the remaining 49% of its equity interest held directly by Edutopia Limited. Edutopia Limited is wholly-owned by Britannia Study Link (Asia) Limited which is owned as to approximately 70.3% by Mr. Chan Sze Ming Samuel, 8.0% by Mr. Cheung Chi Ho Howard, 7.0% by Mr. Lui Hong Peace, 4.8% by Eternity Rich Investment Limited, 4.0% by Mak Hon Wai Ronald, 2.4% by Beacon Holdings, 1.0% by Mr. Tam Jeffrey Chun Ip, 1.0% by Ms. Yeung Sum Yee, 1.0% by Ms. Chan Pik Ah, 0.5% by Mr. Cheung Ka Shing. Edutopia Limited and its ultimate beneficial owners (save for Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li who are interested in the shares of Edutopia Limited through Beacon Holdings) are Independent Third Parties.
- (5) BEE-2-BEE Limited is an indirect non-wholly-owned subsidiary of our Company (70%) with the remaining 30% of its equity interest held directly by Graceful Hands Learning Center Limited. Graceful Hands Learning Center Limited and its ultimate beneficial owners, namely Kwok Tsui Ping Heide and Cheng Kam Wah, are Independent Third Parties.

### OVERVIEW

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. According to Euromonitor, as of February 2017, we ranked first among providers of private supplementary secondary school education services in Hong Kong, as measured by the total number of teaching centres, courses, tutors and size of classroom seating capacity. We also ranked first among private secondary day school operators in Hong Kong which follow the HKDSE curriculum, as measured by the number of students enrolled as of February 2017. In addition, 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 the Latest Practicable Date, we operated 18 teaching centres, with a total of 128 classrooms, which, in accordance with EDB guidelines, allows a maximum classroom capacity of 3,873 students to attend class at any one time. Of our 18 operating teaching centres, two operate as both private supplementary secondary school education teaching centres and private secondary day schools, two are dedicated exclusively to our Beacon Childhood business and one is for ancillary education services. All of our teaching centres have obtained a Certificate of Registration of a School or a Certificate of Provisional Registration of a School. For the year ended 31 July 2017, we had (i) 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments; (ii) 484 unique private secondary day school student enrollments and 3,825 private secondary day school session enrollments; and (iii) 37,292 enrollments/registrations in our private ancillary education services and products. For the five months ended 31 December 2017, we had (i) 42,471 unique private supplementary secondary school education student enrollments and 339,197 private supplementary secondary school education session enrollments; (ii) 358 unique private secondary day school students enrollments and 1,336 private secondary day school session enrollments; and (iii) 8,362 enrollments/registrations in our private ancillary education services and products.

We provide our private supplementary secondary school education services under our “Beacon College” (遵理學校) brand and operate our private secondary day schools under our “Beacon Day School” (遵理日校) brand. Our ancillary education services and products are offered under our “Beacon Childhood” (遵理兒童教育), “Beacon CAPE” (遵理持續進修), “Beacon BExcellent” (遵理精英匯) and “Beacon Living” (遵理生活) brands. As part of our ancillary education services and products, we offer, amongst other things, interview preparation, supplementary primary school education services, IELTS courses, foreign language courses, an HND in Business (QCF) registered with the EDB and other general interest courses. In addition, for secondary school students, we offer mock examination services and VIP self-study services. In collaboration with an independent specialist overseas education advisory services provider, we have been offering seminars and advisory services to students seeking to pursue tertiary education overseas since 2016. Moreover, in conjunction with another overseas education adviser, we have launched programmes to prepare students for admission tests of overseas institutions since November 2017.

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## BUSINESS

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As at the Latest Practicable Date, we had a teaching team of 515 individuals, which comprised 78 tutors, nine day school teachers, 67 full-time and 361 part-time teaching assistants. Of our 78 tutors, eight also teach at our private secondary day schools. Among these 515 members of the teaching team, 463 are under the employment of our Group and the remaining 52 members are tutors who are engaged under service agreements. The majority of our teaching team focused principally on our private supplementary secondary school education services.

Our Directors believe that the success of our business is built on the platform and infrastructure which we have developed that delivers scalable private supplementary educational support to meet the demand from students in Hong Kong. Our platform and infrastructure enable us not only to offer students in Hong Kong a wide choice of private supplementary educational support in their academic endeavours but also to provide opportunities for our teaching team to develop within the education industry. For the year ended 31 July 2017, we had 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments. For the five months ended 31 December 2017, we had (i) 42,471 unique private supplementary secondary school education student enrollments and 339,197 private supplementary secondary school education session enrollments; (ii) 358 unique private secondary day school student enrollments and 1,336 private secondary day school session enrollments; and (iii) 8,362 enrollments/registrations in our private ancillary education services and products. Our Directors believe that our well established platform and infrastructure enable us to efficiently and effectively utilise the network of our teaching team to deploy our teaching resources to students in a large scale.

Through our teaching team and non-teaching team in course management and marketing related departments, we are able to provide quality and efficient learning support such as lesson delivery and support, course planning and development, course material development and publication, course management, scheduling and logistics, to our students. We also put effort in advertising, marketing and media promotion to promote our tutors and our brand. Moreover, leveraging off our experience in the private supplementary education business and our network of teaching centres, our Directors believe that we have strong foundation to develop and nurture our teaching team in order to maintain high teaching standards.

We generate revenue mainly from tuition fees received from enrollments in our courses, related products and services. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we generated total revenue of approximately HK\$327.8 million, HK\$376.2 million, HK\$376.4 million, HK\$170.5 million and HK\$195.8 million, respectively, of which, approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, was attributable to the provision of private supplementary secondary school education services.

**OUR COMPETITIVE STRENGTHS**

Our Directors believe that the following competitive strengths enable our Group to remain competitive in the private supplementary education industry in Hong Kong:

**A Leading Provider of Private Supplementary Secondary School Education Services in Hong Kong**

According to Euromonitor, as of February 2017, we ranked first among providers of private supplementary secondary school education services in Hong Kong, as measured by the number of teaching centres, courses, tutors and size of classroom seating capacity. As at the Latest Practicable Date, we operated 18 teaching centres in Hong Kong, with a total of 128 classrooms, which, in accordance with EDB guidelines, allows a maximum seating capacity of 3,873 students to attend class at any one time.

During the Track Record Period, we offered private supplementary secondary school education services covering various subjects to Secondary 1 to Secondary 3 students and all core and certain elective academic subjects to Secondary 4 to Secondary 6 students in preparation for the HKDSE Examinations. For the year ended 31 July 2017, we had 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments. The average number of private supplementary secondary school education session enrollments for the year ended 31 July 2017 was approximately 10.9 sessions per student. For the five months ended 31 December 2017, we had 42,471 unique private supplementary secondary school education student enrollments and 339,197 private supplementary secondary school education session enrollments. The average number of private supplementary secondary school education session enrollments for the five months ended 31 December 2017 was approximately 8.0 sessions per student. During the Track Record Period, our private supplementary secondary school education session enrollments increased from 600,002 for the year ended 31 July 2015 to 657,936 for the year ended 31 July 2017, representing a CAGR of approximately 4.72%. Moreover, our private supplementary secondary school education session enrollments increased from 318,913 for the five months ended 31 December 2016 to 339,197 for the five months ended 31 December 2017, representing a growth of approximately 6.4% for the corresponding period.

**A Leading Provider of Private Secondary Day School Services which follows the HKDSE Curriculum**

As at the Latest Practicable Date, we operated private secondary day schools, which offered Secondary 4, 5 and 6 levels education only, in two of our 18 operating teaching centres. Our private secondary day schools, which are located in Yuen Long and Mong Kok, are permitted to accommodate a maximum of 522 and 583 students, respectively, at any one time. According to Euromonitor, we ranked first among providers of private secondary day school services which follow the HKDSE curriculum, in terms of number of students enrolled as of February 2017. Our private secondary day schools are registered private schools under the Education Ordinance and cover the full school curriculum under the

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## BUSINESS

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HKDSE. As at the Latest Practicable Date, 342 students were enrolled at our private secondary day schools (including those S6 students who were graduated in May 2018). Since 1990, over 30,000 students have attended our private secondary day schools.

### **Our Platform and Infrastructure**

Our Directors believe that the success of our business is built upon the platform and infrastructure we have developed that provides scalable private supplementary education support for our students in their academic endeavours as well as opportunities for our teaching team to develop within the education industry.

Our Group is committed to developing teaching talents and to nurturing such talents through our platform. We have integrated a bottom-up approach throughout our teaching team which aimed at identifying and nurturing potential tutors from our pool of teaching assistants and day school teachers. Our teaching team, with assistance from non-teaching team, is mainly responsible for lesson delivery and support, course planning and development, course material development and publication, course management, scheduling and logistics as well as advertising, marketing and media promotion in order to offer our students quality learning experience and promote our brand. Our Directors believe such environment enables individuals within our teaching team, in particular, any teaching talents and individuals whom we believe to possess the potential to become tutors themselves, to develop their teaching career within our Group. We have successfully groomed a number of successful tutors from our teaching team. Our Directors believe that our strong ability to develop and nurture teaching team has contributed to the success of our Group.

The ability of our Group to leverage our network of teaching centres and course delivery capabilities has enabled us to scale our operations. In order to enable our teaching team to reach the largest possible number of students, we provide courses through two main modes of instruction, live and video, which allow us to provide courses on an enlarged scale. Through our pre-recorded video courses, which deliver video recordings of live courses provided by our tutors, we are able to offer the same courses at various times or simultaneously across our network of teaching centres. Instruction through video courses increases our ability to reach students across our network of teaching centres, which would otherwise be unachievable using only live instruction. As at 31 December 2017, we had 74 tutors and for the five months ended 31 December 2017, we had 42,471 unique private supplementary secondary school education student enrollments. Under the Education Regulations, the number of students allowed to attend a class is limited to a maximum of 45. As such, through the mix of live and video instruction, we are able to provide a broad range of courses to the largest number of students possible and at the same time, comply strictly with all rules or regulations under the Education Regulations in respect of classroom size. Details of our course delivery modes are provided in the section headed “Our principal business activities – Our education programmes and services – Course delivery modes” below.

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### **Broad Range of Ancillary Education Services and Products**

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. Our Directors believe that we are able to leverage our brand, expertise and infrastructure to provide education services beyond our core target of secondary school students.

Our Group's mission is to support education for all. We are committed to supporting education at all school levels and to support personal advancement and development through education. As such we have broadened our programmes to provide further education and personal development services across the educational spectrum from pre-school to higher level learning.

Since early 2010s, we have further expanded our private supplementary education services to include the provision of private supplementary education services to pre-school and kindergarten children under our "Beacon Childhood" brands. Under our "Beacon CAPE" brand, we offer an HND in Business (QCF) registered with the EDB. Under our "Beacon BExcellent" brand, we mainly provide IELTS courses as well as, from time to time, other interest courses such as photography. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had an aggregate of 3,335, 4,249, 3,804, 1,979 and 2,058 session enrollments, respectively, on our Beacon Childhood, Beacon CAPE and Beacon BExcellent programmes.

With the aim of further enhancing our students' performance and learning experience, we also provide additional products and services to our secondary school students, such as mock examination services and VIP self-study services. We provide mock examination services for Secondary 5 and 6 students to help them prepare for their examinations, amongst others, the HKDSE Examinations. Students may enroll to sit the practice examinations under simulated examination conditions on all core subjects and certain elective subjects. Such mock examination services are typically held in the months leading up to the HKDSE Examinations at public venues or in our teaching centres depending on the number of student enrollments. Our tutors prepare and mark the mock examinations, with the support from our teaching team and provide feedback to students. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 21,243, 27,211, 28,949, 6,738 and 4,683 enrollments in our mock examination services, respectively.

We enable our students to revisit courses or further reinforce their performance and learning by registering for our VIP self-study services which allow students to view pre-recorded course videos on an individual basis at a computer terminal at selected teaching centres. Students can register for VIP self-study services in order to view courses they may have missed during the year and/or if they wish to review a course or lesson again which they had previously attended. As at the Latest Practicable Date, VIP self-study services were offered at 11 teaching centres. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 4,804, 4,263, 4,539, 1,718 and 1,621 VIP self-study service registrations, respectively.

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In order to provide more comprehensive education services, we have been collaborating with different education services providers in setting up corporate entities and with Dr. Shen Xu Hui (as minority shareholder of Glocal Development Group Limited) in offering other ancillary education services to complement our principal business, being the provision of private supplementary secondary school education services. Our Directors believe that by collaborating with the existing market players, our Group can leverage off their experience, expertise and networks in their respective fields which benefits our Group in expanding its variety of services. Our Directors also consider that our expansion in different spectrums of the education industry can diversify our business and broaden our customer base. In collaboration with an independent specialist overseas education advisory services provider, we have been offering seminars and advisory services to our students seeking to pursue tertiary education overseas since 2016. We introduce and advise overseas education opportunities to students together with our partner, and provide advice and assistance along their applications. Moreover, in conjunction with another overseas education adviser, we have launched programmes to prepare students for admission tests of overseas institutions since November 2017. These are nascent businesses for us, and these business are in development phases. We are working closely with our partners to adjust and improve their business models and to add value to our core business. The capital investment and operational expenses incurred in the initial stage of businesses may have negative impact on our overall financial performance. It will also take time for us and our staff to adjust and finalise our strategy and action programmes to generate and satisfy the demands of our expected customers. However, we believe that there is a growing demand for advisory services for students seeking international tertiary education; and that the offering of consultation on various education pathways to our broad range of student base will be valuable to these students, and the success of our business as a whole.

The provision of ancillary education services and products not only enable us to better utilise our 18 operating teaching centres but also enables us to develop our brand in the private supplementary education services market. By offering our ancillary education services and products, we are able to provide ongoing support to our students throughout their life-long education.

### **Experienced and Dedicated Management Team**

We have an experienced and dedicated management team with extensive operational expertise in private supplementary secondary school education services in Hong Kong. Our executive Directors are a group of experienced individuals, and each of them possesses over 20 years of experience in the education industry in Hong Kong. Our Group was founded by Ms. June Leung, our chairman and executive Director, and Mr. Ng, both of whom began their careers in the education field in 1989 upon completion of their bachelor degrees in arts and business administration, respectively.

Mr. Tam, our chief executive officer and executive Director, Mr. Chan, our head principal and executive Director and Mr. Li, our deputy chief executive officer and executive Director, have worked in the education industry in Hong Kong since 1996, 1986 and 1989, respectively. For details of the experience of our Directors and senior management team, please refer to the section headed “Directors and senior management” in this prospectus.

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Under the leadership of our Directors and senior management, we have successfully grown our business by expanding our range of service offerings and enhancing our market presence throughout the years and have become a leading provider of private supplementary secondary school education services in Hong Kong.

### **Brand Strength**

Our Group has operated in the private supplementary education services market in Hong Kong for over 25 years. Our Directors believe that our Beacon brands, in particular “Beacon College” (遵理學校), are well recognised brands in Hong Kong. In the recent ten years we have received numerous awards and recognitions from various organisations which include: Hong Kong Top Service Brand (*awarded by Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong*); Social Capital Builder (*awarded by Labour and Welfare Bureau*); and Caring Company Award (*awarded by Hong Kong Council of Social Service*). In 2015, our Group was the subject in a case study material titled ‘Beacon Group of Hong Kong: Finding Light in the Shadow Education Industry’ of the Harvard Business Publishing Collection.

By leveraging our Beacon brands, our established track record and operational experience in the private supplementary education services market in Hong Kong, we have been able to grow to a network of 18 operating teaching centres which include two private secondary day schools and two dedicated Beacon Childhood teaching centres as at the Latest Practicable Date. In addition, we have been able to leverage our “Beacon College” brand to expand and develop our ancillary education services and products under our “Beacon Childhood”, “Beacon CAPE”, “Beacon BExcellent” and “Beacon Living” brands.

### **High-Quality Teaching**

We believe that our success has been built upon our commitment to our standards of high-quality teaching. We make effort in providing administrative, operational and marketing support to our tutors through our teaching team and non-teaching team so that they can focus principally on teaching and creating customised and up-to-date courses and course materials to cater for the needs of our students. We strive to adopt a stringent recruitment process which allows us to engage and develop a teaching team with the requisite academic qualifications, personality, experience and skills in the relevant subjects. For further details of the measures we adopted to maintain our teaching standards, please refer to the paragraph headed “Our teaching team” below. We believe that our determination of strong internal development empowers high teaching standards.

Our Directors believe that our platform and infrastructure enables us not only to offer students in Hong Kong a wide choice of private supplementary educational support in their academic endeavours but also to provide opportunities for our teaching team to develop within the education industry.

### **Proven Business Model**

We currently provide courses through a mix of live and video instruction modes which allows us to deliver courses to a large number of students. It allows greater flexibility in scheduling lessons, tutors and classrooms in response to the demands for each course. In this regard, we monitor student enrollments at our different teaching centres and accordingly schedule lessons, tutors and classrooms responsive to the demand for each course. This adaptability allows our Group to effectively utilise our network of teaching centres, to allocate classrooms and courses efficiently, and to enable a broader reach of our high-quality teaching services to a greater number of students who may choose to attend different modes of courses at flexible time slots and locations which suit their needs.

Our revenue sharing arrangement with our tutors provides a strong incentive for tutors to develop and deliver high-quality teaching services. Moreover, this arrangement enables us to develop collaboration with tutors in a flexible and cost-effective manner.

### **OUR FUTURE PLANS AND STRATEGIES**

Our goal is to maintain and further strengthen our position as a leading private supplementary secondary school education services provider in Hong Kong. We plan to pursue the following growth strategies to achieve our goal:

#### **Further Expansion and Optimisation of Our Network of Teaching Centres and Offering of Education Services**

We plan to open and/or optimise up to 14 teaching centres throughout Hong Kong for various education services and products within three years upon Listing by (i) opening up to ten new teaching centres including up to five private supplementary secondary school teaching centres in areas where our Group's footprints having not yet been established and up to five Beacon Childhood teaching centres; and (ii) optimising up to four existing teaching centres by way of, among other things, relocation, re-decoration and expansion for business improvement. For the above purposes, we intend to incur a total of approximately HK\$33.5 million for implementing this strategy which will be funded by the estimated net proceeds from the Share Offer. We intend to utilise a total of approximately HK\$20.1 million between the period from the Listing up to end of the financial year ending 31 July 2020 and the remaining amount of approximately HK\$13.4 million will be expected to be utilised thereafter.

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The details of our expansion and optimisation plan for our network of teaching centres to be opened and optimised by our Group are set out below.

Service nature of teaching centre	Estimated net proceeds to be applied for the expansion and optimisation plan from the Share Offer	Maximum number of teaching centres to be optimised/opened	Expected timeframe to open/optimize	Approximate GFA for each teaching centre	Estimated capital expenditure for each teaching centre	Estimated investment cost for each teaching centre <i>(Note 1)</i>	Expected breakeven period ("Breakeven Period") <i>(Note 2)</i>	Expected investment payback period ("Payback Period") <i>(Note 3)</i>	Intended locations
	<i>(approximate HK\$' million)</i>		<i>(financial year)</i>	<i>(sq. ft.)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(years since the commencement of operation)</i>	<i>(years since the commencement of operation)</i>	
Existing private supplementary secondary school education services to be optimised	15.6	4	<ul style="list-style-type: none"> <li>● 2 in 2019</li> <li>● 1 in 2020</li> <li>● 1 after 2020</li> </ul>	6,500	2.6	3.9	1	2	<ul style="list-style-type: none"> <li>● New Territories East area (such as Shatin and Tai Po districts)</li> <li>● New Territories West area (such as Tsuen Wan district)</li> <li>● Kowloon West area (such as Yau Tsim Mong district)</li> </ul>
New private supplementary secondary school education services to be opened	6.1	5	<ul style="list-style-type: none"> <li>● 1 in 2019</li> <li>● 2 in 2020</li> <li>● 2 after 2020</li> </ul>	2,000	0.8	1.2	1	2	<ul style="list-style-type: none"> <li>● Kowloon West area (such as Kowloon City and/or Yau Tsim Mong districts)</li> <li>● Central &amp; Western District (such as Sai Wan or Kennedy Town)</li> <li>● North District (such as Sheung Shui or Fanling)</li> <li>● Island District (such as Tung Chung)</li> </ul>
New Beacon Childhood education services to be opened	3.2	1	<ul style="list-style-type: none"> <li>● 1 in 2020</li> </ul>	4,000	2.2	3.2	2	3	<ul style="list-style-type: none"> <li>● Eastern District (such as North Point or Fortress Hill)</li> </ul>
New Beacon Childhood education services to be opened	8.6	4	<ul style="list-style-type: none"> <li>● 2 in 2019</li> <li>● 2 after 2020</li> </ul>	2,400	1.4	2.1	2	3	<ul style="list-style-type: none"> <li>● New Territories East area (such as Shatin and/or Sai Kung districts)</li> <li>● New Territories West area (such as Yuen Long and/or Kwai Tsing districts)</li> </ul>
	<u>33.5</u>								

Notes:

- The estimated investment cost for each teaching centre as set out above has primarily taken into account the related capital expenditure (mainly renovations, facilities and equipment), the rental deposit to be paid to the landlords upon entering into a new lease agreement, and the cost of new / additional headcounts of non-teaching staff for the first 12 months of operation which are necessary for a new / relocated teaching centre prior to commencement of operation.

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2. Breakeven Period refers to the time required for a teaching centre's accumulated total revenue to cover its accumulated direct operating expenses (excluding depreciation charge).
3. Payback Period refers to the time required for a teaching centre's accumulated revenue to cover its accumulated direct operating expenses (excluding depreciation charge) and its capital expenditure.

According to the above plan and based on the maximum classroom capacity and the total gross floor area (“GFA”) of the teaching centres in operation of our Group as at 31 December 2017, the classroom capacity of our private supplementary secondary school teaching centres and Beacon Childhood teaching centres are estimated to be increased by approximately 338 and 235 respectively, subject to the approval of the EDB.

### *Breakeven Period and Payback Period of teaching centres*

As at the Latest Practicable Date, (i) the teaching centre in Yee Wo Street, Causeway Bay has not yet achieved the investment payback (but it has achieved breakeven within one year); (ii) the Ascent Prep Education Centre and (iii) the teaching centre in D-Park, Tsuen Wan have not yet achieved the breakeven and investment payback, since these three teaching centres have just obtained certificate of registration of a school or provisional certificate of registration of a school in July 2017, November 2017 and April 2018 respectively and commenced operation since then. The new teaching centre in Yau Ma Tei (Beacon Plus Learning Centre) has not yet achieved the breakeven and investment payback, since the new teaching centre has just obtained a provisional certificate of registration of a school in June 2018 and has not yet commenced operation as at the Latest Practicable Date.

For the ten existing teaching centres which commenced business operation within ten years prior to the Track Record Period: (a) six centres had historical Breakeven Period of less than one year, and four centres had historical Breakeven Period of one year or more but less than two years, since the commencement of operation of respective teaching centres; and (b) one centre had historical Payback Period of less than one year, seven centres had historical Payback Period of one year or more but less than two years, and two centres had historical Payback Period of two years or more but less than three years, since the commencement of operation of respective teaching centres.

Our Directors believe that such expansion/optimisation will allow us to increase our presence and penetration in districts where we may not already have teaching centres, and/or in those districts where we believe there is demand for our offering. By increasing the number of teaching centres we operate, we will be able to make our services more accessible to students by reducing travel time as well as increasing our total capacity, thereby allowing us to offer more courses across our business segments. In order to achieve such expansion/optimisation, we intend to use a combination of capital investment for:

- acquisition of established teaching centres for the expansion of our Beacon Childhood business and/or opening new Beacon Childhood teaching centres on our own by utilising estimated net proceeds from Share Offer as to approximately HK\$11.8 million;
- acquisition of premise(s) to be used as teaching centre(s) by utilising estimated net proceeds from Share Offer as to approximately HK\$29.0 million; and

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- establishment of new teaching centres and optimisation of existing teaching centres by utilising estimated net proceeds from Share Offer as to approximately HK\$21.7 million.

We plan to use approximately HK\$62.5 million of estimated net proceeds from the Share Offer for the expansion/optimisation of our network by way of capital investment in teaching centres in the estimated timeframe set out in the paragraph headed “Business – Our future plans and strategies – Further Expansion and Optimisation of Our Network of Teaching Centres and Offering of Education Services ” in this prospectus. Moreover, in connection with the expansion/optimisation of our network of teaching centres, we plan to (i) increase our course offering of core subjects, in particular English and Mathematics; (ii) provide additional courses on certain elective subjects to further expand our offering; and (iii) provide courses on elective subjects which we do not currently offer, such as Information and Communication Technology. In addition, in conjunction with the overseas education adviser, we will further develop supplementary education programmes for non-HKDSE curriculum studies, including international exams like General Certificate of Education (GCE)/General Certificate of Secondary Education (GCSE) in our existing Ascent Prep Education Centre.

As noted by Euromonitor, the demand for private secondary day school services is likely to be constrained, as there are likely to be more alternatives to HKDSE qualification, such as the IB Diploma programme, our Directors believe that there is an opportunity in the market to leverage off the Beacon brand to provide private supplementary education services to students who are studying non-HKDSE curricula. By incorporating non-HKDSE supplementary education services into our products and services, we can further extend our reach to access a wider range of students in Hong Kong. We shall continue to diversify our courses and services to cater for the needs of students in response to market demand and future changes in the Hong Kong education system in order to maintain our position as a leading provider of private supplementary secondary school education services in Hong Kong.

In light of the keen competition, our Directors believe that the factors which enable our Group to remain competitive included, among others, that (i) our Group is a leading provider in both of private supplementary secondary school education services and private secondary day school services; (ii) our Group has developed platform and infrastructure which enables teaching talents and individuals to develop their teaching career within our Group and leverages our network of teaching centres and facilities to provide scalable private supplementary education support to our students; (iii) we are able to leverage our brand, expertise and infrastructure to offer a broad range of ancillary education services and products and for further education and personal development; (iv) we have an experienced and dedicated management team, and all of our executive Directors have possessed over 20 years of experience in the education industry in Hong Kong; and (v) our Group has been operating in the private supplementary education services market in Hong Kong for over 25 years under the brand of “Beacon College” (遵理學校) which is, as our Directors believe, a well recognised brand in Hong Kong and enables our Group to further expand and develop our footprints in other ancillary education services and products. Our Directors believe that the above competitive strengths shall enable our Group to capture the expected market

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growth in the private supplementary education services market in Hong Kong. For details of our competitive strengths, please refer to the sub-paragraph headed “Our competitive strengths” of this prospectus above.

### *Commercial viability and feasibility of our expansion plan*

Our Directors consider that our expansion plan is commercially viable and feasible taking into account the following factors: (i) our Group’s revenue generated from private supplementary secondary school education services increased from approximately HK\$286.5 million for the year ended 31 July 2015 to approximately HK\$333.0 million for the year ended 31 July 2017 and also increased from approximately HK\$155.3 million for the five months ended 31 December 2016 to approximately HK\$179.5 million for the five months ended 31 December 2017; (ii) our Group’s revenue generated from Beacon Childhood education services increased from approximately HK\$2.2 million for the year ended 31 July 2015 to approximately HK\$5.6 million for the year ended 31 July 2017 and also increased from approximately HK\$2.0 million for the five months ended 31 December 2016 to approximately HK\$3.5 million for the five months ended 31 December 2017; (iii) our Group had improved the occupancy rate of our Beacon College teaching centres from approximately 28.9% for the year ended 31 July 2015 to approximately 39.3% for the year ended 31 July 2017; (iv) our executive Directors and senior management have sufficient expertise and experience in operating the business of private supplementary education services and we believe that our Group shall be able to leverage on our brand and reputation in the expansion plan; (v) we expect we can continue to have sufficient financial resources to finance our expansions and we can enter into new tenancy agreements with landlords at market rates; and (vi) as illustrated in the section headed “Industry Overview” in this prospectus, according to Euromonitor, the market revenue of private supplementary secondary school education services is expected to grow at a CAGR of 5.7% from 2017 to 2021 and reach HK\$1.3 billion in 2021. Details of the breakeven and investment payback are set out in the paragraph headed “Further expansion and optimisation of our network of teaching centres and offering of education services – Breakeven period and payback period of teaching centres” in this section above.

To facilitate our implementation of this strategy, we plan to hire additional headcounts to support our expanded services, among which about six new headcounts will be recruited and allocated to our existing teaching centres which will be subject to our optimisation plan, about eight new headcounts will be recruited and allocated to new teaching centres for private supplementary secondary school education services and about 12 new headcounts will be recruited and allocated to new Beacon Childhood teaching centres.

Our Directors believe that, with the implementation of the expansion plan, the revenue base of our Group will be widened upon commencement of operation of new teaching centres and fixed assets or properties, plant and equipment is expected to increase. Following the acquisition of premise(s) by utilising part of net proceeds from the Share Offer and bank borrowings (where appropriate), it is expected that assets and liabilities of our Group will increase. The additional fixed assets and bank borrowings (where appropriate) will respectively result in extra depreciation charges and finance costs.

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### *Business need for acquisition of commercial premise(s) as our teaching centre(s)*

The operating lease payments in relation to our Group's teaching centres represented approximately 14% of our total revenue for each of the three financial years ended 31 July 2017. Our Group has been suffering from the pressure of increasing rental costs due to the historical rising commercial property market value in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, our Group renewed tenancy agreements in respect a total of 12 teaching centres. Save for two teaching centres with one having its rental adjusted downward due to less desirable building management and another having its rental still under negotiation, rental rate of the remaining ten teaching centres was adjusted upward in the range of between 5% and 55%. In order to combat the rental rise upon renewal of relevant tenancy agreements, our Group took a number of optimisation measures such as downsizing certain teaching centre(s), closure of certain teaching centre(s) with low utilization rate and relocation of teaching centre(s). Accordingly, the rental expenses did not fluctuate materially during the Track Record Period.

In order to alleviate partially the pressure of rental increment in the foreseeable future, our Group intended to allocate approximately HK\$29.0 million of the estimated net proceeds from the Share Offer to fund part of the purchase price for the proposed acquisition of up to two premises of around 2,000 sq. ft. each as our new teaching centres in Kowloon West area (such as Yau Tsim Mong district). The rest of the property purchase price is expected to be funded by bank borrowings and/or internal resources of our Group. The estimated capital expenditure (which mainly comprise the leasehold improvements, the furniture and fixtures, and office equipment) for each of the premises will be approximately HK\$0.8 million. Based on the operational experience of our Group's management, our Group would take into consideration factors including accessibility of the teaching centres, proximity to schools and residential areas, as well as strategic footprints intended to be established by our Group, to determine location of premise(s) to be acquired, whereas the proposed acquisition instead of leasing the same would (i) enable mitigating the adverse impact on our financial position from the increasing rental cost; (ii) avoid being requested by landlord to move away from the leased premises, which may disrupt our operation; and (iii) enable us to enjoy the benefit of the possible rise of commercial property price.

In view of (1) controlling and reducing the risk of relocation in case the landlords repossessing the premises; and (2) the rise of rentals for leased premises, our Directors in the past explored the alternative to acquire premises as teaching centres. Being a private company and then having an asset-light business model of our Group, it is relatively difficult for us to obtain bank loans to finance our operation and purchase of premises at favorable terms. Moreover, bank-lender is likely to request personal guarantees and/or additional assets from shareholders of our Company to secure our Group's repayment obligation which would result in the reliance of our Group towards the shareholders.

Although it is theoretically possible for us to borrow from banks for the purchase of teaching centres if our Company remains a private company, it is more difficult for us to obtain bank loans, and using our operating cash to purchase teaching centres will necessarily deplete our working capital, which management is not keen to pursue for prudential reasons.

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On this basis, our Directors did not proceed with acquisition of premises in the past and applied the funds that would otherwise be available for this purpose towards development of our Group's business.

Once our Company is listed, however, it is believed that it would be relatively easier for us to obtain bank loans, so the erstwhile resistance to using operational cash to purchase teaching centres will be mitigated. That being said, it is not the objective of our Group to own all our teaching centres. Our Group only intends to acquire a small number of teaching centres: in area(s) which is(are) expected to continue to enjoy a proven stream of revenue, viz., areas with high population, student or school concentration or traffic, as further explained below.

Having been in the industry for nearly 29 years and the fact that the Mong Kok teaching centre was our Group's top contributing centre in terms of revenue, our Directors consider that the premises located near Nathan Road, with convenient public transport, are suitable for purchase as our Group's teaching centres. Our Directors also consider that, a limited holding of property assets in key locations in which our Group operates will also serve as a hedge against rising rental. Although it is unnecessary for us to own all or even a majority of our teaching centres, given the high annual rental outgoings as a proportion of our operating expenses, it would be prudent to adopt a hedging strategy, if circumstances permit, and the Listing would provide an opportunity to this end.

Our Company also considers that owning teaching centre(s) is expected to add to the asset base of our Company and enhance our corporate image and financial strength for the promotion of our business.

After the acquisition of property(ies) as our new teaching centre(s), our Group will have to record additional depreciation expenses and it is expected that additional finance cost will also be recorded since the acquisition is intended to be partly funded by bank borrowings. On the bases of acquisition of the property(ies) with a total GFA of 4,000 sq. ft. in comparison with the leasing property(ies) of same size, based on average rental rate of the existing teaching centres of our Group and with reference to the asking prices of various properties in the Kowloon West area with comparable GFA, the additional annual depreciation expenses of owned property(ies) and associated finance cost (calculated on the basis that (i) part of the property purchase price to be financed by bank borrowings; and (ii) interest rate to be 2.5% per annum) are expected to exceed the annual rental expense and estimated annual relocation cost of leased property(ies) by approximately HK\$270,000.

Taking into consideration the factors and reasons for property acquisition as our teaching centre(s) as set out above, we are of the view that our Group would be benefited from the proposed acquisition of property(ies) for the said purpose.

Management of our Group is of the view that strategic management of our teaching centre network under a mixture of self-owned and leased premises benefits the development of our business, and is one of our Group's future business strategies. In deciding whether we will continue to acquire premises as teaching centres, our Directors will consider, among other factors, (i) the then market conditions of the property market in Hong Kong; (ii) availability of suitable premises as teaching centres on lease or for sale in the desired region

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of expansion or relocation; (iii) our Group's available financial resources together with the then operation and financial performance; (iv) our Group's business plan in the long run; (v) the availability of renewal of leases and favourable or acceptable renewal terms upon expiry of existing leases; and (vi) the competitive landscape in the industry.

Under the current property acquisition plan with a total GFA of about 4,000 sq. ft., the total GFA of self-owned teaching centre premises will represent about 3.5% of the total GFA of about 115,000 sq. ft. of all the teaching centre premises under lease and those to be acquired. Management currently targets to acquire relatively small to medium size premises of not exceeding 4,000 sq. ft.

Our Directors currently expect that the total GFA of self-owned teaching centre premises of our Group in the long run will not exceed 10% of the total GFA of the teaching centre premises including all those operated under owned and leased properties.

### **Further Expansion of Our Beacon Childhood Network and Products Offering**

During the Track Record Period, our Group had strategically enhanced the Beacon Childhood's business by leveraging the brand of Beacon and optimised the network of Beacon Childhood's teaching centres by closures of three Beacon Childhood teaching centres (i.e. two located in two shops in Coronation Circle of Yau Ma Tei and one located in Tsuen Wan). The closures were mainly due to feedback from tutors and parents that these centres are either not too convenient without easily accessible mass public transports, which led to lower student enrollment and centre utilisation, or they are relatively dispersed resulting in our tutors spending much time on traveling when switching classes between centres. After the network optimisation, our Group focuses on the two existing Beacon Childhood teaching centres in Causeway Bay and Prince Edward. The locations of these two teaching centres are easily accessible and well connected by mass public transports. With such location positioning and network optimisation, our Group is capable of enhancing the operation efficiency which tutors' time can be better utilized in delivering and developing courses.

Our Group continuously provides course products and mix based on the market needs, which are mainly (i) preparation courses for pre-primary students for the interviews and admission tests for certain primary schools with relatively limited vacancy and low acceptance rate of admission; and (ii) language courses. With the strengthening of our quality tutors team, network optimisation and our continual efforts in course product development, our Group's revenue attributable from Beacon Childhood business had been increased by approximately 154.5% from approximately HK\$2.2 million for the year ended 31 July 2015 to approximately HK\$5.6 million for the year ended 31 July 2017 and had also been increased by approximately 72.3% from approximately HK\$2.0 million for the five months ended 31 December 2016 to approximately HK\$3.5 million for the five months ended 31 December 2017.

In view of the market potential in pre-primary education industry illustrated from the Euromonitor Report, our Group intended to capture such market growth by (i) expanding our network through opening new or acquisition of existing child education centres; (ii) engaging tutors with highly qualified education background to enhance the credibility of

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“Beacon Childhood” brand; (iii) providing course offerings with a variety of coverage and course mix including, among others, admission interview skill, language and STEM (i.e. science, technology, engineering and mathematics) training with different choices of learning schedule in order to cater for customers’ need and market demand; and (iv) equipping our Beacon Childhood education centres with more advanced facilities, teaching equipment and materials.

Based on the above, our Directors consider there will be growth potential in child education market and we intend to allocate approximately HK\$11.8 million from the estimated net proceeds from the Share Offer to further expand our operations into private supplementary pre-primary and/or primary school education business by opening up to five Beacon Childhood teaching centres in three years after the Listing. The new centres include up to one centre that will be of approximately 4,000 sq. ft. while up to another four centres that will be of approximately 2,400 sq. ft. each. We plan to open the new Beacon Childhood teaching centres by either possible strategic acquisitions of existing private supplementary pre-primary and/or primary school education services providers in Hong Kong and/or opening new teaching centres on our own. For the operation of such new centres, our Group will also procure additional teaching resources and strengthen our teaching team and management personnel by engaging around 12 additional headcounts.

Our Directors consider that if we acquire an existing private supplementary pre-primary and/or primary school education services provider, we can simultaneously acquire the necessary manpower, knowledge, experience and licence to operate immediately rather than establishing a greenfield teaching centre which takes time. We would only consider acquiring players which have a strong local network, experience, technology, knowhow, connections and/or other resources that are complementary and beneficial to us.

The Directors will consider, among others, the following factors in deciding whether to open new Beacon Childhood teaching centres or acquire existing service providers:

- the synergy to be generated from potential acquisition and immediate revenue generated from the existing service providers and diversification of our Group’s service offerings;
- the financial and administrative resources to be spent by our Group and the expected breakeven and/or investment payback period under either expansion direction;
- the management effort to be spent and potential expertise to be leveraged in, for instance, expansion and establishment of client base, under either expansion direction; and
- alignment with our Group’s corporate culture.

As at the Latest Practicable Date, we have not identified any specific acquisition target(s) nor confirmed the number and location of education providers intended to be acquired or the timeframe for incurring the acquisition expenditure.

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Additionally, we intend to further develop our Beacon Childhood product offering through the provision of additional programmes and greater variety of courses and services which may include, for example, courses covering Mandarin language, English language, Mathematics and Science to our pre-school, kindergarten and primary school students.

### **Enhancement of Our Brand Strength through Continued Marketing Efforts**

Our Directors believe that our brand is one of the keys for success of our business and maintaining our brand strength which is necessary for us to retain our recognition by the customers and increase our market share. Continuous promotion effort is also necessary for us to support our expansion/optimisation plan of teaching centres and education services. In this regard, in addition to our continuous spending on traditional offline promotional channels, such as indoor/outdoor billboards advertisements, posters and banners, in view of the continued increase in internet penetration, we intend to strengthen our relationship with our customers (i.e. students) by increasing our footprints on online platforms and collaborating with other media and service providers which are renowned for capturing online audiences. We also plan to expand our marketing team to enhance the promotion of our brand with a broader range of education services and products for the purposes of retaining and increasing customers' loyalty to our brands.

### **Enhancement and Mobilisation of IT Infrastructure and Upgrade of Teaching Facilities and Equipment**

In order to increase our students' satisfaction and enhance their learning experience in view of the increasing trend for using online and mobile devices, we plan to enhance our website and mobile applications by adding more online and customised functions such as student records and history of study tracking, online registration of our courses and ad hoc events, online payment for courses and order for our products, etc.. We also plan to increase the headcounts of our IT support function and upgrade our internal IT system in order to provide more efficient and systematic support to our tutors, front-line staff of our teaching centres and supporting units of our Group and increase the operation efficiency. We also plan to enhance our existing teaching equipment and facilities with advanced technologies for use in teaching centres with different sizes and scales.

For further details on our future plans and business strategies, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

### **OUR PRINCIPAL BUSINESS ACTIVITIES**

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.

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### Our Education Programmes and Services

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

- private supplementary secondary school education services;
- private secondary day school services; and
- ancillary education services and products.

Set out below is a summary of our revenue for each category of services and products which we provided during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private supplementary secondary school education services	286,538	87.4	335,819	89.3	333,040	88.5	155,258	91.1	179,503	91.7
Private secondary day school services	17,862	5.5	13,269	3.5	13,180	3.5	5,970	3.5	5,038	2.6
Ancillary education services and products	23,417	7.1	27,137	7.2	30,176	8.0	9,245	5.4	11,296	5.7
Total	<u>327,817</u>	<u>100.0</u>	<u>376,225</u>	<u>100.0</u>	<u>376,396</u>	<u>100.0</u>	<u>170,473</u>	<u>100.0</u>	<u>195,837</u>	<u>100.0</u>

### *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. We commenced our private supplementary secondary school education services in 1989 in Yuen Long and as at the Latest Practicable Date, we provided such services from 15 of our total 18 operating teaching centres located in Hong Kong Island, Kowloon and the New Territories.

### *Subjects*

Our private supplementary secondary school education services mainly cover HKDSE subjects. HKDSE subjects are divided into the following three categories: (Category A) 24 senior secondary subjects (4 core subjects and 20 elective subjects); (Category B) applied learning subjects; and (Category C) other language subjects. Our Group focuses exclusively on Category A subjects. During the Track Record Period and up to the Latest Practicable Date, we only offered private supplementary secondary school education services for the six subjects of Chinese language, English language, Mathematics, Liberal Studies, Physics and Chemistry for junior secondary students. Whereas we offered private supplementary

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secondary school education services for over ten different core and elective subjects within Category A for senior secondary school (S4-S6) students. We did not offer any supplementary education services for the subjects under Category B or C.

Set out below is the list of Category A senior secondary subjects offered to senior secondary (S4-S6) students as at the Latest Practicable Date:

### **Category A – Core Subjects**

#### **Subjects**

Chinese Language  
English Language  
Mathematics  
Liberal Studies

### **Category A – Elective Subjects**

#### **Subject**

Chinese Literature  
Chinese History  
Economics  
Geography  
History  
Tourism and Hospitality Studies  
Biology  
Chemistry  
Physics  
Business, Accounting & Financial Studies

As at the Latest Practicable Date, our private supplementary secondary school education services did not cover the following HKDSE – Category A senior secondary subjects: Literature in English, Ethics and Religious Studies, Science: Combined Science, Science: Integrated Science, Design and Applied Technology, Health Management and Social Care, Technology and Living, Information and Communication Technology, Music, Visual Arts and Physical Education.

In addition to the abovementioned subjects, from time to time, we also offer general courses which may not fall under any specific subjects under the HKDSE curriculum, but which are intended to offer additional support to our secondary school students. For example, we may provide a course on English grammar, which would not be specific to any school level and is open to all secondary students. Furthermore, from time to time, we may offer our private supplementary secondary school education services to other secondary schools and post-secondary education institute in Hong Kong not under our Group which may seek to provide additional support to their students sitting the HKDSE Examinations. During the Track Record Period, we provided English language and Chinese language courses to certain other secondary schools and post-secondary education institute in Hong Kong not under our Group in preparation for the HKDSE Examinations. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December

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2016 and 2017, the revenue derived from the provision of such services to other schools and institutes amounted to HK\$99,000, HK\$99,600, HK\$169,800, HK\$37,500 and HK\$19,500, respectively. The basis of service fee our Group charged to other schools and institutes are determined, among others, the contents and class size of the courses provided and the service fees payable to the tutors who provide such courses. Provision of such services to other schools and institutes involves mainly the time cost spent by the subject tutors in preparing the course materials. Our Group accepts the engagement to provide such services when the subject tutors are available to do so and the course fees are agreed among parties.

Our course offerings for elective subjects are driven by a number of factors. Amongst all, we will make reference to the number of students who plan to sit for each elective subject in the HKDSE Examinations. We also consider factors such as the nature of the subjects, whether we would need any additional resources in order to deliver such courses and the availability of appropriate tutors to provide such courses. After taking into account of the foregoing, our management team will determine whether there are sufficient demand and resources to offer such course.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 62,244, 63,898, 60,391, 45,324 and 42,471 unique private supplementary secondary school education student enrollments, respectively. Approximately 98.5% of the total number of unique private supplementary secondary school education student enrollments during the Track Record Period were active students who attended at least one lesson as recorded in our attendance system. The remaining 1.5% of the total number of unique private supplementary secondary school education student enrollments during the Track Record Period were students who did not attend any lesson for his or her enrolled course as recorded in our attendance system. A summary of the breakdown of private supplementary secondary school education session enrollments is set out as follows:

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
Number of unique student enrollments	62,244	63,898	60,391	45,324	42,471
Total number of session enrollments	600,002	681,498	657,936	318,913	339,197
Average number of sessions enrolled per student	9.6	10.7	10.9	7.0	8.0
Total number of sessions held	22,052	20,186	24,753	12,186	13,249
Average number of students per session	27	34	27	26	26
Average session fees (HK\$(Note))	478	493	506	487	529

*Note:* Being total revenue from private supplementary secondary school education services divided by session enrollments for the year/period.

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### *Course Type*

Our Group offers a variety of courses which differ in subject, delivery mode, length and price. As a general practice, a session is an independent course which comprises a number of individual lessons, and running for no longer than a month. Our courses are structured in this manner for compliance with the Education Regulations, which state that tuition fees for an educational course should be calculated on an equal monthly basis. Please refer to the section headed “Regulatory overview” in this prospectus for more details.

Our private supplementary secondary school education courses are prepared and delivered by our teaching team throughout the year and consist of:

- (i) regular courses, which in respect of Secondary 1 to Secondary 5 students, are normally offered from September to June in parallel with the academic year, and in respect of Secondary 6 students, are normally offered from September to March in preparation for the HKDSE Examinations normally held in or around April/May. In general, regular courses consist of four individual lessons, each running for approximately 60 to 75 minutes;
- (ii) summer courses, which are typically offered from mid-July until August, are designed to prepare students for the forthcoming academic year. In general, summer courses comprise three to six individual lessons, each running for approximately 60 to 75 minutes; and
- (iii) intensive courses, which are normally organised several months before school assessments or the HKDSE Examinations and are designed to help students review the key areas of a subject. Intensive courses focus on specific topics of each subject. The courses also provide insight on examination techniques and topics as well as providing additional preparation materials. Intensive courses can typically consist of three to four individual lessons, or an individual lesson each running for approximately 75 to 90 minutes.

In addition, from time to time, we may run seminars which are either free of charge or charged with a nominal fee in order to introduce prospective students to our courses or tutors. These seminars serve for marketing purposes and are typically provided in July or September prior to commencement of our summer or regular courses.

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The following table provides a summary of the number of session enrollments by course type during the Track Record Period:

Course type	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	<i>Number of session enrollments</i>	<i>%</i>								
Regular courses	446,829	74.5	511,366	75.0	466,103	70.8	227,767	71.4	235,208	69.3
Intensive courses	79,797	13.3	79,477	11.7	95,019	14.5	27,374	8.6	33,895	10.0
Summer courses	73,376	12.2	90,655	13.3	96,814	14.7	63,772	20.0	70,094	20.7
Total	600,002	100.0	681,498	100.0	657,936	100.0	318,913	100.0	339,197	100.0

The following table sets forth the average session size by student enrollment for each type of private supplementary secondary school education courses held during the Track Record Period:

Average session size by student enrollments	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
Regular courses	32	35	29	30	29
Intensive courses	18	21	21	19	19
Summer courses	21	20	23	19	19

*Notes:*

1. Being the number of session enrollments divided by number of sessions offered during the year/period.
2. Rounded to the nearest whole number.

### *Course Delivery Modes*

We currently provide courses through two delivery modes of instruction, namely, live and video. Under live instruction, classes are delivered by a tutor in person or by live video feed, whilst under video instruction, courses are usually delivered through pre-recorded videos of lessons previously provided by our tutors with support from our teaching team, in particular, our teaching assistants.

In respect of live courses, lessons are conducted by the tutor in person or by live video feed. Where the number of enrollments in a course exceeds the capacity within the classroom which the tutor conducts the lesson in person, students will be assigned to other classrooms within the teaching centre. Such other classrooms may include classrooms which are divided by immovable transparent partitions, and the lesson will be delivered primarily from the live video feed in the classroom (“**Live Course Arrangement**”). These classrooms are supported with teaching assistants and the lessons are typically conducted through students viewing the lesson on screens (“**Teaching Arrangement**”). Our teaching assistants

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are typically responsible for (i) assisting our tutors with preparation and writing of course materials and lesson handouts; (ii) providing in-class support, supervision and administration as well as being on hand and available to assist tutors and assist to handle students' questions (which typically relate to administrative and/or logistical matters); and (iii) assisting our tutors with preparation and marking of mock examination papers. For further details of the responsibilities of our teaching assistants, please refer to the paragraph headed "Our teaching team – Teaching assistants" below. As it might be different from secondary day school education, the level of interaction between students and the relevant tutors and/or teaching assistants during the process of private supplementary secondary school education courses, including live and video lessons, is limited due to time, structure and pace of the lessons and classroom scheduling arrangements. The stipulated interaction mode between students and tutors is typically through learning support by the relevant tutors after class via electronic and social media means. Where students have queries in class, our teaching assistants will assist by passing such queries to the relevant tutor or letting the students know the other means to make the enquiry with the relevant tutors.

In addition, we may offer courses which are delivered through a mix of live and video instruction such as, amongst others, semi-live classes (in which one half of the session is comprised of live lessons and the other half is comprised of video lessons) and video partner classes (in which one tutor will provide live instruction and a portion of the lesson will be provided through video instruction by another tutor).

Our Directors believe that the provision of courses through live and video instruction is key to our ability to provide scalable private supplementary secondary school education services. The ability to satisfy demand for private supplementary secondary school education services is, to a certain extent, constrained by the number of tutors available, the time available for providing courses and, specifically in Hong Kong, the requirement of the EDB that not more than 45 students shall be taught at one time by one teacher. Our course delivery modes are therefore designed to address such constraints in an efficient manner and enable us to provide a larger number of private supplementary secondary school education courses to benefit students.

Through our live and video instructions, we are able to scale our business and to provide a consistent level of teaching to a large number of students with greater frequency, flexibility and efficiency across our teaching centres. Our platform and infrastructure enable us to leverage off the skills and experiences of our teaching team to provide the requisite support across all our delivery modes. Our Directors confirm that there are no specific rules or regulations in Hong Kong governing whether our courses can be delivered through the aforementioned modes of instruction (including the Live Course Arrangement) and that our existing modes of instructions do not contravene any rules or regulations in Hong Kong. Furthermore, our EO Legal Counsel has opined that the provision of live courses and courses by assembling students in classrooms where they view the lesson by video (live or pre-recorded) in classrooms simultaneously by way of the Live Course Arrangement does not breach the Education Ordinance or its subsidiary legislation.

During the Track Record Period, the EDB conducted site inspections from time to time. Our Directors confirm that during each site inspection, our Group provided full cooperation and assistance to the EDB inspectors without withholding any information or documents

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requested by the EDB inspectors or concealing from inspection any part of the classrooms which are in the immediate neighbourhood. Among these site inspections, during an EDB inspection visit to our teaching centre at Beacon Evening Collage (Tuen Mun) conducted in February 2016 (the “**Tuen Mun Inspection**”) and an EDB inspection visit to our teaching centre at Beacon Collage (Kowloon Bay) conducted in December 2016 (the “**Kowloon Bay Inspection**”), the Live Course Arrangements were being conducted. Our Directors consider that as the size of each classroom is not large, it is unlikely for the EDB inspectors entering the classroom during their site inspections without noticing the Live Course Arrangement and the Teaching Arrangement.

In connection with the Tuen Mun Inspection and the Kowloon Bay Inspection, in our written communications with the EDB, we are given to understand that during its inspection visit of the above teaching centres, it did not detect irregularities on the spot.

As at the Latest Practicable Date, our Directors confirm that no notice has been issued nor has any action been taken by the EDB against our Group in relation to the use of such Live Course Arrangement and our Directors confirm that we have not received any complaints from the EDB with regard to our modes of instruction nor have any of our Certificates of Registration of a School or Certificates of Provisional Registration of a School been revoked or suspended due to our modes of instruction or otherwise.

As discussed in the paragraph headed “Subjects” above, the subjects currently provided by our Group generally reflect the subjects required under the HKDSE curriculum and the availability of tutors to provide coverage of such subjects. Courses are designed by our tutors typically with assistance from our teaching team and are usually based upon the demand from students for such courses.

For regular, summer and intensive courses, our students are able to enroll in either live or video lessons or a combination of both. In order to achieve this, lessons delivered under live instructions by our tutors may be pre-recorded on video and used as teaching materials in other courses or used for our VIP self-study services, as further described in the paragraph headed “Ancillary education services and products” in this section. Our Directors confirm that such arrangement complies with the relevant laws, rules and regulations in Hong Kong.

In addition, in certain instances and depending upon the tutors, students may be given additional take-home exercises to help reinforce their learning. Tutors and their teaching assistants will then mark students’ work and provide feedback on the work submitted. Moreover, our teaching team and certain members of management may make themselves accessible through mobile communication, personal message or social media in order to provide academic support to our students.

### *Tuition Fees and Revenue*

Revenue from our private supplementary secondary school education services for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$286.5 million, HK\$335.8 million, HK\$333.0 million, HK\$155.3 million and HK\$179.5 million, respectively, representing

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approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, of our total revenue. Set out below is a breakdown of average course fees and revenue from private supplementary secondary school education courses offered by our Group during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	Average session fees	Revenue	%	Average session fees	Revenue	%	Average session fees	Revenue	%
	(HK\$) (Note)	(HK\$'000)		(HK\$) (Note)	(HK\$'000)		(HK\$) (Note)	(HK\$'000)	
Regular courses	504	224,992	78.5	520	266,049	79.2	550	256,156	76.9
Intensive courses	429	34,255	12.0	442	35,114	10.5	443	42,083	12.6
Summer courses	372	27,291	9.5	382	34,656	10.3	359	34,801	10.5
<b>Total</b>	<b>478</b>	<b>286,538</b>	<b>100.0</b>	<b>493</b>	<b>335,819</b>	<b>100.0</b>	<b>506</b>	<b>333,040</b>	<b>100.0</b>

	Five months ended 31 December					
	2016			2017		
	Average session fees	Revenue	%	Average session fees	Revenue	%
	(HK\$) (Note)	(HK\$'000)		(HK\$) (Note)	(HK\$'000)	
Regular courses	535	121,785	78.4	592	139,353	77.6
Intensive courses	348	9,534	6.1	359	12,162	6.8
Summer courses	375	23,939	15.5	399	27,988	15.6
<b>Total</b>	<b>487</b>	<b>155,258</b>	<b>100.0</b>	<b>529</b>	<b>179,503</b>	<b>100.0</b>

*Note:* Being total revenue of the respective courses divided by the respective session enrollments for the year.

In accordance with the Education Regulations, tuition fees for courses should be calculated on an equal monthly basis. We organise our courses into a number of sessions, one session comprises a number of individual lessons and each session does not last for more than one month, for the compliance with the relevant regulations in respect of tuition fees. Our Directors confirm that such arrangement complies with the rules and regulations in Hong Kong as prescribed by the EDB and that during the Track Record Period, we have not been in breach of any EDB regulations in relation to the tuition fees charged by our Group.

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Our students pay tuition fees by cash, cheque or online via a secure payment system for each session. Generally, we do not offer refunds to students. However, we will provide a full refund for lessons not attended in certain circumstances such as the followings:

- cancellation of lessons or change of the starting date (if such change not being accepted by students) of lessons or courses by our Group due to insufficient number of enrollments;
- cancellation of lessons or courses by our Group due to relevant weather warnings issued by the Hong Kong Observatory; or
- discretionary decision made by our Group with regard to application by students for a full refund which must be made within seven days after the starting date of a lesson and supported by a justifiable reason.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we provided refunds of approximately HK\$0.8 million, HK\$1.1 million, HK\$1.1 million, HK\$0.6 million and HK\$0.7 million, respectively.

We regularly monitor enrollment numbers, including the enrollment history of existing students as well as the numbers of new students, to identify trends in enrollments as well as students' preference. From time to time, our management, tutors, course management and marketing teams hold meetings to consider, among other things, promotions and concessions to be offered in order to attract students to enroll on our courses.

Generally, in accordance with the Education Regulations, no change in tuition fees shall be made without the written approval of the EDB. However, as our teaching centres (save for the two private secondary day schools which are operated under our teaching centres) are PSNFCs under the Exemption Order which are exempted from certain requirements of the provisions of the Education Ordinance and Education Regulations relating to, amongst others, school fees, subject to their compliance with conditions specified in the Exemption Order, we are not obligated to seek the prior approval for adjusting the school fees from the EDB for these teaching centres. For those teaching centres which are not PSNFCs which are exempted under the Exemption Order, approval from the EDB in respect of any adjustment of tuition fees is sought when required.

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Our revenue from private supplementary secondary school education services is generated mainly from courses provided to senior secondary school students (i.e. Secondary 4-6 students). The following table sets forth the number of session enrollments and revenue generated from the respective school levels under our private supplementary secondary school education services during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	<i>Session</i> <i>Enrollments</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>%</i>	<i>Session</i> <i>Enrollments</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>%</i>	<i>Session</i> <i>Enrollments</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>%</i>
Secondary 1 – 3	26,873	10,433	3.6	30,318	13,045	3.9	29,451	13,434	4.0
Secondary 4 – 6	573,129	276,105	96.4	651,180	322,774	96.1	628,485	319,606	96.0
Others <sup>(Note)</sup>	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b><u>600,002</u></b>	<b><u>286,538</u></b>	<b><u>100.0</u></b>	<b><u>681,498</u></b>	<b><u>335,819</u></b>	<b><u>100.0</u></b>	<b><u>657,936</u></b>	<b><u>333,040</u></b>	<b><u>100.0</u></b>

	Five months ended 31 December					
	2016			2017		
	<i>Session</i> <i>Enrollments</i>	<i>Revenue</i> <i>(HK\$'000)</i> <i>(unaudited)</i>	<i>%</i>	<i>Session</i> <i>Enrollments</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>%</i>
Secondary 1 – 3	12,860	5,650	3.6	11,361	5,718	3.2
Secondary 4 – 6	306,053	149,598	96.4	327,836	173,336	96.6
Others <sup>(Note)</sup>	–	–	–	–	449	0.2
<b>Total</b>	<b><u>318,913</u></b>	<b><u>155,258</u></b>	<b><u>100.0</u></b>	<b><u>339,197</u></b>	<b><u>179,503</u></b>	<b><u>100.0</u></b>

*Note:* The other revenue represent the revenue generated from Ascent Prep Education Centre for preparation of admission tests of overseas institutions which had commenced business since November 2017. The Ascent Prep Education Centre is operated by Ascent Prep International Education Limited, a non-wholly owned subsidiary of our Group. For details of the history of Ascent Prep International Education Limited, please refer to the paragraphs headed “(13) Incorporation of a subsidiary of our Company” and “(15) Allotment of Shares in Ascent Prep International Education Limited” under the section headed “History, Development and Corporate Structure” of this prospectus.

### ***Private Secondary Day School Services***

As at the Latest Practicable Date, we operated two private secondary day schools in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. We commenced operation of our first private secondary day school in Yuen Long in 1990 which was followed by private secondary day school operations in Mong Kok and Kowloon Bay in 1999 and 2009, respectively. In 2016, we merged our Mong Kok and Kowloon Bay private secondary day school operations into a single private secondary day school in Mong Kok in order to improve efficiency and better manage our resources. During the Track Record Period, we provided private secondary day school services in accordance with the HKDSE curriculum to Secondary 4, 5 and 6 level students only.

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Our private secondary day schools were established principally with the aim of providing education for students seeking to repeat Secondary 5 or Secondary 6. The operation of private secondary day schools also allows us to increase the utilisation of our existing teaching centres.

We typically receive applications for enrollment before commencement of the academic year, but will also accept enrollments throughout the academic year. As part of the admissions process, our day school teachers conduct interviews with all applicants.

As at the Latest Practicable Date, we offer the following subjects at our private secondary day schools:

- Biology
- Business, Accounting and Financial Studies
- Chemistry
- Chinese History
- Chinese Language
- Chinese Literature
- Combined Science
- Economics
- English Language
- Geography
- History
- Information and Communication Technology
- Liberal Studies
- Mathematics
- Physics
- Tourism and Hospitality Studies
- Visual Arts

Both of our schools in Yuen Long and Mong Kok are equipped with the requisite laboratory facilities to offer biology, chemistry and physics lessons under the HKDSE curriculum for Secondary 4, 5 and 6 students.

As at the Latest Practicable Date, our private secondary day schools engaged 16 full-time and one part-time day school teachers. Nine of our day school teachers focus exclusively on private secondary day school teaching and the other eight teachers also provide teaching services for our Group's private supplementary secondary school education services from time to time. Our private secondary day schools are led by our principal and executive Director, Mr. Chan, who has over 30 years of experience as an educator and has been our school principal since 1990. Our private secondary day schools operate in accordance with EDB regulations and adopt the curriculum as set out by the EDB. Our private secondary day schools operate in our existing teaching centres, which are commercial office spaces that have been adapted to comply with the relevant requirements to operate as a school.

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Since 1990, over 30,000 students have attended our private secondary day schools. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, 670, 497, 484, 459 and 358 students, respectively, had enrolled in our private secondary day schools.

### *Private Secondary Day School Tuition Fees and Revenue*

Revenue from our private secondary day school services for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$17.9 million, HK\$13.3 million, HK\$13.2 million, HK\$6.0 million and HK\$5.0 million, respectively, representing approximately 5.5%, 3.5%, 3.5%, 3.5% and 2.6% of our total revenue, respectively. The following table sets forth the number of unique private secondary day school enrollments, private secondary day school session enrollments and revenue generated from the respective school levels during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	<i>Number of Unique Student Enrollments</i>	<i>Number of Session Enrollments</i>	<i>Revenue (HK\$'000)</i>	<i>Number of Unique Student Enrollments</i>	<i>Number of Session Enrollments</i>	<i>Revenue (HK\$'000)</i>	<i>Number of Unique Student Enrollments</i>	<i>Number of Session Enrollments</i>	<i>Revenue (HK\$'000)</i>
Secondary 4	-	-	-	-	-	-	18	139	432
Secondary 5	107	980	3,052	94	773	2,423	102	793	2,482
Secondary 6	563	4,178	14,810	403	3,078	10,846	364	2,893	10,266
Total	<u>670</u>	<u>5,158</u>	<u>17,862</u>	<u>497</u>	<u>3,851</u>	<u>13,269</u>	<u>484</u>	<u>3,825</u>	<u>13,180</u>

	Five months ended 31 December						
	2016			2017			
	<i>Number of Unique Student Enrollments</i>	<i>Number of Session Enrollments</i>	<i>Revenue (HK\$'000) (unaudited)</i>	<i>Number of Unique Student Enrollments</i>	<i>Number of Session Enrollments</i>	<i>Revenue (HK\$'000)</i>	
Secondary 4	14	51	163	17	48	171	
Secondary 5	86	287	917	71	262	910	
Secondary 6	359	1,354	4,890	270	1,026	3,957	
Total	<u>459</u>	<u>1,692</u>	<u>5,970</u>	<u>358</u>	<u>1,336</u>	<u>5,038</u>	

In accordance with the Education Regulations, all tuition fees in respect of day schools must be approved by the EDB, and no changes to such tuition fees shall be made without the written approval of the EDB.

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During the Track Record Period and up to the Latest Practicable Date, the tuition fees for our private secondary day schools ranged from approximately HK\$2,980 to HK\$3,580 per month. Our students pay their tuition fees on a monthly basis by cash, cheque or by direct debit authorisation.

### *Ancillary Education Services and Products*

During the Track Record Period, our Group offered various ancillary education services and products such as (i) interview preparation and supplementary primary school education and tutorial services under our “Beacon Childhood” brands; (ii) an HND in Business (QCF) registered with the EDB under our “Beacon CAPE” brand; (iii) IELTS, general interest and foreign language courses under our “Beacon BExcellent” brand; (iv) mock examination services; (v) VIP self-study services; (vi) online course scheduling and management services; and (vii) other miscellaneous services.

The following table sets forth the number of enrollments/registrations and revenue generated from our ancillary education services and products during the Track Record Period:

	Year ended 31 July									
	2015			2016				2017		
	Enrollments/ Registrations	Revenue <i>HK\$'000</i>	%	Enrollments/ Registrations	Revenue <i>HK\$'000</i>	%	Enrollments/ Registrations	Revenue <i>HK\$'000</i>	%	
Beacon Childhood	1,427	2,173	9.3	2,076	4,229	15.6	1,867	5,562	18.4	
Beacon CAPE ( <i>Note</i> )	14	613	2.6	15	630	2.3	6	262	0.9	
Beacon BExcellent	1,894	3,319	14.2	2,158	2,735	10.1	1,931	2,164	7.2	
Mock examination services	21,243	8,611	36.8	27,211	10,343	38.1	28,949	12,285	40.7	
VIP self-study services	4,804	5,475	23.4	4,263	6,044	22.3	4,539	6,831	22.6	
Online course scheduling and management services	N/A	2,823	12.0	N/A	2,694	9.9	N/A	2,368	7.9	
Other miscellaneous services	N/A	403	1.7	N/A	462	1.7	N/A	704	2.3	
<b>Total</b>	<b><u>29,382</u></b>	<b><u>23,417</u></b>	<b><u>100.0</u></b>	<b><u>35,723</u></b>	<b><u>27,137</u></b>	<b><u>100.0</u></b>	<b><u>37,292</u></b>	<b><u>30,176</u></b>	<b><u>100.0</u></b>	

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	Five months ended 31 December					
	2016			2017		
Enrollments/ Registrations	Revenue		Enrollments/ Registrations	Revenue		
	<i>HK\$'000</i>	%		<i>HK\$'000</i>	%	
	<i>(unaudited)</i>					
Beacon Childhood	761	2,049	22.2	1,328	3,530	31.3
Beacon CAPE <i>(Note)</i>	6	131	1.4	3	66	0.5
Beacon BExcellent	1,212	1,347	14.6	727	914	8.1
Mock examination services	6,738	1,089	11.8	4,683	855	7.6
VIP self-study services	1,718	2,820	30.5	1,621	2,943	26.1
Online course scheduling and management services	N/A	1,480	16.0	N/A	1,371	12.1
Other miscellaneous services	N/A	329	3.5	N/A	1,617	14.3
Total	<u>10,435</u>	<u>9,245</u>	<u>100.0</u>	<u>8,362</u>	<u>11,296</u>	<u>100.0</u>

*Note:* Beacon CAPE enrollments are for admission to our HND programme which runs for the academic year.

### *Beacon Childhood*

Our Group offers interview preparation and private supplementary pre-primary and primary education services under our “Beacon Childhood” and “Beacon BeeSmart” brands. We commenced our early learning operations in early 2010s and later under “Beacon BeeSmart” and “Beacon Childhood” brands. We provide interview preparation courses for pre-primary, kindergarten and primary school students to assist children and their parents with interviews for new schools as well as provide supplementary education services for primary school students from Primary 1 to Primary 6, which include supplementary education on schoolwork, English language and test preparation. As at the Latest Practicable Date, we had four tutors who are dedicated to our Beacon Childhood business, all of whom are bachelor’s degree holders.

As at the Latest Practicable Date, we offered our Beacon Childhood services from two dedicated Beacon Childhood teaching centres in Prince Edward and Causeway Bay, and from time to time, from our other teaching centres.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from our Beacon Childhood services was approximately HK\$2.2 million, HK\$4.2 million, HK\$5.6 million, HK\$2.0 million and HK\$3.5 million, respectively.

### *Beacon CAPE*

We offer further education under our “Beacon CAPE” brand specifically, an HND in Business (QCF) which is registered with the EDB. As at the Latest Practicable Date, all of our Beacon CAPE services were offered at our Mong Kok teaching centre and students usually complete our HND course within two years. Our Beacon CAPE services are

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delivered by a tutor who possesses the qualification to teach HND courses. Our HND course is an eligible course under the Extended Non-means Tested Loan Scheme. During the Track Record Period and up to the Latest Practicable Date, we typically charge between HK\$78,000 and HK\$105,000 for our HND course, depending upon the number of modules taken, with four instalments over two years. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 we had 14, 15, six, six and three enrollments, respectively. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from our Beacon CAPE services was approximately HK\$0.6 million, HK\$0.6 million, HK\$0.3 million, HK\$0.1 million and HK\$0.07 million, respectively.

### *Beacon BExcellent*

We offer a variety of language and interest courses to individuals of all ages under our “Beacon BExcellent” brand. During the Track Record Period, we offered, amongst others, IELTS, Korean, Mandarin and photography courses. The majority of our Beacon BExcellent courses is IELTS courses. Our tutors provide instructions in all areas of the IELTS examinations, including reading, writing, listening and speaking. All of our IELTS courses are conducted through either live and video instruction in all of our applicable teaching centres. In 2015, we started to offer a Diploma in Business Communications course, which is registered under the CEF as a reimbursable course and is accredited as a QF Level 3 course by HKCAAVQ. In 2017, we started to offer a Certificate of IELTS Exam Preparation course, which is also registered under the CEF as a reimbursable course and is accredited as a QF Level 2 course by HKCAAVQ.

The majority of our IELTS courses typically run for a total of 12 to 30 hours and typically comprise 8 to 12 lessons. Students are required to pay the tuition fees on a monthly basis by cash or cheque.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from our Beacon BExcellent services was approximately HK\$3.3 million, HK\$2.7 million, HK\$2.2 million, HK\$1.3 million and HK\$0.9 million, respectively.

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Set out below is a breakdown of course enrollments and revenue from our Beacon BExcellent services during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	<i>Enrollments</i>	<i>Revenue</i> <i>HK\$'000</i>	<i>%</i>	<i>Enrollments</i>	<i>Revenue</i> <i>HK\$'000</i>	<i>%</i>	<i>Enrollments</i>	<i>Revenue</i> <i>HK\$'000</i>	<i>%</i>
IELTS	1,054	2,863	86.3	1,560	2,432	88.9	1,723	2,049	94.7
Others	<u>840</u>	<u>456</u>	<u>13.7</u>	<u>598</u>	<u>303</u>	<u>11.1</u>	<u>208</u>	<u>115</u>	<u>5.3</u>
Total	<u><u>1,894</u></u>	<u><u>3,319</u></u>	<u><u>100.0</u></u>	<u><u>2,158</u></u>	<u><u>2,735</u></u>	<u><u>100.0</u></u>	<u><u>1,931</u></u>	<u><u>2,164</u></u>	<u><u>100.0</u></u>

	Five months ended 31 December					
	2016			2017		
	<i>Enrollments</i>	<i>Revenue</i> <i>HK\$'000</i>	<i>%</i>	<i>Enrollments</i>	<i>Revenue</i> <i>HK\$'000</i>	<i>%</i>
IELTS	1,131	1,300	96.5	720	906	99.1
Others	<u>81</u>	<u>47</u>	<u>3.5</u>	<u>7</u>	<u>8</u>	<u>0.9</u>
Total	<u><u>1,212</u></u>	<u><u>1,347</u></u>	<u><u>100.0</u></u>	<u><u>727</u></u>	<u><u>914</u></u>	<u><u>100.0</u></u>

### *Mock Examination Services*

Our Group organises a number of mock examinations for students in Secondary 5 and 6. In particular, our mock examinations target students in Secondary 6 and are held regularly in the months leading up to the HKDSE Examinations, typically from December to February. Students may enroll to sit the practice examinations under simulated examination conditions on all core subjects and a variety of elective subjects. Our teaching team prepares and marks the mock examinations and provides feedback to students. Mock examinations may be held at our teaching centres or at venues which can accommodate larger numbers of students. Costs and expenses associated with organising mock examinations (including, rental of venue, marking and printing costs, etc.) are typically shared between our tutors and our Group.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 21,243, 27,211, 28,949, 6,738 and 4,683 mock examination enrollments, respectively, generating revenue of approximately HK\$8.6 million, HK\$10.3 million, HK\$12.3 million, HK\$1.1 million and HK\$0.9 million, respectively.

### *VIP Self-study Services*

“Video-induced-Pedagogy” (VIP) self-study services are pre-recorded videos of courses which can be viewed by students on an individual basis on computer terminals at selected teaching centres. VIP self-study services are designed for students who may have missed

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courses during the year and/or if they wish to review a course or lesson which they had previously attended. As at the Latest Practicable Date, VIP self-study services were offered at 11 teaching centres where students can obtain and view the video of courses on our computer terminals. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we had 4,804, 4,263, 4,539, 1,718 and 1,621 VIP self-study service registrations, respectively, generating revenue of approximately HK\$5.5 million, HK\$6.0 million, HK\$6.8 million, HK\$2.8 million and HK\$2.9 million, respectively.

### *Online Course Scheduling and Management Services*

Our Group charges a service fee and allows our students to access our Group's online customer course scheduling and management system in order to manage their courses enrolled. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we generated revenue from online course scheduling and management services of approximately HK\$2.8 million, HK\$2.7 million, HK\$2.4 million, HK\$1.5 million and HK\$1.4 million, respectively.

### *Other Miscellaneous Services*

During the Track Record Period, we generated revenue from other miscellaneous services including (i) provision of oral practice classes; (ii) provision of English and Chinese courses by our tutors to schools not under our Group seeking additional teaching support; (iii) sale of books and other products; (iv) other operation of an online store under our "Beacon Living" brand in which we offer sales of a variety of products; and (v) provision of tutor services by temporarily exchanging certain of our tutors to another private supplementary secondary school education services provider which is an Independent Third Party.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue from other miscellaneous services was approximately HK\$0.4 million, HK\$0.5 million, HK\$0.7 million, HK\$0.3 million and HK\$1.6 million, respectively.

## OUR TEACHING TEAM

As at the Latest Practicable Date, we had a teaching team of 515 individuals, which comprised 78 tutors, nine day school teachers, 67 full-time and 361 part-time teaching assistants. Of our 78 tutors, eight also teach at our private secondary day schools. Our Directors confirm that all of our tutors providing private supplementary secondary school education services, day school teachers and full-time teaching assistants are eligible to teach under the Education Ordinance and/or Exemption Order. For details of our teaching team's eligibility requirements please see the section headed "Regulatory overview – Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (the "Exemption Order") – Teachers' qualifications" in this prospectus.

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Our teaching team represents our brand, business and Group from the front line. Our tutors and day school teachers (i.e. our “**Core Teaching Team**”) are the primary interface between our Group and our students, while our teaching assistants form an integral part of our business by providing educational and administrative support and/or assistance to our Core Teaching Team. Through our teaching team, we are able to provide lesson delivery and support, course planning and development, course material development and publication, course management as well as advertising, marketing and media promotion in order to serve our students and promote our brand. Our Directors believe that the success of our business is built upon the platform and infrastructure we have developed which delivers scalable private supplementary education support to meet the demand from students in Hong Kong. Moreover, our platform and infrastructure enable us not only to offer students in Hong Kong a wide choice of private supplementary educational support in their academic endeavours but also to provide opportunities for our teaching team to develop within the education industry.

For the year ended 31 July 2017, we had 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments and for the five months ended 31 December 2017, we had 42,471 unique private supplementary secondary school education student enrollments and 339,197 private supplementary secondary school education session enrollments, all of which were served by our teaching team. Our Directors believe that the ability to provide private supplementary secondary school education services to this number of students and such a high number of sessions is due to our platform and infrastructure which enable us to efficiently and effectively utilise our teaching team network to deploy our teaching resources to a large student audience.

We are committed to high standards of teaching and believe that this commitment has contributed to the success of our business and the development of our brand. Our platform and infrastructure are designed to maintain such standards by providing our Core Teaching Team with the support, materials, tools and resources they require so that they are able to focus principally on teaching and development of courses and course materials. Such support system allows a cohesive teaching team to be built and also provides opportunities, in particular, for teaching assistants to gain experience and develop within the education industry.

Our Group has adopted the following measures to maintain the teaching standards and quality of our teaching team:

- maintaining a record of our students’ results in the HKDSE Examinations as a key performance indicator of the respective tutors (e.g. with 5\*\*/5\*); and
- external monitoring of tutors via satisfaction surveys conducted through marketing consultants.

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### **Tutors**

As at the Latest Practicable Date, we had 78 tutors in our teaching team. The majority of our tutors are engaged in the provision of private supplementary secondary school education services while the rest are engaged in our ancillary education services and products business. Our tutors are responsible for providing instruction on courses as well as planning, development and preparation of courses, course materials and lesson handouts. Tutors may also be responsible for preparing and marking mock examinations.

Generally, our tutors receive support from our teaching team (including teaching assistants). Further information in respect of our teaching assistants is set out in the paragraph headed “Teaching assistants” below.

Our Directors value the importance of the quality of teaching team to our business success and brand and strive to adopt stringent selection criteria, particularly for our tutors. The selection criteria includes an applicant’s academic qualifications, education experience, subject knowledge, personality, attitude, reputation and the performance in an interview and possible demonstration lessons. An applicant is required to provide to our Group information relating to his/her educational background, employment history and other relevant information with all supporting documents. Generally, applicants are required to attend an interview and may be required to present a demonstration class so that their presentation skills, ability and rapport can be assessed. The applicants’ academic background, work experience, performance on interviews and demonstration classes, personality and integrity will be considered in deciding whether to be engaged by our Group.

Our Directors believe that given the nature of our platform and infrastructure and the structure of our teaching team, we are able to identify and help develop teaching talent within our Group to ensure that our teaching team is of the highest possible quality. From time to time we seek to help our teaching assistants whom we believe to possess the requisite qualities and attributes in advancing to become tutors. Our Directors believe that our platform and infrastructure offer our teaching assistants the opportunities to develop their teaching careers as tutors within our Group.

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As at 31 July 2015, 2016 and 2017 and as at 31 December 2016 and 2017, we had 60, 66, 70, 66 and 74 tutors, respectively. The table below shows the changes in the number of tutors engaged by our Group during the Track Record Period:

	Year ended/as at 31 July			Five months ended/as at 31 December	
	2015	2016	2017	2016	2017
Total number of tutors as at beginning of year/period	58	60	66	66	70
Number of tutors joining our Group during the year/period ( <i>Note 1</i> )	11	10	11	0	5
Number of tutors departing our Group during the year/period ( <i>Note 2</i> )	(9)	(4)	(7)	0	(1)
Total number of tutors as at year/period end date	<u>60</u>	<u>66</u>	<u>70</u>	<u>66</u>	<u>74</u>

*Note 1:* Included the tutors who are internally promoted during the respective year.

*Note 2:* Included the tutors who no longer provide any courses.

During the Track Record Period, we experienced a natural movement in the number of tutors engaged by us. Tutors may leave our Group for a variety of reasons, including amongst others, career prospects or further education pursuance. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, two, two, two, nil and one tutors, respectively, left our Group upon completion of their contracted service period while, seven, two, five, nil and nil tutors, respectively, had been inactive tutors who remained under engagement agreements of our Group but no longer provided any courses or tutors who have resigned. None of the departed tutors during the Track Record Period were our Top Five Tutors.

### *Contractual arrangement with our tutors*

All of our tutors are engaged under (full or part-time) employment contracts or service agreements. As at the Latest Practicable Date, 26 tutors were engaged under employment contracts and 52 were engaged under service agreements.

Typically we offer a revenue sharing scheme which is common in the private supplementary education industry (although some tutors engaged under employment contracts are remunerated with a standard salary only). Under the revenue sharing scheme, revenue generated by each tutor is shared between our Group and such tutor, based on a percentage of the net tuition fees generated by such tutor. In general, net tuition fees represent session fees paid by students to us net of any refunds or concessions and certain

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administrative costs, where applicable (“**Net Tuition Fees**”). Whereafter certain variable expenses attributable to such tutor for that period, including certain printing and marketing expenses and the cost of teaching assistants, are deducted from such tutor’s remuneration.

In general, our tutors are remunerated on (i) a percentage of the Net Tuition Fees, which the percentage may increase when enrollments reach certain thresholds; and (ii) in some cases, a prepaid performance bonus. Typically, revenue sharing rates are calculated on a percentage of the Net Tuition Fees and vary among our tutors according to their respective teaching experience, education background, student enrollments, scale of their team and market conditions. Performance bonuses may be paid to tutors under service agreements only. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we paid performance bonuses to 17, 26, 29, 31 and 27 tutors, respectively. Performance bonuses typically range from 5% to 10% of the tutors’ Net Tuition Fee, as stipulated in each engagement agreement and varies among individual tutors.

In certain instances, “teams” will be formed by a lead tutor with other tutors and/or teaching assistants as members of the “team”. We engage these team member tutors or teaching assistants directly but the focus of their work and responsibilities in the team will be decided by the lead tutor of the team. A team member tutor may utilise the teaching and course materials and lesson handouts developed by the lead tutor during their own instruction, and the team member teaching assistants would provide teaching support exclusively for the lead tutor. Under the terms of their engagement, a team member tutor would typically provide a percentage of the Net Tuition Fees to the lead tutor, in exchange for the utilisation of the team’s resources. Our tutor team arrangement is designed to allow team member tutors access to an established student market, teaching insights, teaching support and in certain instances course materials and lesson handouts from their lead tutor and thus form synergies among the teaching team. As at the Latest Practicable Date, we had 15 lead tutors.

The duration of engagements also varies amongst tutors. During the Track Record Period, our tutors were typically contracted for five to ten years. Typically, our engagements contain non-competition provisions and restrictive covenants in order to prevent our tutors from engaging in or having interest in any other private supplementary education providers, that may form competition with our Group, within Hong Kong for a period of time, being typically during the engagement period and for an additional six to 12 months after the termination of such engagement. In addition, departed tutors may also be liable to repay the performance bonus that had been prepaid to them during the contracted period if they do not complete the entire term of their engagement satisfactorily.

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Set out below are the salient terms which are typically included, where applicable, in the engagement agreements (i.e. employment contracts and service agreements) which we entered into with our tutors during the Track Record Period:

<b>Terms</b>	<b>Details</b>
Duration	Ranging from five to ten years
Revenue sharing ratio	15% – 60% of Net Tuition Fees
Minimum service fee	HK\$7,500 – HK\$25,000 per month
Performance bonus	5% – 10% of Net Tuition Fees
Restrictive covenants	Prohibiting from engaging or having interest in any other private supplementary education providers in Hong Kong during the engagement period and for an additional period of six to 12 months after the termination of the engagement
Termination clauses	We have the right to terminate the agreement for reasons including, among others, if: <ul style="list-style-type: none"><li>– the tutor is in breach of any terms and conditions contained within the agreement;</li><li>– the tutor is guilty of any act of disobedience, dishonesty or other serious misconduct or neglect of duty;</li><li>– the tutor loses any of the requisite qualifications or registrations required to perform his/her duties; or</li><li>– the tutor is convicted of a criminal offence</li></ul>

Major differences between the terms of employment contracts and service agreements are that:

1. *contractual relationship*: under service agreements, the tutor is specified as an independent contractor of our Group; while under employment contracts, the tutor is our employee and relevant provisions under the Employment Ordinance apply;
2. *MPF contribution*: service agreements specify that the tutor is solely responsible for contributing his/her MPF; and
3. *tax returns filing*: service agreements specify that the tutor is solely responsible for filing his/her own tax returns.

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The material commercial terms contained in the service agreements are broadly similar to that in the employment contracts. Tutors may, at their own consideration, request to be engaged with our Group either by way of employment contract or service agreement at the time of contract renewal or new engagement. Our Group maintains both modes of engagement with an aim to allow flexibility for tutors to choose at their preference the mode that suits them more.

### *Collaboration Arrangement with another private supplementary secondary school education services provider*

In August 2016, we entered into a collaboration agreement with a company which also provides private supplementary secondary school education services in Hong Kong (the “**Collaborator**”, which is an Independent Third Party). Pursuant to the Collaboration Agreement, we have agreed to collaborate with the collaborator in certain teaching arrangements which include (among others), the provision of courses by certain of our tutors at the Collaborator’s teaching centres and the provision of courses by certain tutors of the Collaborator at our teaching centres for a specific period of time, subject to potential extension of the collaboration agreement thereafter (the “**Collaboration Arrangement**”).

For the year ended 31 July 2017, three of our tutors were temporarily providing services to the Collaborator’s teaching centres and were engaged with our Group by revenue-sharing service agreements. One of our tutors was permanently transferred to the Collaborator in 2017 pursuant to the Collaboration Arrangement and was no longer engaged by our Group. Since the entering into the Collaboration Arrangement in August 2016 and up to the Latest Practicable Date, no tutor was permanently transferred from the Collaborator to our Group. As at the Latest Practicable Date, two of our Group’s tutors were temporarily providing services to the Collaborator’s teaching centres until June 2019 and June 2020, respectively under the extension of the Collaboration Arrangement.

Different tutors with expertise and experience on different subjects are engaged by us and the Collaborator. Our Directors believe that this pilot Collaboration Arrangement brings mutual benefits to both our Group and the Collaborator as it (i) increases the publicity of the tutors exchanged under the Collaboration Arrangement; (ii) helps to nurture our Group’s tutors on different teaching platforms; and (iii) provides an additional source of revenue to both parties.

### *Course Materials*

Our tutors, with support from our teaching team, prepare all the notes and materials used in our supplementary education courses. Students typically receive lesson handouts which are provided when they attend the lesson in person. From time to time, course notes, materials and lesson handouts may contain reproductions of questions extracted from the HKEAA’s past examination papers, samples and practice papers, the copyrights of which are held by the HKEAA. In general, we co-ordinate the annual application for such copyright licences on behalf of our tutors, depending upon their indications of proposed use of such past examination papers. For the licence fees for the licence years of 2014/2015 and 2015/

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2016, the costs of licence fees were borne entirely by our tutors. Since the commencement of the academic year 2016/2017, the cost of the licence fees was shared between the tutors (who use past examination papers) and our Group.

During the Track Record Period, we had been engaged in some disparities with the HKEAA in respect of the usage of past examination papers. For further details in respect of such issues, please refer to the paragraph headed “Intellectual property – Third party intellectual property” in this section. Our Group has renewed the respective licences with the HKEAA for the academic years 2016/2017 and 2017/2018, which provide clearer terms and more suitable arrangements to our tutors on the extent of use, the reproduction and printing of examination papers, which our Directors consider to be appropriate for our tutors’ preparation of teaching materials.

Our standard service agreements with our contractor tutors as well as the majority of the employment agreements with our staff tutors provide that our Group is the owner of all the copyright subsisting in the course materials produced by our tutors during their engagement with us. Furthermore, in respect of all our employees, our Group relies on the protections afforded to us under the Copyright Ordinance in respect of the copyrights in the course materials produced by employees. Our Directors confirm that there is no agreement to the contrary with such staff tutors in respect of the ownership of copyrights in our course materials.

In order to minimise copyright infringements in the future, we have implemented enhanced internal control measures which include, amongst others, the establishment of a publication censorship committee comprising the head principal, one senior management, eight teachers of the day schools and other six internal staff as at the Latest Practicable Date to oversee the use of other third party’s publications, in particular, the past examination papers issued by the HKEAA by our tutors to ensure compliance with all the relevant copyrights; and the provision of training and reminder to our teaching team on strict adherence to copyright regulations in relation to the production of notes and materials from time to time. For further details, please refer to the paragraph headed “Risk Management and Internal Control – Our internal control measures relating to compliance with copyrights” under this section below.

### *Our Top Five Tutors*

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from courses and products (including mock examination services and VIP self-study services) provided by our Top Five Tutors accounted for approximately 64.6%, 64.5%, 61.0%, 60.0% and 53.6%, respectively, of our total revenue, and the aggregate remuneration payable to our Top Five Tutors amounted to approximately HK\$54.6 million, HK\$60.4 million, HK\$67.3 million, HK\$22.6 million and HK\$26.0 million, respectively, accounting for approximately 34.2%, 33.3%, 35.5%, 31.0% and 30.7% of our total staff costs and service fees, respectively.

We have maintained long-standing relationships of an average of around five years with our Top Five Tutors. Pursuant to the engagements which we have entered into with our Top Five Tutors, the period of engagement ranges from approximately five to ten years with an

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expiry date ranging from 2020 to 2028. None of our Directors, their respective close associates, or any of the existing shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our Top Five Tutors during the Track Record Period up to the Latest Practicable Date.

The table below sets out the teaching experience, major academic qualifications and the length of relationship with our Group in relation to the Top Five Tutors during the Track Record Period:

	Academic qualifications	Teaching experience as at the Latest Practicable Date (Year(s))	Length of relationship with our Group as at the Latest Practicable Date (Year(s))	Expiry date of service agreement (Calendar quarter)	Subject(s) taught by the tutor
Tutor A <sup>note 1</sup>	BA, MPhil	Over 6	Over 6	Q3 2021	Chinese Language
Tutor B <sup>note 1</sup>	BA	Over 13	Over 13	Q3 2023	English Language/ IELTS
Tutor C <sup>note 2</sup>	BA, MSc, PhD	Over 6	Over 4	Q3 2020	Mathematics
Tutor D <sup>note 1</sup>	B.Soc.Sc.	Over 6	Over 6	Q3 2021	Liberal Studies/History
Tutor E <sup>note 3</sup>	BSc, MStat	Over 4	Over 4	Q3 2020	Mathematics
Tutor F <sup>note 4</sup>	BBA	Over 3	Over 1	Q3 2028	English Language
Tutor G <sup>notes 5 &amp; 6</sup>	BA, MSc	Over 30	Less than 1	Q2 2027	English Language

*Notes:*

1. Tutors A, B and D have all along been our Top Five Tutors since the beginning of the Track Record Period (i.e. 1 August 2014).
2. Tutor C has been one of our Top Five Tutors from the beginning of the Track Record Period up to the financial year ended 31 July 2017.
3. Tutor E has been one of our Top Five Tutors from the beginning of the Track Record Period up to the financial year ended 31 July 2016.
4. Tutor F has become one of our Top Five Tutors since the financial year ended 31 July 2017.
5. Tutor G has become one of our Top Five Tutors since the five months ended 31 December 2017.
6. As at the Latest Practicable Date, there are litigations against Tutor G and our Group. Please refer to the paragraph headed “Legal and Regulatory – Litigation” under this section below for further details.

Our Directors believe that the impact of the loss of any popular tutor is minimised by the strength of our brand and our ability to replace such loss with other tutors. Our Directors believe that the departure of a tutor in any given subject provides opportunities for tutors teaching the same subject within our Group (as well as replacement hires from external source) to provide courses to fill the void left by the departing tutor. During our recent history, a number of our well-known tutors, including our co-founders, Mr. Ng and Ms. June Leung, have retired from teaching or stopped providing courses. Since they stopped providing courses, we have been able to identify suitable replacements to provide courses in the subjects they taught as well as identify and develop tutors in other subjects to support

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our business as a whole. Despite the loss of the contributions from Mr. Ng and Ms. June Leung, we have been able to maintain our business without material impact to our financial position.

Our Directors believe the following measures, among others, will minimise the impact of the departure of any of our Top Five Tutors, or any other tutor:

- continued development and promotion of other tutors providing courses in the same subjects; and
- external recruitment of suitably qualified tutors to provide courses in the same subjects.

By continuing expansion of our other business segments, for example, our Beacon Childhood business to expand our customer base beyond our core secondary school level students, as well as the development of tutors providing elective courses, we are able to provide a more balanced range of courses and generate greater revenue from elective subjects. In addition, we are developing our programmes to prepare students for admission tests of overseas institutions and overseas tertiary education consultancy business in collaboration with our partners in order to further diversify our product and service range and sources of revenue.

Our Directors believe that such actions will help to diversify any risk of over reliance on any one of the tutors or businesses as revenue will be generated from a wider range of tutors and courses.

In addition, we plan to employ the following measures, among others, to retain our Top Five Tutors:

- offering additional advertising and marketing support to the tutors including increased social media marketing strength to support their communication with students and opportunities for exposure and profile development;
- offering increased support with planning, scheduling and organisation of courses and lessons;
- offering improved revenue share arrangements upon renewal of their engagements;
- awarding them with share options which allow them to subscribe for Shares under our share option scheme in recognition for their contributions to our Group;
- providing support with their professional growth and development through personal brand development, cooperation with internationally recognised brands and professional training;
- increased marketing of our Group's brand and profile as a leading provider of private supplementary secondary school education services;

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- continuing to expand and optimise our Group's network of teaching centres so as to increase the market exposure of our tutors; and
- continuing to enhance the quality of our infrastructure and teaching facilities in our Group's network of teaching centres as to enhance both the teaching and learning environment of our tutors and students, which in turn, benefits the retention and attraction of students.

### *Our Top One Tutor*

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, revenue generated from courses and products (including mock examination services and VIP self-study services) provided by our Top One Tutor accounted for approximately 40.5%, 36.2%, 31.5%, 31.8% and 28.7% of our total revenue, respectively, with remuneration payable to our Top One Tutor of approximately HK\$35.4 million, HK\$34.6 million, HK\$43.4 million, HK\$16.2 million and HK\$20.0 million, respectively, accounting for approximately 22.2%, 19.0%, 22.9%, 22.2% and 23.6% of our total staff costs and service fees, respectively.

In June 2016, our Top One Tutor entered into a new service contract to provide teaching services with our Group with a term of five years until August 2021. Moreover, pursuant to such service contract, we have agreed to offer to the Top One Tutor, (i) a minimum guaranteed payment of HK\$22.5 million in each year of the engagement; (ii) a sum of HK\$20 million in cash, which may be recovered on a pro rata basis by us in the event of early termination; and (iii) Pre-IPO Share Options, details of which are set out in the paragraph headed "D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus. Our Directors believe that given that the Top One Tutor has entered into the new service contract for a term of five years together with the minimum guaranteed payment and the offer of Pre-IPO Share Options, the Top One Tutor has provided us with a strong mutual commitment which will benefit our Group in the long term.

### **Day School Teachers**

As at the Latest Practicable Date, we had a total of 17 day school teachers which comprised 16 full-time teachers and one part-time teacher. Nine of our day school teachers focused exclusively on private secondary day school teaching and the other eight teachers also provided teaching services for our Group's private supplementary secondary school education services from time to time. Our day school teachers provide instruction on classes under the HKDSE curriculum, which includes all core subjects and selected elective subjects only to our Secondary 4, 5 and 6 students in our private secondary day schools, located in Yuen Long and Mong Kok.

Similar to that of our tutors, when hiring day school teachers, we take into consideration factors such as the applicants' academic qualifications, experience as an educator, their knowledge in the relevant subject, their personality and attitude. Our Directors believe that our private secondary day schools at the same time offer opportunities for day school teachers with potential to develop their teaching skills before becoming tutors.

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All of our day school teachers are registered or permitted teachers and are engaged on employment contracts. All of our day school teachers are assigned teaching duties under the formal curriculum in our day school operations and receive a salary based on the number of lessons they teach. Our Directors confirm that all of our day school teachers possessed the relevant qualification required under the Education Ordinance during the Track Record Period and up to the Latest Practicable Date.

### **Teaching Assistants**

As at the Latest Practicable Date, we engage a team of 428 teaching assistants, 67 of whom were on full-time engagements and 361 were on part-time engagements. All teaching assistants are employees of our Group. Our teaching assistants are integral members of our teaching team as they provide educational and/or administrative support for our Group and in particular to our tutors. Our teaching assistants are typically responsible for:

- assisting our tutors with preparation and writing of course materials and lesson handouts;
- providing in-class support, supervision and administration as well as being on hand and available to assist tutors and assist to handle students' questions (which typically relate to administrative and/or logistical matters); and
- assisting our tutors in preparing and marking of mock examination papers.

As a matter of good practice, we seek to ensure that teaching assistants are assigned to all live and video classes (except for classes in which a tutor is present) to provide in-class support, supervision and administration. The main responsibilities of teaching assistants who are involved in providing in-class support typically include (i) ensuring students can view the live lessons properly or playing the pre-recorded videos in video lessons; (ii) supervising students by maintaining order and assisting in case of accidents; and (iii) general administrative and logistical matters such as collecting or distributing take-home exercises. Our Directors confirm that where students may have queries which are academic in nature, our teaching assistants will assist by passing such queries to the relevant tutor or letting the students know the means to make the enquiry with the relevant tutor. Although certain of our teaching assistants may possess teaching qualifications and/or be eligible to teach certain school levels within our Group, our teaching assistants mainly provide a supporting function to our tutors and our Group. For the compliance with the Education Ordinance in respect of the provision of teaching by teachers, none of our teaching assistants are responsible for delivery of lessons and that the delivery of lessons and such imparting or conveying of knowledge to students is provided exclusively by our tutors. Our EO Legal Counsel has opined that a teaching assistant who does not perform the paramount function of imparting or conveying knowledge to students is not considered as a teacher within the meanings of the Education Ordinance or the subsidiary legislations even if he/she performs other incidental tasks which a teacher traditionally performs, having considered our Group's business model, relevant regulations in Hong Kong (including the Education Ordinance and the Education Regulations).

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All teaching assistants are directly engaged and remunerated by our Group. As employees of our Group, we are responsible for the salaries (including MPF payments) of all our teaching assistants, however and depending on our terms of engagement with our tutors, the costs of the teaching assistants may be borne directly by our tutors and may be deducted from the remunerations payable to such tutors. Typically, our teaching assistants will be engaged in assisting our tutors with preparation of course materials and lesson handouts and also provision of in-class support. Some of our teaching assistants are generalist teaching assistants assigned by us on an as-needed basis (“**Group Teaching Assistants**”), whilst some are tutor-designated teaching assistants who work exclusively for a specific tutor (“**Tutor-Designated Teaching Assistants**”). Generally, where tutors require support from the Group Teaching Assistants to provide in-class support, the costs of such support, calculated on the number of classes supported by such teaching assistants, will be allocated to such tutor and deducted from the remuneration attributable to them. Similarly, Tutor-Designated Teaching Assistants will generally be remunerated by our Group first but the remuneration of such teaching assistant will be deducted from the remuneration attributable to such relevant tutors and subject to the deduction arrangement as mentioned above. In this regard, where applicable, all the costs associated with Tutor-Designated Teaching Assistants, including MPF payments or bonuses, where eligible, are typically borne by the tutors and will be deducted from the remuneration attributable to such relevant tutors. Whereas, for the Group Teaching Assistants, we would typically bear all costs except for those allocated to our tutors when the teaching assistant provides services to such tutors. As at 31 July 2015, 2016 and 2017 and as at 31 December 2016 and 2017, there were 12, 12, 12, 12 and 13 tutors, respectively, who engaged Tutor-Designated Teaching Assistants.

Set out below are the number of teaching assistants engaged by us during the Track Record Period:

	<b>As at 31 July</b>			<b>As at 31 December</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Group Teaching Assistants	91	160	176	191	252
Tutor-Designated Teaching Assistants	<u>232</u>	<u>139</u>	<u>146</u>	<u>152</u>	<u>160</u>
<b>Total</b>	<b><u>323</u></b>	<b><u>299</u></b>	<b><u>322</u></b>	<b><u>343</u></b>	<b><u>412</u></b>

As detailed in the paragraph headed “Course delivery modes” in this section, our courses are delivered to our students through a mix of live and video instruction. In particular, as our video courses are delivered via pre-recorded videos, in order to comply with the Education Regulations, which states that not more than 45 students may be taught at one time by a single teacher in a class, our teaching assistants are typically assigned to classrooms to provide support for video courses, the use of teaching assistants is essential to support our business and to enable us to achieve scale. Our Directors believe that teaching assistants benefit from such roles as they are able to work closely with our tutors through supporting them at every level thereby affording them crucial on-the-job skills and experience as part of our teaching team. In certain instances, teaching assistants have

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developed the requisite skill to become tutors. As at 31 July 2015, 2016 and 2017 and as at 31 December 2016 and 2017, we engaged 287, 220, 267, 237 and 324 part-time and 36, 79, 55, 106 and 88 full-time teaching assistants, respectively.

### **OUR NETWORK AND PROPERTIES**

As at the Latest Practicable Date, we provided all our private supplementary secondary school education services through our network of 18 operating teaching centres. Of our 18 operating teaching centres, two operated as both private supplementary secondary education services teaching centres and private secondary day schools, two are dedicated exclusively to our Beacon Childhood business and one is used for ancillary education services. All of our teaching centres have obtained a Certificate of Registration of a School or Certificate of Provisional Registration of a School.

As at the Latest Practicable Date, we only provided private secondary day school services at our teaching centres in Yuen Long and Mong Kok. Our operation times vary among teaching centres. Typically on weekdays, day school commences at 8:00 a.m. and finishes at 4:10 p.m. and thereafter we utilise the classrooms and facilities to provide our private supplementary secondary school education lessons. During this similar timeslot, we may also provide our ancillary education services and products at the same teaching centres.

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The following table sets out the number of our operating teaching centres in Hong Kong and the respective number of classrooms and the maximum number of students permitted in the classrooms (including laboratories) during the Track Record Period and as at the Latest Practicable Date:

	As at 31 July			As at 31 December 2017	As at the Latest Practicable Date
	2015	2016	2017		
<b>Number of operating teaching centres</b>					
Beacon College teaching centres (incl. Beacon Day School) (Notes 1 & 2)	16	15	16	16	16
– Beacon Day School teaching centres (Note 3)	3	2	2	2	2
Beacon Childhood only teaching centres	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>
<b>Total number of Beacon operating teaching centres</b>	<b><u>18</u></b>	<b><u>18</u></b>	<b><u>19</u></b>	<b><u>18</u></b>	<b><u>18</u></b>
<b>Number of classrooms</b>					
Beacon College teaching centres (incl. Beacon Day School) (Notes 1 & 2)	140	119	120	122	123
– Beacon Day School teaching centres (Note 3)	54	34	34	34	34
Beacon Childhood only teaching centres	<u>6</u>	<u>7</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>Total number of classrooms at our Beacon teaching centres</b>	<b><u>146</u></b>	<b><u>126</u></b>	<b><u>125</u></b>	<b><u>127</u></b>	<b><u>128</u></b>
<b>Maximum classroom capacity</b>					
Beacon College teaching centres (incl. Beacon Day School) (Notes 1 & 2)	4,481	3,808	3,712	3,725	3,824
– Beacon Day School teaching centres (Note 3)	1,722	1,105	1,105	1,105	1,105
Beacon Childhood only teaching centres	<u>63</u>	<u>70</u>	<u>54</u>	<u>49</u>	<u>49</u>
<b>Maximum classroom capacity at all of our Beacon teaching centres</b>	<b><u>4,544</u></b>	<b><u>3,878</u></b>	<b><u>3,766</u></b>	<b><u>3,774</u></b>	<b><u>3,873</u></b>

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During the year ended 31 July 2016, the maximum classroom capacity of our Beacon College operating teaching centres had been decreased by 673 to 3,808, which was mainly attributable to the decrease in the number of classrooms in Yuen Long, Tsuen Wan and Phase 2 of Amoy Plaza in Kowloon Bay as part of our optimisation plans of the teaching centres in order to improve the operational efficiency.

During the year ended 31 July 2017, the maximum classroom capacity of our Beacon College operating teaching centres had been slightly decreased by 96 to 3,712, which was mainly attributable to downsizing and decrease in the number of classrooms of our teaching centre in Tuen Mun and opening of our teaching centres in Causeway Bay, Tseung Kwan O and North Point as part of our optimisation plans of the teaching centres.

The maximum classroom capacity of our operating teaching centres had been slightly increased from 3,766 as at 31 July 2017 to 3,774 as at 31 December 2017, which was mainly attributable to the closures of two Beacon Childhood teaching centres in Western Kowloon and Tsuen Wan and opening of Ascent Prep Education Centre. The maximum classroom capacity of our operating teaching centres further increased to 3,873 as at the Latest Practicable Date after the closure of one Beacon College teaching centre in Causeway Bay and the opening of one Beacon College teaching centre in Tsuen Wan.

In addition, as further disclosed in the section headed “Future plans and use of proceeds” in this prospectus, we intend to open/optimize up to 14 teaching centres throughout Hong Kong for various education services and products. Management estimates that a new private supplementary secondary school teaching centre of approximately 2,000 sq. ft. will require an investment cost, of approximately HK\$1.2 million to establish and will provide approximately HK\$5.2 million in additional revenue each year. Such teaching centre should reach breakeven and investment payback within one year and two years, respectively, since the commencement of operation. Such investments will be funded by the estimated net proceeds from the Share Offer.

The following table sets out the approximate occupancy rate of our teaching centres during the three years ended 31 July 2017:

<b>Occupancy rate</b> <i>(Approximate)</i>	<b>For the year ended 31 July</b>		
	<b>2015</b> %	<b>2016</b> %	<b>2017</b> %
Beacon College teaching centres <i>(Notes 1, 2 &amp; 4)</i>	28.9	34.6	39.3
<i>Occupancy rate by district</i>			
Hong Kong Island	43.1	49.3	47.4
Kowloon	35.3	37.4	39.8
The New Territories	23.6	30.2	36.9
Beacon Day School teaching centres <i>(Notes 3 &amp; 5)</i>	38.9	45.0	43.8

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*Notes:*

1. All of our Beacon College/Beacon Day School teaching centres can be used for the provision of Beacon Childhood and Beacon BExcellent services (subject to approval of course fees by EDB where required).
2. Excluding our teaching centres which provide Beacon Childhood services only.
3. All of our Beacon Day School operations are within our Beacon College teaching centres.
4. Being (a) the total session enrollments for the respective year multiplied by four (assuming one session consists of four lessons), divided by (b) the maximum classroom capacity approved by the EDB for all teaching centres multiplied by the number of lessons that can be conducted throughout the respective year (assuming the classrooms are occupied on the basis that four lessons daily can be conducted from Monday to Friday and eight lessons daily can be conducted on Saturday and Sunday).
5. Being the number of students enrolled divided by the maximum classroom capacity during the respective school terms, which commence from September and run until May or July.

Our Company is of the view that the occupancy rate of Beacon College teaching centres in a range of approximately 28.9% to 39.3% during the three years ended 31 July 2015, 2016 and 2017 is mainly contributed by the seasonality factor. The student enrollment fluctuates due to the timing of our Group's private supplementary secondary school education courses (summer, intensive and regular) which are offered at different times throughout the financial year. It is stated in the section headed "Business – Seasonality" that our Group recorded greater revenue during the first three quarters of the financial year (or from August of a calendar year to April of the next year), because of students enrolling in (i) summer courses which are typically held from mid-July until August; and (ii) regular and intensive courses which are held in tandem with the academic year and in preparation for the HKDSE Examinations. Our Group's teaching centres have been located at leased premises. It usually enters into the lease with landlords regarding the premises for a fixed term of not more than five years. Although there is fluctuation of students enrollment in connection with the aforesaid seasonality factor, the same level of classroom capacity and number of teaching centres have to be maintained by our Group during the slack season. This will average down the occupancy rate measured on a financial year basis. Moreover, certain courses are run and maintained even when the number of students enrolled is below the maximum classroom capacity permitted by the EDB.

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The following map displays the location of each of our teaching centres:



*Note:* All of our Beacon College/Beacon Day School teaching centres can be used for the provision of Beacon Childhood and Beacon BExcellent services (subject to approval of course fees by EDB where required).

Each teaching centre consists of classrooms and administrative areas, which include registration and consultation desks. Most of our classrooms are equipped with similar furniture, fittings and equipment which typically includes desks, chairs, an audio-visual system (where required) and other teaching related equipment. We use our teaching centres

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for private secondary day school operations during the period from morning to early afternoons and for our private supplementary secondary school education services and ancillary education services and products thereafter to efficiently allocate our resources. New locations for teaching centres are selected based on a variety of factors, including, among others, the enrollment demographics of nearby secondary schools, population density and transport routes.

As at the Latest Practicable Date, all of our teaching centres were held under a number of tenancy agreements. As our business has grown over the years, we have sought to increase the number of our classrooms through leases within the same commercial building of pre-existing classrooms, which make up a teaching centre. As such, we may operate our teaching centres under several different leases, which accommodate a number of classrooms.

As at the Latest Practicable Date, our Group did not own any property interests, but leased 26 premises in Hong Kong. Of the 26 leased premises, seven were used for storage and/or administrative purposes and one leased premises for Beacon Plus Learning Centre will be used as teaching centre for provision of private supplementary secondary school education services and VIP self-study services, and is planned to commence business in mid-July. The rest of the 18 leased premises were mainly operating teaching centres. During the Track Record Period, Beacon College (Mong Kok)/Beacon (Evening) College (Mong Kok), was our top contributing teaching centre in terms of revenue contribution. The following table sets out the names of schools, addresses, locations of our teaching centres in Hong Kong as at the Latest Practicable Date:

No.	Names of teaching centres	Address	Number of classrooms	Maximum classroom capacity	Services provided <i>(Note 1)</i>
<i>Teaching centres which have obtained a Certificate of Registration of a School/Certificate of Provisional Registration of a School and commenced operation as at the Latest Practicable Date</i>					
1.	Beacon College/ Beacon (Evening) College	G/F & 1/F, 2/F, 3/F, Shop A G/F & 4/F, Shing Shun Building 41-43 Castle Peak Road Yuen Long New Territories	15	522	A, B, C
2.	Beacon College (Mong Kok)/ Beacon (Evening) College (Mong Kok)	1/F & 2/F, 301-302 3/F 5/F, 602 6/F, 701A & 701B 702A, 702B 7/F Ginza Square 565-567 Nathan Road Yau Ma Tei Kowloon	19	583 <i>(Note 2)</i>	A, B, C

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No.	Names of teaching centres	Address	Number of classrooms	Maximum classroom capacity	Services provided (Note 1)
3.	Beacon College (Kowloon Bay)	Shops 102-104, 104A & 133-140 2/F Amoy Plaza Phase 2 77 Ngau Tau Kok Road Kowloon Bay Kowloon	8	274	A, C
4.	Beacon College (Tsuen Wan)/ Beacon Evening College (Tsuen Wan)	1/F, Brighton Place No. 23 Shiu Wo Street Tsuen Wan New Territories	10	346	A, C
5.	Beacon College (Tuen Mun)/ Beacon Evening College (Tuen Mun)	Shops 239, 250-251, 253-256, 2/F Tuen Mun Parklane Square 2 Tuen Hi Road Tuen Mun New Territories	7	201	A, C
6.	Beacon Education Centre (Mong Kok)	9/F, Ginza Square 565-567 Nathan Road Yau Ma Tei Kowloon	3	56	C
7.	Beacon College (Tsuen Wan)/Beacon Evening College (Tsuen Wan)	Shop 3019 Level 3, D-Park 398 Castle Peak Road Tsuen Wan New Territories	8	275	A, C
8.	Beacon College (On Kay)	Shop 120, 1/F, On Kay Commercial Centre Ngau Tau Kok Kowloon	4	64	A, C
9.	Beacon College (Tai Po)	Shop No. 10, Tai Yuen Shopping Centre New Annex Block Tai Yuen Estate Tai Po New Territories	4	172	A, C

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No.	Names of teaching centres	Address	Number of classrooms	Maximum classroom capacity	Services provided <i>(Note 1)</i>
10.	Beacon College (Amoy Plaza)	Shops 186-188, 2/F Amoy Plaza Phase 4 77 Ngau Tau Kok Road Kowloon Bay Kowloon	5	154	A, C
11.	Beacon College (Tseung Kwan O)/ Beacon Tutorial Evening School (Tseung Kwan O)	Shop G8, G/F Metro City Phase 1 1 Wan Hang Road Tseung Kwan O New Territories	8	214	A, C
12.	Beacon College (Tsim Sha Tsui)	The Whole of 1/F, Cammer Commercial Building 30-32 Cameron Road Tsim Sha Tsui Kowloon	4	149	A, C
13.	Beacon College (Shatin Belair Garden)	Shops 1, 2, 8, 10 & 11 Level 1 Belair Gardens Shopping Arcade 52 Tai Chung Kiu Road Shatin New Territories	8	300	A, C
14.	Beacon Childhood Education Centre (Causeway Bay)	Room 3, 7/F Fortune Centre 48 Yun Ping Road Causeway Bay Hong Kong	4	21	C
15.	Beacon College (North Point)	1/F, China Harbour Building 370-374 King's Road North Point Hong Kong	4	155	A, C
16.	Beacon College (Causeway Bay)	Shops 205-215, 2/F 68 Yee Wo Street Causeway Bay Hong Kong	10	325	A, C

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No.	Names of teaching centres	Address	Number of classrooms	Maximum classroom capacity	Services provided <i>(Note 1)</i>
17.	Beacon Childhood Education Centre (Prince Edward)	Unit B, 9/F Prince Edward – The Lamma City 761 Nathan Road Kowloon	1	28	C
18.	Ascent Prep Education Centre	Shops 216-217, 2/F 68 Yee Wo Street Causeway Bay Hong Kong	6	34	A, C
<b>Total</b>			<b>128</b>	<b>3,873</b>	

*Teaching centre which has obtained a Certificate of Provisional Registration of a School but not yet commenced operation as at the Latest Practicable Date*

19.	Beacon Plus Learning Centre	2/F., MW Centre 476 Nathan Road Yau Ma Tei Kowloon	3	45	N/A*
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\* Beacon Plus Learning Centre was provisionally registered as a school on 19 June 2018 and was planned to commence operation in mid-July 2018.

*Notes:*

- (1) Services provided at our Beacon teaching centres as at the Latest Practicable Date are categorised as follows:
  - (A) private supplementary secondary school education services;
  - (B) private secondary day school services; and
  - (C) ancillary education services and products.
  
- (2) This location is used for both private secondary day school services (during morning and early afternoon on weekdays) and for providing private supplementary secondary school education services (at other times). The number of 583 represents the maximum classroom capacity for the classrooms being used for private secondary day school services. The maximum classroom capacity for the classrooms being used for providing private supplementary secondary school education services is 637.

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No.	Names of teaching centres	Address	Number of classrooms	Maximum classroom capacity	Services provided <i>(Note 1)</i>
<b><i>Beacon Day Schools</i></b>					
1.	Beacon College Beacon Evening College	G/F & 1/F, 2/F, 3/F Shop A G/F & 4/F Shing Shun Building 41-43 Castle Peak Road Yuen Long New Territories	15	522	A, B, C
2.	Beacon College (Mong Kok)/ Beacon (Evening) College (Mong Kok)	1/F & 2/F, 301-302, 3/F 5/F, 602, 6/F, 701A & 702A, 701B, 702B 7/F Ginza Square 565-567 Nathan Road Yau Ma Tei Kowloon	19	583 <i>(Note 2)</i>	A, B, C
<b>Total day school classroom capacity</b>			<b>34</b>	<b>1,105</b>	

*Notes:*

- (1) Services provided at our Beacon teaching centres are categorised as follows:
- (A) private supplementary secondary school education services;
  - (B) private secondary day school services; and
  - (C) ancillary education services and products.
- (2) This location is used for both private secondary day school services (during day time) and for providing private supplementary secondary school education services (at other times). The number of 583 represents the maximum classroom capacity for the classrooms being used for private secondary day school services. The maximum classroom capacity for the classrooms being used for providing private supplementary secondary school education services is 637.

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The following table below sets out names and districts of teaching centres, date of termination or end of the respective leases and reason for closures, during the Track Record Period and up to the Latest Practicable Date:

<b>Name of the teaching centre at the time of closure</b>	<b>District of the teaching centre</b>	<b>Time of termination or end of the lease</b>	<b>Reason for closure</b>
Beacon College (Causeway Bay)	Causeway Bay, Hong Kong	April 2018	Being requested by the landlord to early surrender the leased premises
Beacon Childhood Education Centre (Coronation Circle)	Yau Ma Tei, Kowloon	August 2017	Optimising the location of the teaching centre
Beacon Childhood Education Centre Company Limited	Tsuen Wan, New Territories	August 2017	Low utilisation rate of the centre
Beacon College (Tai Wo)	Tai Po, New Territories,	June 2017	Low utilisation rate of the centre
Beacon Childhood Education Centre	Yau Ma Tei, Kowloon	June 2017	Optimising the location of the teaching centre
Beacon College (Tseung Kwan O)/ Beacon Tutorial Evening School	Tseung Kwan O, New Territories	April 2017	Optimising the teaching centre with a larger capacity
Beacon College (Causeway Bay)	Causeway Bay, Hong Kong	March 2017	Being requested by the landlord to cope with the refurbishment of the building where the teaching centre located
Beacon College (Tuen Mun)/ Beacon Evening College (Tuen Mun)	Tuen Mun, New Territories	September 2016	Not being able to reach an agreed lease renewal term with the landlord and optimising the usage of the teaching centre
Beacon College (Tin Hau)	North Point, Hong Kong	July 2016	Optimising the teaching centre with a larger capacity
Beacon College (Kowloon Bay)	Kowloon Bay, Kowloon	April 2016	Being requested by the landlord to relocate
Beacon College (Yuen Long Branch No.2)/ Beacon Evening College (Yuen Long Branch No.2)	Yuen Long, New Territories	March 2016	Enhancing utilisation

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Name of the teaching centre at the time of closure	District of the teaching centre	Time of termination or end of the lease	Reason for closure
Beacon College (Tusen Wan)/ Beacon Evening College (Tsuen Wan)	Tsuen Wan, New Territories	September 2015	Not being able to renew the lease due to the redevelopment of the building where the teaching centre located

Our operating lease payments were approximately HK\$49.7 million, HK\$57.0 million, HK\$52.5 million, HK\$21.9 million and HK\$22.5 million for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, respectively. We have leased all of our properties from Independent Third Parties.

Teaching Centre	Expiration Date (Calendar quarter)	Approximate rental (HK\$ / sq. ft.)	Type of lease arrangement (fixed or variable)
1. Beacon College/ Beacon (Evening) College	Q1 2020	30 – 35	fixed
2. Beacon College (Mong Kok)/ Beacon (Evening) College (Mong Kok)	Q3 2019	20 – 25*	fixed
3. Beacon College (Kowloon Bay)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
4. Beacon College (Tsuen Wan)/ Beacon Evening College (Tsuen Wan)	Q3 2019	35 – 40	fixed
5. Beacon College (Tuen Mun)/ Beacon Evening College (Tuen Mun)	Q3 2019	45 – 50	fixed
6. Beacon Education Centre (Mong Kok)	Q3 2019	20 – 25	fixed
7. Beacon College (Tsuen Wan)/ Beacon Evening College (Tsuen Wan)	Q4 2022	20 – 25	fixed <sup>Note 2</sup>
8. Beacon College (On Kay)	Q4 2020	35 – 40	fixed
9. Beacon College (Tai Po)	Q2 2019	40 – 45	variable <sup>Note 1</sup>
10. Beacon College (Amoy Plaza)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
11. Beacon College (Tseung Kwan O)/ Beacon Tutorial Evening School (Tseung Kwan O)	Q3 2021	30 – 35	fixed <sup>Note 2</sup>
12. Beacon College (Tsim Sha Tsui)	Q3 2018 <sup>Note 3</sup>	25 – 30	fixed
13. Beacon College (Shatin Belair Garden)	Q3 2019	25 – 30	fixed
14. Beacon Childhood Education Centre (Causeway Bay)	Q4 2020	30 – 35	fixed
15. Beacon College (North Point)	Q2 2020	25 – 30	fixed
16. Beacon College (Causeway Bay)	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
17. Beacon Childhood Education Centre (Prince Edward)	Q1 2019	35 – 40	fixed
18. Ascent Prep Education Centre	N/A <sup>#</sup>	N/A <sup>#</sup>	N/A <sup>#</sup>
19. Beacon Plus Learning Centre <sup>Note 4</sup>	Q3 2021	20 – 25	fixed

*Notes:*

- (1) The rental charged under variable lease arrangement consists of a fixed amount of base rent and a variable amount of rent charged based on a fixed percentage of the monthly turnover.
- (2) The rental charged under the lease arrangement is fixed and there are fixed amount of increment for different rental periods throughout the term of lease.
- (3) Lease renewal was in progress as at the Latest Practicable Date.
- (4) This centre has not yet commenced operation as at the Latest Practicable Date.

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\* *average rental amount of two leases at the premises*

# *Due to confidentiality provisions under the relevant tenancy agreements, we are unable to disclose such particulars.*

The table below sets out the approximate average rental per sq.ft. of our teaching centres based on tenancy agreements as at the Latest Practicable Date by district:

Teaching Centre	Approximate average rental (HK\$ / sq. ft.)									
	For the year ended 31 July						For the five months ended 31 December 2017	Total number of teaching centres included in the respective district	During the period from 1 August 2017 to the Latest Practicable Date	Total number of teaching centres included in the respective district
	2015		2016		2017					
	<i>Total number of teaching centres included in the respective district</i>									
Hong Kong Island	<i>_(Note)</i> 0	25	1	30	3	31	4	31	4	
Kowloon	27	5	32	6	32	7	32	8	32	8
The New Territories	31	5	33	5	36	6	34	7	34	7

*Note: Tenancy agreements of existing teaching centres were entered into after 31 July 2015.*

## MARKET AND COMPETITION

The private supplementary secondary school education services industry in Hong Kong is rapidly evolving, highly fragmented and competitive. Competition is expected to persist and intensify in the near future. At the same time, the industry is also experiencing consolidation among existing operators as those unable to attract students are forced to close their centres/branches, or enter into a partnership with other larger centres. Moreover, enrollments for private secondary day school is expected to decline at a CAGR of approximately -0.8% from 2017 to 2021 due to the decline in birth rates in Hong Kong and therefore the secondary school attending population.

According to the Euromonitor Report, the total number of private supplementary secondary school education centres in Hong Kong for each of the three academic years ended 2014, 2015 and 2016 was 906, 938 and 972 respectively. However, in spite of the declining secondary school attending population, revenue from private supplementary secondary school education services is expected to increase at a CAGR of approximately 5.7% from 2017 to 2021. As a result of competition for limited university places and parental anxiety, secondary school students are expected to reach out to private supplementary secondary school education service providers to improve school and examination performance, which our Directors believe will have a positive impact on our Company. According to the Euromonitor Report, as of February 2017, there were a total of 11,112 classroom seating capacities among the top ten private supplementary secondary school education centres in Hong Kong. Based on the maximum capacity of private supplementary secondary school education centres alone, the market share of the top ten

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private supplementary secondary school education centres in Hong Kong was approximately 63.5%, of which our Group accounted for approximately 20.3%, while the remaining players shared a fragmented 79.7% market share. According to the Euromonitor Report, as of February 2017, we ranked first among providers of private supplementary secondary school education services in Hong Kong as measured by the total number of teaching centres, courses, tutors and size of classroom seating capacity.

Set out below is the top 10 private supplementary secondary school education centres in Hong Kong as of February 2017 in terms of number of (i) teaching centres; (ii) courses; (iii) tutors; (iv) classroom seating capacity; and (v) market share, according to which we are the largest:

<b>Private Supplementary Secondary School Education Centres</b>	<b>Number of Teaching Centres</b>	<b>Number of Courses (Note 1)</b>	<b>Number of Tutors</b>	<b>Classroom Seating Capacity (No. of students)</b>	<b>Market Share (Note 2)</b>
Beacon College	14	64	46	3,551	20.3%
Operator 2	12	25	43	2,395	13.7%
Operator 3	11	45	41	1,761	10.1%
Operator 4	8	15	11	774	4.4%
Operator 5	12	9	29	745	4.3%
Operator 6	13	38	20	706	4.0%
Operator 7	9	35	29	473	2.7%
Operator 8	5	13	7	300	1.7%
Operator 9	4	7	7	272	1.6%
Operator 10	4	7	12	135	0.8%

*Notes:*

1. Number of courses is based on the number of unique subjects and type of courses available for each subject.
2. Percentage of market share is based on total private secondary school tutoring centre capacity in Hong Kong.

*Source:* Euromonitor Report

The private secondary day school market in Hong Kong has recently experienced a significant decline in total private secondary school student enrollment and as a result the number of private secondary day schools has decreased. The decrease in enrollment has been influenced by the change to the NSS Academic Structure coupled with the slower growth of secondary school attending population and a decline in birth rates. According to the Euromonitor Report, the decline in enrollments in private secondary day schools as a result of the decline in birth rate in Hong Kong is expected to abate through 2021. Furthermore, due to lower enrollment rates in private secondary day schools, the corresponding overall revenue of the private secondary day school market is expected to decrease at a CAGR of approximately -0.7% from 2017 to 2021. Moreover, the total number of private secondary

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day schools in Hong Kong for each of the three academic years starting 2014, 2015 and 2016 was 69, 66 and 64 respectively. Based on private secondary day school enrollment rates alone, the market share of the top 10 private secondary day schools constitutes approximately 37.4%, while other players share a fragmented 62.6% market share. According to the Euromonitor Report, our Group was the largest private secondary day school as measured by number of students enrolled for the academic year 2016/2017.

Set out below is the top 10 private secondary school operators in Hong Kong as of February 2017 in terms of number of schools in operation and number of students enrolled:

Private Secondary Day School Operators	Number of Centres	Background (Sessions/Region)	Number of Students Enrolled (Note 2)	Market Share (Note 3)
Beacon Day School	2		467	12.1%
School 2	1	AM, Kowloon	288	7.5%
School 3	1	AM & PM, Kowloon	242	6.3%
School 4	2	AM & PM, Hong Kong Island, Kowloon	136	3.5%
School 5	1	AM, PM & Evening, Hong Kong Island	130	3.4%
School 6	1	AM & PM & Evening Kowloon	60	1.6%
School 7	1	AM, Kowloon	44	1.1%
School 8	1	AM & PM, Kowloon	28	0.7%
School 9	1	AM & PM & Evening, Kowloon	23	0.6%
School 10	1	AM & PM, Hong Kong Island	20	0.6%

*Notes:*

1. Market ranking includes schools with day school operations offering the HKDSE curriculum only.
2. Student enrollment is based on the number of students enrolled in secondary day courses for the academic year starting from mid-Aug 2016 to mid-Aug 2017.
3. Percentage of market share by number of students enrolled.

*Source:* Euromonitor Report

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### **Entry barriers**

According to the Euromonitor Report, the entry barriers of private supplementary secondary school education services industry included the difficulty to (i) develop the requisite reputation to compete with established market players; (ii) engage, train and retain qualified teachers; and (iii) maintain teaching quality.

Our Directors believe that with our experience in the private supplementary secondary school education services industry, we can further diversify our customer base and increase our market share in the private supplementary secondary school education services industry in Hong Kong.

### **CUSTOMERS**

Our customers primarily consist of students and individuals enrolling in our courses. Given the nature of our business, we had no customer who contributed, or any five customers who collectively contributed, 30% or more of our total revenue for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017.

For the year ended 31 July 2017, we had (i) 60,391 unique private supplementary secondary school education student enrollments; (ii) 484 unique private secondary day school students enrollments; and (iii) 37,292 enrollments/registrations in our private ancillary education services and products. For the five months ended 31 December 2017, we had (i) 42,471 unique private supplementary secondary school education student enrollments; (ii) 358 unique private secondary day school students enrollments; and (iii) 8,362 enrollments/registrations in our private ancillary education services and products.

To the best knowledge and information of our Directors, none of our Directors, and their respective close associates or any shareholders holding more than 5% of the number of issued shares of our Company is related to or otherwise have interest in any of our five largest customers as at the Latest Practicable Date.

### *Confidentiality measures*

We recognise the importance of keeping personal data of the students in strict confidence, and thus, have engaged an independent security service provider to assist in ensuring the personal information and data be managed with strict care and avoiding and restricting any unauthorised access and careless leakage of such personal data.

The employment contracts signed with our staff contain clauses to ensure that confidential information is protected and the information of our Group will be kept in strict confidence. Our staff shall not disclose any information which is protected against disclosure and have come to their possession as a result of their employment with us to any person.

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### EMPLOYEES

As at the Latest Practicable Date, we had 370 full-time employees and 663 part-time employees.

Set out below is a breakdown of the number of our full-time and part-time employees in Hong Kong by function as at the Latest Practicable Date:

Function	Number of Employees		
	Full-time	Part-time	Total
Staff tutors ( <i>Note 1</i> )	20	6	26
Day school teachers ( <i>Note 2</i> )	8	1	9
Teaching assistants	67	361	428
Non-teaching staff	<u>275</u>	<u>295</u>	<u>570</u>
Total	<u>370</u>	<u>663</u>	<u>1,033</u>

*Notes:*

1. Excluding tutors who are engaged on service agreements.
2. Excluding six full-time tutors under employment contracts and two full-time tutors on service agreements who have also entered into agreements with us to provide teaching services in our private secondary day schools.

We recruit our employees based on a number of factors such as their relevant experience, educational background, qualifications or certifications possessed and vacancies. We provide specific training to new employees at orientation to familiarise them with our working environment and operational procedures. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that (i) there were no major disputes and we generally maintain a good relationship with our employees; and (ii) we had not faced any material recruitment and retention difficulties in respect of our employees.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our Group incurred staff costs of approximately HK\$134.9 million, HK\$138.0 million, HK\$106.0 million, HK\$46.0 million and HK\$43.0 million, respectively, representing approximately 41.2%, 36.7%, 28.2%, 27.0% and 22.0% respectively, of our Group's total revenue.

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The table below sets out the breakdown of staff costs incurred during the Track Record Period:

	For the year ended 31 July						For the five months ended 31 December			
	2015		2016		2017		2016		2017	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
							(unaudited)			
Staff tutors ( <i>Note 1</i> )	50,820	37.7	49,520	35.9	11,634	11.0	6,587	14.3	2,056	4.8
Day school teachers ( <i>Note 2</i> )	9,648	7.2	5,493	4.0	4,016	3.8	1,842	4.0	1,782	4.1
Teaching assistants	18,671	13.8	24,158	17.5	26,110	24.6	11,160	24.3	11,521	26.8
Non-teaching staff	48,369	35.8	51,496	37.3	56,560	53.4	23,276	50.6	24,478	56.8
Other allowances	3,514	2.6	3,296	2.4	3,552	3.3	1,420	3.1	1,486	3.5
Pension cost	3,888	2.9	4,001	2.9	4,136	3.9	1,704	3.7	1,720	4.0
	<u>134,910</u>	<u>100.0</u>	<u>137,964</u>	<u>100.0</u>	<u>106,008</u>	<u>100.0</u>	<u>45,989</u>	<u>100.0</u>	<u>43,043</u>	<u>100.0</u>

*Notes:*

1. Excluding tutors who were engaged on service agreements.
2. Excluding six full-time tutors under employment contracts and two full-time tutors on service agreements who have also entered into agreements with us to provide teaching services in our private secondary day schools.

### Pension costs

Our employees in Hong Kong have joined a Mandatory Provident Fund retirement benefit scheme in accordance with the arrangements prescribed by the MPF Schemes Ordinance. The contributions by us for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 were approximately HK\$3.9 million, HK\$4.0 million, HK\$4.1 million, HK\$1.7 million and HK\$1.7 million, respectively.

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### SEASONALITY

During the course of the financial year, our revenues and operating results fluctuated as a result of seasonal variations in our business, principally due to the timing of our private supplementary secondary school education courses (summer, intensive and regular) which are offered at different times throughout the financial year. The following table is a breakdown of our revenue by quarters derived from our private supplementary education services for each of the three years ended 31 July 2015, 2016, and 2017:

	<b>For the year ended 31 July</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
First Quarter						
<i>(Aug – Oct)</i>	95,031	29.0	86,915	23.1	82,289	21.9
Second Quarter						
<i>(Nov – Jan)</i>	121,952	37.2	134,243	35.7	134,719	35.8
Third Quarter						
<i>(Feb – Apr)</i>	85,425	26.1	115,859	30.8	116,985	31.1
Fourth Quarter						
<i>(May – Jul)</i>	25,409	7.7	39,208	10.4	42,403	11.2
	<u>327,817</u>	<u>100.0</u>	<u>376,225</u>	<u>100.0</u>	<u>376,396</u>	<u>100.0</u>

We recorded greater revenue during the first three quarters of our financial year (or from August to April of the next year), due to students enrolling in (i) our summer courses which are typically held from mid-July until August; and (ii) our regular and intensive courses which are held in tandem with the Hong Kong academic year and in preparation for the HKDSE Examinations. We typically generate higher revenue during the first three quarters of each financial year due to higher enrollments in our summer and regular courses and the timing of our intensive courses. Our summer courses which typically run from mid-July until August are followed by the commencement of our regular courses which typically run from September to June of the next year. As such, we have a significant number of course enrollments during the first three quarters of each financial year. Moreover, we offer our intensive courses in preparation for the HKDSE Examinations and, as such, intensive courses are typically held during the second and third quarters (i.e. November to April of the next year). Most of our Secondary 6 students cease to enroll in courses once their HKDSE Examinations commence. In addition, as the academic year draws to a close in or around June, when students focus principally on revision and examination preparation, the number of regular courses offered and the number of course enrollments declines during the fourth quarter of each financial year. For further details of our breakdown of enrollments and revenue by course type, please refer to the paragraph headed “Private supplementary secondary school education services – Course type” above. We expect our revenues and operating results, in particular our private supplementary secondary school education services, to continue to be influenced by seasonal enrollment patterns. Such patterns may change, however, as a result of an increased variety of education programmes and services we offer, including expansion of our ancillary education services and products.

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### MARKETING AND ADVERTISING

We make effort in our branding, advertising and promotion to strengthen our brand image and awareness, attract new customers and enhance customer loyalty. Our Directors believe that we have achieved strong brand awareness as a provider of private supplementary secondary school education services in Hong Kong. In order to grow our brand and improve our market positioning, our Group implements a variety of marketing activities including (i) public transit and web-based digital advertising; (ii) outdoor billboards, brochures and leaflets advertising; and (iii) other marketing initiatives. Furthermore, our Directors believe that word-of-mouth referrals from our existing students or alumni contribute to our course enrollments. Occasionally, our Group engages marketing consultants to provide marketing advice, advertisement placement services and other related support for our advertising and promotional activities. Our marketing department, comprises an e-marketing team, public relations team, advertising and promotion team and a multi-media production team. We also have a separate design department responsible for posters and key promotional materials.

Our Group allocates considerable marketing resources for our advertising and promotional activities. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our Group's advertising and promotion expenses were approximately HK\$18.0 million, HK\$15.9 million, HK\$16.5 million, HK\$10.1 million and HK\$8.6 million, respectively, which represents approximately 5.5%, 4.2%, 4.4%, 5.9% and 4.4% of our revenue.

In past years, our Group utilised various types of media to advertise and promote the our brand. We advertise through public transit vehicles in Hong Kong, our own websites and mobile apps, third party websites, traditional media such as outdoor billboards, newspapers, magazines and television. Additionally, we hold campaigns and promotional events jointly with other Independent Third Party companies to promote our brand. During the Track Record Period, we utilised the following marketing and advertising platforms to attract new and returning students and increase customer awareness of our Beacon brand:

#### *Public Transit and Web-based Digital Advertising*

We place advertisements on public transit vehicles and in public transport stations in Hong Kong which promote our tutors and our Group. We use [www.beacon.com.hk](http://www.beacon.com.hk), among other things, to introduce and promote our Group and our teaching team. Our Group also made use of internet search engines, social media and third party websites to promote our business. Our Directors believe such advertising enhances the exposure of our Group and brands.

#### *Outdoor Billboards, Brochures and Leaflets*

During the Track Record Period, we placed advertisements on outdoor billboards, newspapers, magazines, brochures, leaflets and via direct-mail.

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### *Other Marketing Initiatives*

During the Track Record Period, we held promotional events with Independent Third Party brands to raise awareness of our products and services in conjunction with their brands.

Set out below is a breakdown of our advertising and promotion expenses incurred during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)									
Advertising expenses	9,571	53.3	8,474	53.2	8,868	53.6	5,468	54.4	5,062	59.0
Outdoor billboards, brochures and leaflets	3,891	21.6	5,249	32.9	5,964	36.0	3,200	31.8	2,659	31.0
Other marketing expenses	<u>4,507</u>	<u>25.1</u>	<u>2,221</u>	<u>13.9</u>	<u>1,716</u>	<u>10.4</u>	<u>1,386</u>	<u>13.8</u>	<u>856</u>	<u>10.0</u>
	<u>17,969</u>	<u>100.0</u>	<u>15,944</u>	<u>100.0</u>	<u>16,548</u>	<u>100.0</u>	<u>10,054</u>	<u>100.0</u>	<u>8,577</u>	<u>100.0</u>

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### AWARDS AND RECOGNITIONS

We have received a number of awards and recognitions from certain organisations. The table below sets out a summary of selected awards or recognitions we have received:

<b>Year of Award</b>	<b>Award/Recognition</b>	<b>Issuing organisation</b>
2018	Enterprise Market Leadership Award – Market Leadership in Education Business 2017/2018	Hong Kong Institute of Marketing
2017	2017 Top 10 Outstanding Individual Brand Award	Asia Branding and Franchising Association
2016	Smiling Enterprise Award	Mystery Shopper Service Association
2016	Smiling Employer Award	Mystery Shopper Service Association
2015	Hong Kong Top Service Brand	Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong
2015	Outstanding Social Caring Organization Award	Social Enterprise Research Institute
2015	MARKies Award – Gold Award – Best Use of Gaming	Marketing Magazine
2015	Bronze Award – Best SME ICT (Social Media Marketing)	Information and Software Industry Association
2014 and 2016	Social Capital Builder	Labour and Welfare Bureau
2014	W <sup>3</sup> Awards 2014 – Silver Winner	Academy of Interactive and Visual Arts
2012	The Hong Kong’s 100 Most Influential Brands	World Brand Laboratory
2011	WeUnite Better World Company/ Organization	Junior Chamber International Hong Kong
2008-2018	Caring Company	Hong Kong Council of Social Service
2006	Business Superbrands	Superbrands Limited

### INTELLECTUAL PROPERTY

#### Our Intellectual Property

In order to protect our trademarks in Hong Kong, our Group has registered the “Beacon Group” (遵理集團), “Beacon College” (遵理學校), “Beacon Day School” (遵理日校), “Beacon Childhood” (遵理兒童教育), “Beacon BeeSmart”, “Beacon CAPE” (遵理持續進修), “Beacon BExcellent” (遵理精英匯), “Beacon Living” (遵理生活) trademarks and logos in Hong Kong. As at the Latest Practicable Date, we owned 40 trademarks and were the registered holder of 30 domain names. Details of our intellectual property rights are set out in the section headed “Statutory and general information – Intellectual property rights” in Appendix IV to this prospectus.

As confirmed by our Directors, as at the Latest Practicable Date, our Group has not taken any legal action against any parties regarding infringement of our trademarks in Hong Kong. To the best knowledge, information and beliefs of our Directors after conducting reasonable searches and making reasonable enquiries, our Directors were not aware of any website registered and/or service operators in Hong Kong that have infringed the trademarks of our Group and therefore, no legal action has ever been taken by our Group in Hong Kong up to the Latest Practicable Date.

#### Third Party Intellectual Property

From time to time, in accordance with the need and request by the teaching team of our Group, our Group purchases third party copyright licences for the use in preparation of course and teaching materials. Details of the copyright arrangements between our Group and our tutors and our policies on intellectual property rights protection are set out in the paragraphs headed “Our teaching team – Tutors – Course Materials” and “Risk Management and Internal Control – Our internal control measures relating to compliance with copyrights” respectively in this section.

The licences purchased by us include the right to use certain contents of a number of online material of media groups and text books from certain publishers and other bodies. Amongst the copyright licences purchased, our Group maintained annual licences for the use of past examination paper questions from the HKEAA. The HKEAA licences generally cover the right to use past examination paper questions up to certain threshold amount of a subject, and the licences are subject to renewal annually.

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### *Intellectual Property Claims Against Our Group*

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge, understanding and awareness of our Directors, there were three claims against us in relation to infringement of third party intellectual property rights, details of which are summarised in the following table:

No.	Date	Claimant	Details of Intellectual Property Claims against us	Outcome
1.	October 2014	A media group which publishes newspapers and magazines	Infringement of copyright in respect of articles published in the claimant's newspapers and magazines, which were found in the teaching materials prepared by the relevant tutor	<p>The matter was settled by the entering into of a deed of settlement in December 2014 on a non-admission of liability basis and payment has been made for settlement of the claim.</p> <p>As at the Latest Practicable Date, no further action or legal proceedings had been taken or initiated against us.</p>
2.	February 2016	HKEAA	The reproduction of teaching notes of certain of our tutors was in breach of the licence granted to us by the HKEAA on the grounds that the arrangement of reproduction and the extent of use had not been made in accordance with the terms of the licence	<p>The matter was settled by the entering into of a settlement agreement in May 2016 on a non-admission of liability basis and payment has been made for settlement of the claim.</p> <p>As at the Latest Practicable Date, no further action or legal proceedings had been taken or initiated against us.</p>
3.	September 2017	A media group which publishes newspapers and magazines (which is unrelated to the claimant set out in item 1 above)	Infringement of copyright in respect of articles published by the claimant, which were found in promotional leaflet and materials of Liberal Studies prepared by the relevant tutor	<p>The matter was settled by the entering into of a settlement agreement among parties in November 2017. Full payment has been made for settlement.</p> <p>As at the Latest Practicable Date, no further action or legal proceedings had been taken or initiated against us and the relevant tutor.</p>

In respect of the aforementioned claims or disputes, an aggregate sum of approximately HK\$1.8 million was paid by our Group to the claimants as settlement.

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Our Directors are of the view that the above intellectual property infringement claims are not material to our Group and save as disclosed above, there was no other pending or threatened litigation, arbitration or other legal proceedings in relation to intellectual property rights against our Group as at the Latest Practicable Date.

### *Purchase of additional licences of past examination papers with the HKEAA*

In September 2017, our Group received letters from the HKEAA, drawing our Group's attention that some of the course materials of a subject prepared by certain of our tutors might not be covered by the Group's acquired HKEAA licences for the licence periods of 2016/2017 and/or 2017/2018.

Given some similarity was detected in the course materials of such subject to the HKEAA's copyrighted materials, our Group proceeded with the additional licences purchase for certain subjects for both of the 2016/2017 licence year (for our financial year ended 31 July 2017) and the 2017/2018 licence year (for our financial year ending 31 July 2018) (the "**Additional Licences Purchase**") from the HKEAA, for the interest of time, cost and the Group's operation. Our Group incurred an amount of HK\$2 million for the Additional Licences Purchase. Our Directors believe that the incident took place because of the tutors' earlier undertaking to our Group of not planning to use past examination papers in preparing their course materials for such subject, but such tutors had not properly or fully communicated to all of their respective teaching assistants and their own staff who assisted in preparing the course materials. In accordance with the agreements made with the relevant tutors, such tutors have agreed in writing to bear all of the cost of the Additional Licences Purchase. After completion of the Additional Licences Purchase, the case had been closed and our Group had obtained the HKEAA licences for all the course subjects we offered in our private supplementary secondary school education services for the licence years of 2016/2017 and 2017/2018.

### *Purchase of additional licences from publishers*

In October 2017, in the course of the implementation of various enhanced internal control measures of our Group, we detected similarity in certain contents of the course materials of a subject for our private supplementary secondary school education services to certain publications of publishers from which our Group did not obtain licence for their use. Our Group then voluntarily approached them for relevant licence purchases. After payment of relevant licence fees, we obtained the right to use such publications in certain period of time retrospectively until the expiries of the respective licences purchased (which expiry dates ranged from July 2018 to August 2022).

Our Group also purchased from various publishers a number of other licences so as to provide the teaching team with additional support in course materials preparation and to better safeguard against potential intellectual property right claims.

An expense of approximately HK\$0.7 million, in relation to our purchase of these additional licences, was charged to the consolidated statements of comprehensive income of our Group for the year ended 31 July 2017.

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Our Directors also consider that (a) the renewed licence with the HKEAA in respect of the use of past examination papers for the academic years 2016/2017 and 2017/2018; (b) additional purchase of licences with the HKEAA and publishers; together with (c) the enhanced internal control systems on copyright matters in section headed “Risk management and internal control” below, will provide us with better safeguards against potential intellectual property rights claims in the future.

### INSURANCE

Our Group has maintained insurance policies which cover, amongst other things, the assets in our offices, teaching centres, equipment and computers owned by us in our business premises in Hong Kong and certain additional expenditures that may be incurred due to such losses or damages (including risk and cash loss for all our teaching centres), up to the sum specified in the insurance policies. Save where it is caused by or in any way owing to the default of the landlords of the leased or licenced premises, we are generally responsible for any loss or damage of person or property, including any accident, fire or casualty in the leased or licenced premises pursuant to the relevant leases and licence agreements. As such, in addition to the property all risks insurance, we also maintain public liability insurance to cover our legal liability for, among others, accidental bodily injury caused to any person (including our students) other than our employees who are insured under the employee compensation scheme provided under the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The maximum insurance coverage under our Group’s public liability insurance policy is HK\$30 million in respect of any one accident and unlimited period during the period of insurance.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any major operational problems, such as equipment failure, failure to meet standards, improper equipment operation or any accidental bodily injury, nor any business interruptions as a result of fire, power shortages, software or hardware malfunctions, flood, computer virus or other events beyond our control. Please refer to the section headed “Risk factors – Accidents or injuries suffered by our students, our employees or other people at our teaching centres and offices may adversely affect our reputation and subject us to liability” in this prospectus. Nevertheless, based on our experience in operating our business and our understanding of the prevailing industry practice in Hong Kong, we believe our level of insurance coverage is adequate for our current operations.

For each of the three years ended 31 July 2015, 2016 and 2017 and for the five months ended 31 December 2016 and 2017, we paid insurance expenses of approximately HK\$0.6 million, HK\$0.4 million, HK\$0.3 million, HK\$0.1 million and HK\$0.1 million, respectively.

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### CUSTOMER COMPLAINTS

From time to time, we may receive complaints from our customers in respect of issues relating to our services and operations. We have implemented complaints handling procedures to address any such incidents. Complaints are typically received by our teaching centre staff, who, having reviewed the nature of the complaint, will transfer such issue to the relevant department head of our Group. The complainant will then be contacted so that further information can be gathered and a file in respect of the complainant will be opened. The department head with responsibility for such complaint will then respond to the complainant with acknowledgment of the matter. Pending further review, the relevant department head will consider the validity of such complaint and where our Group may be at fault, we would remedy such issue in accordance with the nature of the complaint.

To the best knowledge, understanding and awareness of our Directors, during the Track Record Period and up to the Latest Practicable Date, we had received three customer complaints referred by the Hong Kong Consumer Council, details of which are summarised in the following table:

<b>Date</b>	<b>Details of Complaints</b>	<b>Outcome</b>
September 2017	The complainant complained that the course enrolled had been cancelled without prior notice given	Resolved – We assisted the complainant to switch to another timeslot for the course and instructed the relevant staff to be cautious when recording personal details of students so that any change on course can be reached to students. No claims nor liabilities were incurred.
March 2015	The complainant had a class schedule conflict due to a change of schedule in our teaching centre and the complainant alleged that a member of staff informed her that she could enroll a VIP self-study service for free as long as she brought along proof of the schedule conflict. On this basis, the complainant brought the proof to the teaching centre in Kowloon Bay but was rejected by a member of staff who informed the complainant that classes could not be rescheduled and that additional fees would be charged for VIP self-study services.	Resolved – The complainant was fully refunded in the sum of HK\$815 and reminded the relevant staff on services and course rescheduling arrangement. No claims nor liabilities were incurred.

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<b>Date</b>	<b>Details of Complaints</b>	<b>Outcome</b>
September 2014	The complainant was not satisfied with the services of our staff members in relation to the handling of certain administrative matters. The first incident related to an enrollment in a course at the Mong Kok teaching centre, our staff were not attentive enough and took ten minutes to complete the procedure. Another incident related to the lack of familiarity by our staff with certain scholarship/bursary details when the complainant was enrolling in a summer course.	Resolved – We communicated with the complainant and cautioned the teaching centre staff concerned. No claims nor liabilities were incurred.

During the Track Record Period and up to the Latest Practicable Date, save for the three complaints referred by the Hong Kong Consumer Council as discussed above, our Directors confirm that we have not received any material customer complaint which had a material adverse effect on our operation or financial condition, and no customer complaint is known to our Directors to be pending or threatened by or against us, that could have a material adverse effect on our operation or financial condition.

### LEGAL AND REGULATORY

#### *Approvals, Certificates and Licences*

As at the Latest Practicable Date, all of our teaching centres were registered or provisionally registered as schools under the Education Ordinance. The following are the certificates possessed by us in relation to the operation of each of our teaching centres:

- Certificate of Registration of a School/Certificate of Provisional Registration of a School issued by the EDB
- Certificate issued by the Fire Services Department
- Certificate issued by the Buildings Department
- Certificate of Accommodation issued by the EDB
- Fees Certificate issued by the EDB or course fees information sheet prepared by our Group (as the case may be)

Our Directors confirmed that our Group has obtained all material licences, certificates and approvals required for carrying on its business activities during the Track Record Period and up to the Latest Practicable Date. As of the date of this prospectus, in respect of Ascent Prep Education Centre and Beacon Plus Learning Centre to which Certificate of Provisional Registration of a School has been issued, the respective expiry dates of such certificates are 10 October 2018 and 31 May 2019.

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Our Directors confirm that save as set out in the paragraph headed “Non-compliances of our Group” below, our Group has obtained all the relevant approvals for all of our teaching centres and complied with all the relevant regulatory requirements in all material respect during the Track Record Period and up to the Latest Practicable Date.

### *Litigation*

In March 2018, a tutorial services provider (the “**Tutorial Services Provider**”) filed a Writ of Summons with an Indorsement of Claim (the “**Writ**”) with the High Court of the Hong Kong Special Administrative Region (the “**Court**”) against Tutor G as the 1st defendant for breach of a previous service contract entered into between Tutor G and the Tutorial Services Provider (the “**Previous Service Contract**”), and Beacon College as the 2nd defendant for tort of procuring Tutor G in breach of the Previous Service Contract. In May 2018, the Writ was served on Beacon College through its solicitors, and Beacon College subsequently through its solicitors filed the Acknowledgment of Service of the Writ with the Court. Under the relevant rules of the Court, a Statement of Claim (“**SOC**”) should be filed by the Tutorial Services Provider with the Court and served on Beacon College and Tutor G within 14 days after Beacon College and Tutor G have filed the Acknowledgment of Service of the Writ indicating that they intend to contest the proceedings. The original date for the Tutorial Services Provider to file and serve its SOC fell on 30 May 2018. Upon the application of the Tutorial Services Provider (through its solicitors), the Court granted an order for an extension of time for filing and serving the SOC to 28 June 2018. On 26 June 2018, the Tutorial Services Provider (through its solicitors) sent a letter to the respective solicitors of Beacon College and Tutor G, seeking their consent to a further 28-day extension of the time of filing and serving the SOC, i.e. on or before 26 July 2018. In such connection, the Tutorial Services Provider indicated that having regard to the lapse of time from the issuance of the Writ, the Tutorial Services Provider’s solicitors will have no objections to the 28-day extension being agreed upon on an “unless basis” if Beacon College and/or Tutor G so wish. Under the relevant rules of the Court, order on an “unless basis” means an order of the court requiring a party to comply with directions specified in the order and also stating the consequences of non-compliance with the order within a specified time. On 26 and 27 June 2018, Tutor G and Beacon College (through their respective solicitors) respectively gave consent to the further 28-day extension on an “unless basis”. Notwithstanding the above communications between the parties (through their solicitors), our Company cannot preclude the possibility of the Tutorial Service Provider filing and serving the SOC shortly after 27 June 2018, or it seeking further extension of time for the filing and serving of the SOC near the expiry of said 28-day extension period. In any event, it is our Group’s intention to defend vigorously against the said legal action. As advised by our Litigation Legal Counsel, the Tutorial Services Provider has a very slim chance of success in holding Tutor G and Beacon College liable for the above allegations, in view of the following:

- (i) it is doubtful whether the Tutorial Services Provider is able to point to any legitimate business interests to uphold the validity of the restraint of trade imposed upon Tutor G (the “**Legitimate Business Interests**”) under the Previous Service Contract; and

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- (ii) even on the assumption (but without accepting) that the Tutorial Services Provider has some forms of Legitimate Business Interests, there is slim chance in upholding the validity and enforceability of the non-solicitation clause contained in the Previous Service Contract given it was couched in very wide terms which may well be wider than necessary to protect the Legitimate Business Interests (if any) of the Tutorial Services Provider.

In view of the Litigation Legal Counsel's opinion based on the Indorsement of Claim annexed to the Writ and the indemnities provided by our Controlling Shareholders under the Deed of Indemnity, our Directors believe that the outcome of the litigation is unlikely to have any material effect (whether financial or operational or otherwise) on our Group. To the extent that there is change in such connection which our Directors consider it necessary to update investors, our Company will give update on the status of the litigations by way of announcement or other appropriate means. For further details of the Deed of Indemnity, please refer to the paragraph headed "F. Other information – 1. Indemnities" in Appendix IV to this prospectus.

Our Group will further enhance our recruitment policy and procedure for engaging new tutors, and if necessary, to seek legal advice on the matter to avoid any potential disputes claims or legal action arising from tutor engagement.

During the Track Record Period and up to the Latest Practicable Date, save for the claims against us in respect of copyright infringement (details are set out under the paragraph headed "Intellectual Property – Third Party Intellectual Property – Intellectual Property Claims Against our Group" in this section) and the litigations against Tutor G and our Group as set out above, our Directors confirm that we are not engaged in any material litigation, arbitration or claim which had a material adverse effect on our operation or financial condition, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that could have a material adverse effect on our operation or financial condition.

### **NON-COMPLIANCES OF OUR GROUP**

On certain occasions, we did not fully comply with the applicable laws and regulations in respect of certain requirements which can broadly be categorised under the following: (i) the Predecessor Companies Ordinance and the Companies Ordinance; (ii) the MPF Scheme Ordinance; (iii) Occupational Safety and Health Ordinance; (iv) our previous head office lease; and (v) the Inland Revenue Ordinance.

#### *Non-compliances with the Predecessor Companies Ordinance and the Companies Ordinance*

Our Directors confirm that they were aware of the occurrence of certain non-compliances of our Group with the Predecessor Companies Ordinance and the Companies Ordinance in respect of matters including, among others, the timely adoption of audited accounts, failure to convene annual general meetings within the prescribed time and late filing of annual returns and various forms of notice. As advised by our Legal Counsel, those non-compliance incidents are time barred by the time limit for prosecution of three years under the Predecessor Companies Ordinance. Taking into account the above and the

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fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders under the Deed of Indemnity, our Directors consider that the impact of them would be immaterial on our Group.

Save as the aforesaid time-barred non-compliances, set out below is a summary of the non-compliances of the Predecessor Companies Ordinance by Supreme Master Corporation Limited (“**Supreme Master**”), a wholly-owned subsidiary of our Company and the non-compliances of Companies Ordinance by our Company, and the following subsidiaries namely, JR (YL) Limited, Glocal Research and Development Company Limited (“**Glocal Research**”) and Glocal Education Services Limited (“**Glocal Education**”), which are not time barred as at the Latest Practicable Date:

Relevant section	Particulars of non-compliance	Reasons(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Sections 111 and 122 of the Predecessor Companies Ordinance	Supreme Master failed to hold certain annual general meetings and lay its profit and loss accounts and balance sheets at its annual general meetings for the financial year ended 31 July 2013 and 31 July 2014 within the prescribed time limits.	The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	Our Group sought legal advice on whether relief can be obtained from the Court. As advised by our Legal Counsel, based on the recent judgments of the Court, the Court will not grant relief under Section 122 of the Predecessor Companies Ordinance because the Court is of the view that such relief has no practical purpose in the context of listing application.	As advised by our Legal Counsel, Supreme Master will face an estimated penalty of HK\$3,000 to HK\$5,000 for its breach of Section 111 and an estimated penalty of HK\$10,000 for its breach of Section 122.  As advised by our Legal Counsel, even if there is any prosecution, the chance of an imprisonment sentence being imposed for its breach of Section 122 is low.
Sections 645 and 652 of the Companies Ordinance	JR (YL) Limited failed to file form of notice in respect of changes of the company's particulars within the prescribed time limits in March 2016.  Glocal Research failed to file form of notice in respect of the company's particulars within the prescribed time limits in June 2015.  Glocal Education failed to file form of notice in respect of changes of the company's particulars within the prescribed time limits in June 2015 and March 2016.	The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	JR (YL) Limited filed the relevant return in June 2016.  Glocal Research filed the relevant return in April 2016.  Glocal Education filed the relevant return in June 2016.  Our Group has engaged an experienced staff in handling company secretarial matters together with the assistance of certain staff to monitor the changes of particulars of our Group companies and written guidelines and requirements in respect of the statutory filings have been provided to relevant staff responsible in order to ensure that the relevant filings will be lodged within the required timeframe.	As advised by our Legal Counsel, JR (YL) Limited will face an estimated penalty of HK\$20,000 for its breach of Section 645 and Glocal Research and Glocal Education will face an estimated penalty of HK\$20,000 and HK\$40,000 respectively for their breaches of Section 652.

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Relevant section	Particulars of non-compliance	Reasons(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 788 of the Companies Ordinance	Our Company failed to file its annual return within the prescribed time limits by 4 December 2016.	The omission was not willful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	<p>We had filed the relevant return and made a payment of HK\$1,800 to the Companies Registry on 29 December 2016.</p> <p>Our Group has engaged an experienced staff in handling company secretarial matters together with the assistance of certain staff to monitor the changes of particulars of our Group companies and written guidelines and requirements in respect of the statutory filings have been provided to relevant staff responsible for company secretarial matters in order to ensure that the relevant filings will be lodged within the required timeframe.</p>	<p>Our Company will face an estimated penalty of HK\$3,000 for its breach of Section 788 and a further penalty of HK\$1,300 as the daily penalty for such late filing.</p> <p>As advised by our Legal Counsel, any prosecution of Section 788 is unlikely.</p>

In respect of our Group's non-compliance of the Predecessor Companies Ordinance and the Companies Ordinance, our Directors have confirmed that our Legal Counsel has advised as follows:

- save for the three non-compliance incidents set out above, prior incidents of non-compliance of sections 111 and 122 of the Predecessor Companies Ordinance in respect of our Group companies are now time barred and immune from prosecution;
- the three non-compliance incidents set out above, which are not time barred, may face prosecution, however, while a small chance of prosecution exists, there is no indication that any prosecution proceedings are on the horizon; and
- in order for a director to be liable for imprisonment for an offence committed contrary to section 122 of the Predecessor Companies Ordinance, such offence must have been committed willfully. As the primary reason for the instances of non-compliance lies in the oversight, ignorance and mismanagement rather than deliberate contravention, any future penalty arising from the prosecution of section 122 non-compliance will not involve a term of imprisonment for any of the directors of the relevant subsidiaries.

In addition, the Controlling Shareholders have entered into a Deed of Indemnity with our Company in favour of our Company and each Group company to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.

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In order to prevent recurrence of such non-compliance incidents, an audit committee comprising of our Independent Non-executive Directors was established on 21 June 2018 to oversee our Group's financial reporting as well as internal control procedures. Our Group had engaged an experienced staff in handling company secretarial matters together with certain staff to assist our company secretary to oversee compliance with statutory requirements. Our company secretary acts as the principal channel to seek advice from legal advisers from time to time after Listing in respect of compliance matters.

Our Directors confirm that save as disclosed above and to their best knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material non-compliances in respect the Predecessor Companies Ordinance and the Companies Ordinance.

### *Non-compliance with the MPF Schemes Ordinance*

During the Track Record Period, there were certain instances of non-compliances of our Group with the MPF Schemes Ordinance in respect of underpayment of mandatory provident fund (“MPF”) contributions to our employees.

Relevant section of the MPF Schemes Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 7A(8)	In September 2015, our Group received a letter from the Mandatory Provident Fund Schemes Authority (the “MPFA”) alleging that, according to their information, we had failed to pay the full mandatory contributions and/or additional charges in respect of a number of our part time employees. Subsequent correspondence with the MPFA confirmed that we had underpaid MPF contributions for 176 employees.	Our Directors confirm that the misreporting of relevant wages were not wilful and were due to the inadvertent oversight regarding the computation of the contribution amounts by our human resource staff and the absence of timely and professional advice at the material times.	We made up the difference in MPF contributions and a contribution surcharge of 5% on the inadequate contributions for the relevant employees of our Group in October 2015 and January 2016 in an aggregate amount of HK\$36,760.96 and HK\$308.04, respectively.	As advised by our Legal Counsel, our Company and/or our Directors may be subject to a fine of approximately HK\$646,000 if there is any prosecution and assuming we are convicted. However, the chance of imprisonment for any of our Directors is extremely remote.

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### *Non-compliance with the Occupational Safety and Health Ordinance*

During the Track Record Period, there was instance of non-compliance of our Group with the Occupational Safety and Health Ordinance, details of which are set out in the table below:

<b>Relevant section(s) of the Occupational Safety and Health Ordinance</b>	<b>Particulars of the non-compliance</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial action</b>	<b>Actual penalty</b>
Sections 6(1), 6(2)(a), 6(2)(c) and 6(3) of the Occupational Safety and Health Ordinance (the “ <b>Relevant OSHO Sections</b> ”)	<p>An employee of our Group suffered a fall whilst cleaning the air vent dust filter at the false ceiling at our Group’s head office in Tsuen Wan in August 2017.</p> <p>In February 2018, we received a summons taken out by the Labour Department alleging that we had failed to ensure the safety and health of the said employee. The case was heard at the West Kowloon Magistrates’ Court on 22 March 2018.</p>	The non-compliance incident was accidental, as the employee who holds the relevant licenses was merely performing his day-to-day duties of repair works.	Our Group had provided an internal training and guidelines to our employees reminding them our Group’s policy and recommendation regarding safety under working environment and upgraded equipment for relevant work procedures, which our Directors believe that such measures would mitigate the risk of similar incident from happening in the future.	We were ordered to pay a penalty of HK\$12,000, which was paid in full on 28 March 2018. No officer or directors of our Group was made liable or guilty of any offence thereunder.

### *Non-compliance in respect of our previous head office lease*

During the Track Record Period, we did not fully comply with the terms of a lease agreement in respect of our previous head office. Details are set out in the table below:

<b>Type of non-compliance</b>	<b>Particulars of non-compliance</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial action</b>	<b>Estimated cost to resolve non-compliance</b>
Breach of permitted use covenants in respect of our previous head office	The building in which our current and previous head office is located was, until February 2016, restricted to industrial or godown use only.	Notwithstanding the permitted use clause contained in the lease and due to a lack of comprehensive understanding of Hong Kong property laws, our executive Directors entered into the lease on the misunderstanding that as the rest of the building was used for office/commercial purposes, the premises could be used for such purpose.	The landlord applied and received a waiver for the building from the Lands Department of the Government which permits office use.	None – we relocated to a new head office within the same building but office use is now permitted for the building.

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### *Non-compliance with the Inland Revenue Ordinance*

Prior to the Track Record Period, the Inland Revenue Department (the “**IRD**”) commenced a review of our Group’s tax compliance from year of assessment 2003/04 to year of assessment 2011/12 (the “**Relevant Period**”) on, among other things, (i) late filing of tax returns; and (ii) failure to keep proper books and record in respect of certain companies at the time (the “**Tax Penalties**”). Set out below are details of the Tax Penalties:

Relevant sections of the Inland Revenue Ordinance (Cap. 112)	Particulars of non-compliance	Reasons for the non-compliance	Remedial actions	Actual fine/penalty
Sections 80(1A) and 80(2)	Certain companies were penalised for late filing of tax returns ranging from 11 days to about 4.3 years; and failure to keep proper books and record.	<i>Note</i>	<p>In November 2011, to replace the previous arrangement of outsourcing of the matters in relation to tax filing and record keeping, we have set up our internal function and employed a qualified accountant who was admitted under the Association of Chartered Certified Accountants to supervise and manage the tax-related matters of our Group and to ensure our compliance with the applicable tax laws and regulations, including properly filing of the relevant late tax returns covered by the IRD’s tax review and coming up with the IRD the relevant final tax assessments.</p> <p>In January 2014, our Group appointed another external tax representative (not being the same Tax Representative as mentioned in the Note below) to assist in, among other things, negotiating and settling the matter of the Tax Penalties with the IRD.</p>	Tax penalties of HK\$9.0 million (being a lump sum agreed in lieu of penalty and interest) were settled in the year ended 31 July 2015.

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*Note:* During most of the Relevant Period, our Group did not employ or engage any qualified accounting staff to handle book-keeping, accounts preparation and tax filing matters. These matters were outsourced to Pro-Vision Corporate Services Limited (“**Tax Representative**”) to handle. During the Relevant Period, as the then Tax Representative did not prepare the tax returns for our Group on time, the IRD gave estimated tax assessment of some of our Group members for some years during the Relevant Period; and following the then Tax Representative’s recommendations, our Group paid profits tax based on the IRD’s estimated tax assessment in full other than one company where the relevant assessments were issued to the school address instead of our Group’s head office and payments totaled HK\$129,920 were overlooked. Tax returns, however, had not been filed because the then Tax Representative indicated to our Group (i) that additional time was required to prepare such tax returns and (ii) that our Group had already paid the relevant tax based on the IRD’s estimate. As our Group did not file the tax returns for some time (and in some instances over a few years), the IRD then conducted a tax review for our Group for the Relevant Period.

Given the above background, our Company considers that the reason for the above non-compliances was that our Group did not retain internal professional or qualified accounting staff during most of the Relevant Period, while our Company and our Directors subsequently considered that the then Tax Representative did not give correct advice to our Group. Accordingly, such non-compliance was resulted from lack of internal professional or qualified staff and failure by our Group to obtain proper tax advice.

Our Directors confirm that, (i) the Group had paid all the relevant tax assessed by the IRD after the IRD’s tax review and (ii) during the Track Record Period, our Group had complied with all its requisite tax obligations and that no outstanding tax penalties had been imposed by the IRD as at the Latest Practicable Date.

As far as the non-compliance matters of our Group with the Inland Revenue Ordinance is concerned, as (i) the IRD did not commence prosecution against our Group and any of our Directors for such non-compliance matters on the basis of tax evasion; (ii) there is no evidence of dishonesty or tax evasion on the part of any of our Directors in such non-compliance incident; and (iii) our Group has retained professional and qualified accounting staff since 2011 and professional advisers since 2014 to deal with tax matters, after the Relevant Period, there is no similar non-compliance, the Sole Sponsor is of the view that such non-compliance incident does not indicate that any of our Directors do not satisfy the requirements to become a director of a listed issuer under Rules 3.08 and/or 3.09 of the Listing Rules.

After considering the non-compliance issues, the remedial actions taken by our Group, our business nature and operation scale and the results of internal control review conducted by our independent internal control consultant, Corporate Risk Advisory Services Limited (the “**ICC**”) as set out below, our Directors and the Sole Sponsor are satisfied that our internal control measures are adequate and effective for our current operation environment. Moreover, as our Directors and the Sole Sponsor consider that the non-compliance incidents did not involve any dishonesty or any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors, the non-compliance incidents do not have any material impact on the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of our Company under Rule 8.04 of the Listing Rules and that our executive Directors are competent to manage our Group’s business in a law abiding manner.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We are committed to establishing risk management and internal control systems that we consider to be appropriate to manage risks in our business operations, and we are dedicated to monitoring these systems for effectiveness and modifying them as necessary as our business grows to maintain effectiveness. We have established control systems for various aspects of our operations. Moreover, in preparation for the Listing, we engaged the ICC to conduct an evaluation of our internal control systems. The ICC conducted the first round of review on our internal control system and issued the first internal control review report in October 2015 and provided several findings and recommendations on matters such as our corporate governance policies, internal procedures associated with copyrights, financial control and reporting. We have subsequently taken remedial actions in response to such findings and recommendations. During the period from August to November 2017, the ICC performed second review on our internal control procedures and our remedial actions in response to ICC's findings and recommendations first review and the ICC had reported all were fully remediated save for (a) establishment of audit committee, remuneration committee and nomination committee; (b) the activation of internal control procedure to monitor the compliance with the Listing Rules; and (c) establishment of internal audit which is intended by us to be outsourced to external professional firm. In response to the findings and recommendations raised by the ICC regarding our Group's internal procedures associated with financial control and reporting, our Group had taken remedial actions included, among others, (i) updated our Group's accounting policies with written procedures for monthly consolidation, periodically review to the recoverability of our Group's accounts receivable and carrying values, depreciation movement and disposal of fixed assets, monitor our Group's petty cash levels and daily bank deposit reports; (ii) adopted periodical review practice for the budgeting and forecasts of our Group's financial performance and performed review on the variance between actual and forecasted performance; and (iii) updated our Group's internal control procedures in order to better manage our Group's liquidity and other treasury activities of our Group; and (iv) adopted our Group's accounting policy and enhanced internal control procedures on various accounting functions. Our Directors and the ICC confirmed that the above-mentioned internal control measures associated with our Group's financial control and reporting had been implemented by our Group as at the Latest Practicable Date.

In accordance with the applicable laws and regulations in Hong Kong and in response to the non-compliances in relation to copyrights, we have implemented measures with a view to establishing and maintaining our internal control systems and enhance our corporate governance including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations. In particular:

#### **Our internal control measures relating to compliance with copyrights**

- Subsequent to remedial actions taken up upon satisfaction of the ICC in the first round of internal control review, our Group adopted a continuous-improving approach towards copyright compliance and protection. In around a year's time, we had improved our detective and preventive measures by further empowering our course material logistic department in course material evaluation with the support from qualified teaching personnel, and structuring the course material

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## BUSINESS

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evaluation process with review by designated personnel. The team was retitled formally as the publication censorship committee (the “PCC”) in January 2017, subsequently further developed and operated in full force and capacity in October 2017. The PCC is led by the head principal of our Group. The major functions of the PCC are, among others, to identify, assess and manage the risks associated with compliance with the copyrights (including the HKEAA licence matters) during the course of our ongoing operations. This involves checking and reviewing all the course materials prepared by the teaching team (including the tutors and/or their respective teaching assistants) before their bulk-printing to ensure the course materials complying with all the applicable copyrights (including the HKEAA licence requirements). The review procedures of the PCC, included, among others, (i) to review the course materials and/or handouts submitted by the tutors to ensure that relevant copyrights and sources are explicitly stated for (a) past paper questions and marking scheme of the HKEAA used, and (b) publications from third party publishers and/or media quoted; (ii) to assess whether the practice questions in the course materials and/or handouts are the past examination papers questions through cross checking them against the Past Examination Paper Database (as defined below); (iii) to review and ensure that the number of past examination papers questions used do not exceed the thresholds set out in the HKEAA licences; (iv) to detect plagiarism and undisclosed third party copyrights through a subscribed online plagiarism detection system; and (v) to investigate and assess the level of copyright compliance in case of indication or caution drawn by the plagiarism detection system or uncertainty identified by PCC members. As at the Latest Practicable Date, there were 16 members in the PCC which comprised the head principal, one senior management and eight teachers of the day schools and other six internal staff;

- As the second stage of our improvement in addition to advices of the ICC, Publication Censorship Review Committee (the “PCRC”) was set up in November 2017 upon the PCC have operated in full force and capacity, the PCRC comprised one INED, one non-executive Director and one executive Director. The composition of the members leverages the relevant intelligence from the education sector and the listed company management. Its major functions include, among others, (a) setting our Group’s overall strategies over copyrights compliance; (b) assessing the adequacy of and adapting the internal control system to cater for the changing environment for the copyrights compliance; (c) ensuring our Group’s internal control function in respect of copyrights compliance to be adequately resourced; and (d) ensuring the effective functioning of our Group’s internal control and risk management systems in respect of copyrights compliance, including monitoring the effective functioning of the PCC. To carry out these functions, the PCRC is responsible for reviewing the work done by the PCC quarterly and discussing with the PCC members for any significant issues identified by the PCC from time to time. The PCRC will report directly to the audit committee of the Board;

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## BUSINESS

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- We have established a database which contains the most recent 16-year of the HKEAA's past examination papers for all the 14 course subjects we offered (the "**Past Examination Paper Database**"). The database facilitates the PCC in identifying the usage of the HKEAA's past examination papers in the course materials;
- We have subscribed for a plagiarism detection system which is currently used by certain tertiary education schools as set out in the service provider's official website. It is targeted to be used by the (a) tutors and their respective teaching assistants; and (b) the PCC to assess the plagiarism risk in the course materials; and
- In October 2017, our Group conducted several workshop trainings on intellectual property. All our Group's tutors, teachers in the day schools, teaching assistants being responsible for preparing teaching materials, executive Directors and senior management members were mandatorily required to join the trainings. The topics of the trainings cover, among others, (a) copyrights law in the education industry and the legal consequences for copyrights infringement or plagiarism; (b) our Group's internal copyright policy; and (c) the ethical expectations on the practitioners in the education industry and our Group's corporate culture. The guest speaker on the topic of copyrights law is a barrister-at-law whose areas of practice include civil disputes involving intellectual property. Similar internal training/seminar will be conducted from time to time in the future.

### **Our internal control measures to enhance our overall corporate governance**

- (i) Our Directors have attended training conducted by our Hong Kong Legal Advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors have confirmed that they are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) We have established effective lines of communication and provided a process by which our employees can identify and report potential non-compliance issues;
- (iii) We have appointed VMS as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and the Takeovers Code upon Listing;
- (iv) We have established an audit committee which comprises three Independent Non-executive Directors. The audit committee will adopt terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters; and

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## BUSINESS

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- (v) We have provided and will continue to provide our senior management and employees with policies, trainings and/or updates regarding the legal and regulatory requirements and market updates applicable to the business operations of our Group from time to time.

### *View of our Directors*

Taking into consideration that:

- the non-compliance incidents set out above in the paragraph headed “Non-compliances of our Group” were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
- since December 2014, we have enhanced our accounting and finance team and appointed a chief financial officer and company secretary with responsibility for compliance with corporate statutory requirements and all corporate records;
- we have established an audit committee comprising all of our Independent Non-executive Directors to oversee the accounting and financial reporting matters;
- we have appointed VMS as our compliance adviser upon Listing to advise us on regulatory compliance with the Listing Rules and the Takeovers Code; and
- our Group will engage external legal advisers for ensuring strict compliance with the relevant laws and regulations, and has also implemented the abovementioned internal control measures, including, among others, external training of our staff, to prevent recurrence of the non-compliance incidents,

our Directors confirm that the abovementioned internal control measures implemented are sufficient, and could effectively ensure a proper internal control system of our Group and prevent the recurrence of any non-compliance incidents set out above in the paragraph headed “Non-compliances of our Group”. Therefore the likelihood of recurring of similar non-compliance incidents is minimal.

Taking into consideration the advanced draft second internal control review report issued by the ICC stating that all were fully remediated save for those mentioned above, the ICC was of the view that the enhanced internal control measures adopted by our Group are adequate and effective and our Company’s internal control systems as at the Latest Practicable Date, the Sole Sponsor, to the best of its knowledge, information and beliefs, is of the view that our internal control measures as identified by the ICC are adequate and, subject to our continued compliance, effective.

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## CONNECTED TRANSACTIONS

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### CONNECTED TRANSACTIONS

As at the date of this prospectus, we have entered into one-off and continuing transactions with connected persons of our Company.

### CONNECTED PERSONS

Ms. June Leung, our chairman and executive Director is a connected person of our Group.

#### Jiangxi Dragonway Bliss

Ms. June Leung holds 70% equity interest while Mr. Yung Chui Shun, an Independent Third Party, holds the remaining 30% equity interest in Dragonway Bliss Holdings Limited (龍好控股有限公司) (“**Dragonway Bliss Holdings**”), which in turn holds the entire equity interest in Dragonway Bliss Limited (龍好有限公司), which in turn holds the entire equity interest in Jiangxi Dragonway Bliss. Jiangxi Dragonway Bliss is therefore an associate of Ms. June Leung and is a connected person of our Group. Both Dragonway Bliss Holdings and Dragonway Bliss Limited serve as holding companies of Jiangxi Dragonway Bliss indirectly and directly (where appropriate). Ms. June Leung has confirmed that since February 2016, Jiangxi Dragonway Bliss has been operating a kindergarten in Nanchang City, Jiangxi Province, the PRC (the “**Excluded Business**”).

The summary of the financial results of the Excluded Business for the two years ended 31 December 2017, based on the unaudited management accounts of the Excluded Business is as follows:

	Year ended	
	31 December	
	2016	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	871	1,778
Loss for the year	2,532	1,542

### EXEMPT CONNECTED TRANSACTION

As at the date of this prospectus, we have entered into the following transaction with Ms. June Leung, which constitutes a connected transaction of our Company pursuant to Rule 14A.23 of the Listing Rules.

#### Call Option Deed

Our Company and Ms. June Leung entered into the Call Option Deed dated 21 June 2018, pursuant to which Ms. June Leung granted to our Company, in consideration of HK\$1.0, an option (the “**Option**”) to purchase such number of shares in Dragonway Bliss Holdings as determined by our Company up to a maximum number of shares representing

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## CONNECTED TRANSACTIONS

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70% of the issued share capital of Dragonway Bliss Holdings from time to time or such number of shares in Dragonway Bliss Holdings, being all of its issued share capital then held by Ms. June Leung at the unit price equal to the then value of each option share as appraised by an independent valuer appointed by our Company.

The Option shall be valid from the date on which the Share Offer becomes unconditional as specified under the paragraph headed “Conditions of the Public Offer” under the section headed “Structure and conditions of the Share Offer” in this prospectus and shall expire after three years or until Ms. June Leung ceases to hold any shares or interests in the subject company (i.e. Dragonway Bliss Holdings) (whichever is earlier) (the “**Expiry Date**”).

Pursuant to the generally accepted accounting principles in the PRC, the exercise of the Option by our Company is conditional upon:

- (a) the annual turnover of Jiangxi Dragonway Bliss having achieved RMB5.0 million (equivalent to approximately HK\$6.0 million);
- (b) Jiangxi Dragonway Bliss recording an audited net profit after tax (“**Net Profit**”) for two consecutive years; and
- (c) Jiangxi Dragonway Bliss recording a growth in annual turnover and Net Profit of more than 10% for two consecutive years.

Although our Group has been granted the Option, the financial results of Jiangxi Dragonway Bliss will not be consolidated until all the above conditions were fulfilled and that our Company shall have purchased such number of shares of Dragonway Bliss Holdings upon exercising the Option, such that Dragonway Bliss Holdings shall become a subsidiary of our Company. As a result, the Call Option Deed has no significant impact on our Group’s financial results.

In addition, without prejudice to the rights of our Company under the Option, Ms. June Leung has undertaken to our Company that she will not proceed with any sale, transfer or disposal of the shares in Dragonway Bliss Holdings before the Expiry Date without our Company’s consent in writing. In the event of any proposed sale, transfer or disposal of the shares in Dragonway Bliss Holdings by Ms. June Leung to any other person, she will provide our Company with the written particulars of such intended sale, transfer or disposal (the “**Transfer Offer**”) and our Company shall have the right, exercisable within 10 business days following receipt of the particulars of the Transfer Offer, to purchase all or any part of the offered shares in Dragonway Bliss Holdings at a price and on terms as set forth in the Transfer Offer.

We entered into the Call Option Deed with Ms. June Leung instead of including the Excluded Business in our Group prior to the Listing, in order to mitigate the risks attached to the Excluded Business. As we have no prior experience in running education business in the PRC, in order to avoid any exposure to any potential risks of establishing such new business in a territory in which we have no previous track record, Ms. June Leung therefore made such investment in the Excluded Business in a personal capacity.

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## CONNECTED TRANSACTIONS

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As at the date of this prospectus, our Directors have not exercised and currently have no plan to exercise the Option. The Option will only be exercised in the best commercial interests of the independent Shareholders and will be determined by our Independent Non-executive Directors upon taking appropriate professional advice, and having considered, as a minimum, (i) our Company's management resources; (ii) the competitive strengths and business prospects of Jiangxi Dragonway Bliss; (iii) the then financial position of Jiangxi Dragonway Bliss; and (iv) compliance with the relevant Listing Rules. In the event that our Company shall exercise the Call Option Deed, the decision of our Independent Non-executive Directors for the exercise the Call Option Deed and the basis of such decision as well as the details for the transaction will be disclosed in an announcement and the annual report of our Company after the Listing.

The Excluded Business is not in competition with our Group's business. Given that the principal business activities of our Group are the provision of private supplementary secondary school education services and operation of private secondary day school in Hong Kong, and the principal activity of Jiangxi Dragonway Bliss, being a kindergarten in the PRC, is notably distinct from our Group's principal business in both education type, level and territory. As the kindergarten in the PRC is different in nature to our Group's supplementary pre-school and primary school education services in Hong Kong and given the different educational systems in Hong Kong and the PRC, the Excluded Business is not in competition and does not expect to compete with our Group's business.

### EXEMPT CONTINUING CONNECTED TRANSACTION

As at the date of this prospectus, we have entered into the following connected transaction with the following connected person of our Company. The transaction will continue after the Listing, thereby constituting the continuing connected transaction of our Company pursuant to Rule 14A.31 of the Listing Rules.

#### Trademark Licence Agreement

Beacon Holdings and Jiangxi Dragonway Bliss entered into a trademark licence agreement on 21 June 2018 (the "**Trademark Licence Agreement**"), pursuant to which Beacon Holdings agreed to licence, on a non-exclusive basis, to Jiangxi Dragonway Bliss the right to use certain trademarks of Beacon Holdings (the "**Licensed Trademarks**") in the PRC (the "**Licensed Territory**") for a licence fee per annum equal to 2% of the annual turnover of Jiangxi Dragonway Bliss and for a licenced period of three years commencing from the Listing Date (the "**Licensed Period**").

Jiangxi Dragonway Bliss has used our Group's trade name, namely "遵理" which was registered as a trademark in the PRC in June 2016, in the name of the kindergarten (南昌市紅谷灘新區遵理幼兒園) it operated since February 2016.

Jiangxi Dragonway Bliss has undertaken to Beacon Holdings that, among others:-

- (1) it will not make or authorise any direct or indirect use of the Licensed Trademarks in any area outside the Licensed Territory;

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## CONNECTED TRANSACTIONS

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- (2) it shall not alter the word, device or their combination of the Licenced Trademarks, and shall use the Licenced Trademarks only in respect of the goods and/or services covered by the Licenced Trademarks. It shall prepare representations of the Licenced Trademarks by itself;
- (3) the name of Jiangxi Dragonway Bliss and the origin of goods shall be indicated on the goods or packages thereof bearing the Licenced Trademarks and it shall indicate the licensing of the Licenced Trademarks at the use of the Licenced Trademarks on any advertisements or promotional material;
- (4) it will not perform, or omit to do or perform, any act that may have adverse effect on the reputation and goodwill of the Licenced Trademarks;
- (5) the quality of the goods and/or services it offers will meet the requirements of Beacon Holdings, and Jiangxi Dragonway Bliss accepts the inspections by Beacon Holdings from time to time in relation to the quality of its goods and/or services;
- (6) it shall not do or fail to do any act or thing whereby the validity, registration status, enforceability or Beacon Holdings' ownership of the Licenced Trademarks or any of them, or the reputation or goodwill associated with the Licenced Trademarks anywhere in the Licenced Territory, is likely to be void or prejudiced; and
- (7) it shall assume full responsibility for the products and/or services rendered by it in association with which any of the Licenced Trademarks is used by it.

The Trademark Licence Agreement shall terminate automatically upon the expiry of the Licenced Period.

### **Historical transaction amounts**

During the Track Record Period, the amount in respect of the licence fee payable to our Group was approximately RMB38,000 (HK\$45,000) and RMB4,000 (HK\$5,000) respectively (for the year ended 31 July 2017 and for the five months ended 31 December 2017).

### **Annual caps**

Our Directors expect that the maximum annual licence fee payable by Jiangxi Dragonway Bliss to Beacon Holdings for the years ending 31 July 2019, 2020 and 2021 will be RMB70,000, RMB85,000 and RMB100,000 respectively.

In determining the above annual caps, our Directors have considered (i) the valuation of the rate of licence fees by an independent valuer; and (ii) the estimated annual turnover of Jiangxi Dragonway Bliss in the next three years.

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## **CONNECTED TRANSACTIONS**

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### **Applicable Listing Rules**

As each of the applicable percentage ratios, on an annual basis, is less than 5% and the annual consideration is less than HK\$3,000,000, pursuant to Rule 14A.76(1) of the Listing Rules, the Trademark Licence Agreement is fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors consider that it is in the interests of our Company to continue with the above transactions after the Listing. They also consider that the connected transaction and continuing connected transaction as set out above are in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any transaction which will constitute a continuing connected transaction of our Company under the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW

#### BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three Independent Non-executive Directors. Our executive Directors and non-executive Director are appointed for a term not exceeding three years and our Independent Non-executive Directors are appointed for an initial period of three years. One-third of our Directors will be subject to re-election at each annual general meeting and every Director must be subject to re-election at an annual general meeting at least once every three years.

The following table sets out certain information in respect of the members of our Board:

Name	Age	Position	Year of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with Directors and other senior management
Ms. LEUNG Ho Ki, June (梁賀琪)	52	Executive Director, chairman	1989	15 April 2015	Overall management of our business and operations as well as strategic planning and development	Spouse of Mr. Tam Wai Lung and aunt of Mr. Li Man Wai
Mr. TAM Wai Lung (談惠龍)	53	Executive Director, chief executive officer	1996	15 April 2015	Overall operations, finances and administration of our education services as well as strategic planning and development of our Group	Spouse of Ms. Leung Ho Ki, June and uncle of Mr. Li Man Wai
Mr. CHAN Tsz Ying, Wister (陳子瑛)	57	Executive Director, head principal of day school	1990	9 September 2015	Responsible for day-to-day operation of our private secondary day school operations	N/A
Mr. LI Man Wai (李文偉)	45	Executive Director, deputy chief executive officer	1989	9 September 2015	Responsible for marketing as well as tutorial and course management	Nephew of Mr. Tam Wai Lung and Ms. Leung Ho Ki, June
Dr. SHEN Xu Hui (沈旭暉)	39	Non-executive Director	2017	18 September 2017	Providing strategic advice on the operations, management and internal control measures of our Group	N/A
Mr. KWAN Chi Hong (關志康)	45	Independent Non-executive Director	2017	17 November 2017	Performing his duties as a Director of the Board; providing independent advice to our Group	N/A
Mr. LI Kai Sing (李啟承)	56	Independent Non-executive Director	2018	21 June 2018	Performing his duties as a Director of the Board; providing independent advice to our Group	N/A
Professor WONG Roderick Sue Cheun (王世全)	73	Independent Non-executive Director	2018	21 June 2018	Performing his duties as a Director of the Board; providing independent advice to our Group	N/A

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Ms. LEUNG Ho Ki, June** (梁賀琪), aged 52, is a co-founder of our Group, the chairman of our Company and was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Ms. June Leung is also a director of Beacon Group, JR (TM) Limited and JR (YL) Limited. During her 29 years with our Group, she has been responsible for the overall management of our private supplementary education services as well as strategic planning and development of our Group. Ms. June Leung performs a leadership role in monitoring and evaluating our business, strategic planning and major decision making for our Group. In particular, she has developed our Group's overall business model and product portfolio as well as formulated our advertising and marketing strategy. Prior to assuming her role as chairman, Ms. June Leung held the position of a teacher and a manager of our Group. Ms. June Leung graduated from The University of Hong Kong with a degree in Bachelor of Arts (Honours) in December 1989 and obtained a Doctorate of Business Administration from the European University in May 2011 through distance learning. She was registered as a teacher under the Education Ordinance section 45(1) in February 1999. Ms. June Leung is the spouse of Mr. Tam, sister of Ms. Irene Leung, cousin of Mr. Ng and aunt of Mr. Li.

Ms. June Leung was a guest speaker at the Harvard China Education Symposium 2015, held in the USA in May 2015 and was awarded "Golden Bauhinia Women Entrepreneur Award 2017", which was conferred by the Golden Bauhinia Women Entrepreneur Association for recognising her outstanding business achievements and entrepreneurship, in November 2017.

**Mr. TAM Wai Lung** (談惠龍), aged 53, the chief executive officer of our Company was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Mr. Tam is also a director of 14 subsidiaries of our Group. Throughout the past 20 years, Mr. Tam has focused on private supplementary tutorial services, executive management and the strategic development of our Group. During his 22 years of service in our Group, he has been responsible for the overall operations, finances and administration of our education services as well as strategic planning and development of our Group. Mr. Tam matriculated with HK A-levels in 1986. Prior to joining our Group, Mr. Tam was employed by Wardley Thomson Limited and Wardley Financial Services Limited, where he worked as trading assistant, dealer, assistant vice president and vice president, between April 1987 and August 1996. Mr. Tam is the spouse of Ms. June Leung, the brother-in-law of Ms. Irene Leung and Mr. Ng, and uncle of Mr. Li.

Mr. Tam was a director of Beacon Education Funds Limited, an inactive company, which was incorporated in Hong Kong, prior to its dissolution on 24 December 2014. The company was dissolved by way of deregistration under section 751(3) of the Companies Ordinance because it ceased to carry on any business or operation. Mr. Tam confirmed that the company was solvent at the time of it being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. CHAN Tsz Ying, Wister** (陳子瑛), aged 57, is the head principal of day school for our Group and was appointed as a Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Chan is also a director of Beacon College. Mr. Chan has been a teacher for over 30 years and is focused primarily on secondary day school education services. During his 28 years with our Group, he has been responsible for the establishment and management of our private secondary day school operations. Prior to his role as head principal of our private secondary day school, Mr. Chan held the position of a teacher at Wellwisher Foundation Primary School from 1986 to 1987 and at A.D. & F.D. of Pok Oi Hospital Mrs. Cheng Yam On Primary School from 1987 to 1990. Mr. Chan was awarded a Teachers Certificate from the Northcote College of Education (now known as The Education University of Hong Kong) in July 1986 and graduated from University of Wolverhampton, the United Kingdom with a Bachelor of Education in June 1997. Mr. Chan was registered as a teacher under the Education Ordinance section 45(1) in November 1986.

Mr. Chan was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reason for dissolution
Beacon Cyber Development Fund Limited	23 February 2001	N/A	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Never commenced business or operation
Link Jade Limited	4 March 2005	Provision of services	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
International Business Development Group Limited	15 July 2005	N/A	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Never commenced business or operation
Own Design Workshop Limited	18 August 2006	Retailing	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

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## DIRECTORS AND SENIOR MANAGEMENT

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Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reason for dissolution
Beacon Education Funds Limited	24 December 2014	N/A	Deregistration pursuant to section 751(3) of the Companies Ordinance	Never commenced business or operation

Mr. Chan confirmed that the aforementioned companies were solvent at the time of them being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that his involvement in the aforementioned companies was part and parcel of his services as directors of these companies and that no misconduct or misfeasance has been involved in the dissolutions of these companies.

**Mr. LI Man Wai** (李文偉), aged 45, is our deputy chief executive officer and was appointed as an Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Li is also a director of 29 subsidiaries of our Group. He has, since the establishment of our Group, acquired experience in the education business, focusing on operation, administration and marketing tutorial services and secondary school education services. Mr. Li joined our Group in 1989 and was appointed as deputy chief executive officer of our Group in 2000. During his 29 years with our Group, he has been responsible for the marketing of our Group's education services, as well as tutorial and course management and leasing arrangements. Mr. Li was awarded a Bachelor of Science in Business Administration in April 2008 from Bulacan State University, the Philippines. He has been a member of the Chartered Institute of Management since February 2011 and the Chartered Institute of Marketing since October 2013. Mr. Li is a nephew of Mr. Tam and Ms. June Leung.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Li was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reason for dissolution
JR Beacon Limited	15 January 2016	N/A	Deregistration pursuant to section 751 of the Companies Ordinance	Never commenced business or operation
Beacon Kids Club Limited	30 December 2016	N/A	Deregistration pursuant to section 751 of the Companies Ordinance	Never commenced business or operation
Joinway Consultant Limited	30 December 2016	Operation of education centre in Taipo	Deregistration pursuant to section 751 of the Companies Ordinance	Ceased to carry out business
JR (MOS) Limited	30 December 2016	Operation of education centre in Ma On Shan	Deregistration pursuant to section 751 of the Companies Ordinance	Ceased to carry out business
JR (WC) Limited	17 February 2017	Operation of education centre	Deregistration pursuant to section 751 of the Companies Ordinance	Ceased to carry out business
Beacon Sports Association Limited	13 April 2017	N/A	Deregistration pursuant to section 751 of the Companies Ordinance	Never commenced business or operation

Mr. Li confirmed that the aforementioned companies were solvent at the time of them being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that his involvement in the aforementioned companies was part and parcel of his services as directors of these companies and that no misconduct or misfeasance has been involved in the dissolutions of these companies.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. SHEN Xu Hui** (沈旭暉), aged 39, was appointed as a Director on 18 September 2017 and designated as a non-executive Director on 21 June 2018. Dr. Shen is also a director of Glocal Development Group Limited, Glocal Research and Development Company Limited and Glocal Education Services Limited. Dr. Shen obtained a degree of Bachelor of Arts in Political Science and History and a degree of Master of Arts in Political Science from Yale University in the United States both in December 2000 and a degree of Doctor of Philosophy from University of Oxford in the United Kingdom in September 2006.

From August 2009 to June 2012, Dr. Shen served as the associate professor of the Department of Social Sciences and the Faculty of Arts and Sciences of Hong Kong Institute of Education (now known as The Education University of Hong Kong). He has been appointed as the associate professor of Faculty of Social Science of The Chinese University of Hong Kong since July 2012.

Dr. Shen used to be an appointed member of various public committees of Hong Kong government, e.g. the Quality Education Fund Steering Committee of Education Bureau, the Programme Advisory Panel of Radio Television Hong Kong, the Hong Kong Committee for Pacific Economic Corporation of Commerce and Economic Development Bureau and the History Museum Consultation Committee. He is also the editorial board member or commentator of journals, newspapers and other media.

Dr. Shen was a director of Roundtable Catering Limited, which was incorporated in Hong Kong, prior to its dissolution on 3 October 2008. The company was dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because it ceased to carry out business. Dr. Shen confirmed that the company was solvent at the time of it being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

### **Independent Non-Executive Directors**

**Mr. KWAN Chi Hong** (關志康), aged 45, was appointed as an Independent Non-executive Director on 17 November 2017. Mr. Kwan has over 10 years of managerial experience in the public sector, from February 1995 to December 2007, including working as an executive officer in various government departments including Registration and Electoral Office, Urban Services Department, Home Affairs Department, Hong Kong Police Force and Chief Secretary for Administration's Office Government Secretariat. Mr. Kwan was a part-time teacher of certain bachelor/diploma courses in Chinese Medicine conducted by HKU School of Professional and Continuing Education from 2013 to 2016. Mr. Kwan was awarded the Young Entrepreneur of the Year 2012 from the Hong Kong Business Awards hosted by DHL Express and South China Morning Post and the EY Entrepreneur of the Year 2013 China – Emerging Entrepreneur hosted by EY.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Kwan obtained a bachelor's degree in Economics and a master's degree in Economics from The University of Hong Kong in January 1995 and December 2005 respectively. Mr. Kwan has completed a programme in Executive MBA and obtained a master's degree in Business Administration from The Chinese University of Hong Kong in December 2007. Mr. Kwan is currently the chairman of the board of directors of Bamboos Health Care Holdings Limited (stock code: 2293), whose shares are listed on the Main Board of the Stock Exchange, and an independent non-executive director of China Brilliant Global Limited (previously known as Prosten Health Holdings Limited) (stock code: 8026) and Stream Ideas Group Limited (stock code: 8041), whose shares are listed on the GEM of the Stock Exchange.

**Mr. LI Kai Sing** (李啟承), aged 56, was appointed as an Independent Non-executive Director on 21 June 2018. He is currently an executive director of Focus Films Limited and has working experience in various fields including accounting, film and entertainment business. From July 1985 to January 1989, he worked at Coopers & Lybrand, an accounting firm, with the last position held as a Supervisor II. From January 1989 to June 1992, he then worked at Management Investment & Technology Company Limited with the last position held as a senior accounting manager where he was responsible for planning and managing the daily accounting and financial operation of the company. From July 1992 to December 1993, he was the vice-president, finance of Leading Spirit (Holdings) Company Limited. From August 2000 to September 2003, he was the chief financial officer of Team Work Corporation Limited and was responsible for developing and implementing the strategic plans and monitoring the internal control system of the company.

Mr. Li is currently an independent non-executive director of In Technical Productions Holdings Limited (stock code: 8446), whose shares are listed on the GEM of the Stock Exchange. He was the financial controller of China Star Entertainment Limited (stock code: 326), whose shares are listed on the Main Board of the Stock Exchange, between June 1999 and July 2000.

Mr. Li Kai Sing has been a member of the Hong Kong Institute of Certified Public Accountants since 1988, an associate of the Chartered Association of Certified Accountants in 1988 and a member of the Institute of Financial Planners of Hong Kong since 2004. Mr. Li Kai Sing graduated from The Chinese University of Hong Kong in 1985 with a bachelor degree of social science and from The Hong Kong University of Science and Technology with an executive master degree of business administration in 2007.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Li was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reason for dissolution
Gold Wheat Limited	13 July 2001	Investment holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Mega Winner Investment Limited	13 July 2001	Investment holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Sino Fantasy Limited	4 March 2005	Investment holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Tripower Limited	28 April 2006	Investment holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Donciel Limited	26 March 2010	Property Investment	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Continental Coffee Co. Limited	21 August 2015	Coffee beans and machine trading	Deregistration pursuant to section 751 of the Companies Ordinance	Ceased to carry out business

Mr. Li Kai Sing confirmed that the aforementioned companies were solvent at the time of them being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the aforementioned companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolution of these companies.

**Professor WONG Roderick Sue Cheun** (王世全), aged 73, was appointed as an Independent Non-executive Director on 21 June 2018. Professor Wong obtained a degree of Bachelor of Arts from San Diego State College (now known as San Diego State University) in the United States in November 1965 and a degree of Doctor of Philosophy in mathematics from the University of Alberta in Canada in November 1969.

Professor Wong is currently a special advisor to the president of Southern University of Science and Technology of China (南方科技大學) (formerly known as South University of Science and Technology of China) in the PRC and Chair Professor of Mathematics at City University of Hong Kong. He is a fellow of the Royal Society of Canada and Chevalier dans l'Ordre National de la Légion d'Honneur of France, and a member of the European Academy of Sciences. Also, he is the director of the Liu Bie Ju Centre for Mathematical Sciences at City University of Hong Kong.

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## DIRECTORS AND SENIOR MANAGEMENT

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Professor Wong currently holds the following positions in companies listed on the Main Board of the Stock Exchange:

<b>Company</b>	<b>Stock code</b>	<b>Position</b>	<b>Appointment date</b>
Sam Woo Construction Group Limited	3822	Independent non-executive director	15 September 2014
G&M Holdings Limited	6038	Independent non-executive director	12 May 2017

Professor Wong was a director of Executive Limited, which was incorporated in Hong Kong, prior to its dissolution on 8 June 2012. The company was dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because it never commenced business or operation. Professor Wong confirmed that the company was solvent at the time of it being dissolved by deregistration and there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the paragraph headed “C. Further information about our Director and Substantial Shareholders – 1. Directors – (a) Interests of our Directors and the chief executive of our Company” in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Directors has confirmed that he/she does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us which is discloseable under Rule 8.10 of the Listing Rules. Save as disclosed herein, to the best knowledge, information and beliefs of our Directors having made all reasonable enquiries, there was no matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

Please refer to the section headed “C. Further information about our Directors and Substantial Shareholders” in Appendix IV to this prospectus for further information on our Directors’ service agreements and letters of appointment.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

The following table sets out certain information in respect of the members of our senior management:

Name	Age	Position	Year of joining our Group	Date of first becoming a member of the senior management	Responsibilities	Relationship with Directors and other senior management
Mr. CHOI Shing Wai (蔡誠偉)	36	Deputy chief executive officer, chief financial officer and company secretary	2014	16 December 2014	Overall operations, financial management of our Group as well as overseeing accounting, company secretarial and internal control matters	N/A
Mr. TAM Lin Bong (譚練邦)	39	Deputy chief operating officer	2002	7 June 2013	Human resources management, recruitment and employment policies, internal control matters and external liaison	N/A
Mr. NG Wai Lun (吳偉倫)	30	Deputy chief operating officer	2010	19 July 2013	Course management, overseeing marketing and design plans and public relations	N/A

**Ms. LEUNG Ho Ki, June (梁賀琪)** is an executive Director and the chairman of our Company. For details about Ms. June Leung’s background, please see the paragraph headed “Executive Directors” under this section.

**Mr. TAM Wai Lung (談惠龍)** is an executive Director and the chief executive officer of our Company. For details about Mr. Tam’s background, please see the paragraph headed “Executive Directors” under this section.

**Mr. CHAN Tsz Ying, Wister (陳子瑛)** is an executive Director of our Company. For details about Mr. Chan’s background, please see the paragraph headed “Executive Directors” under this section.

**Mr. LI Man Wai (李文偉)** is an executive Director of our Company. For details about Mr. Li’s background, please see the paragraph headed “Executive Directors” under this section.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. CHOI Shing Wai** (蔡誠偉), aged 36, is the deputy chief executive officer, the chief financial officer and company secretary of our Group. Mr. Choi joined our Company in December 2014 and is primarily responsible for the overall operations, financial management of our Group as well as strategic planning, overseeing accounting, company secretarial and internal control matters of our Group. Mr. Choi has over 13 years of experience in professional accounting and auditing practice. Prior to joining our Group, Mr. Choi worked as an assistant, later as a semi-senior, in the assurance division of Grant Thornton, a certified public accountants firm, from September 2004 to November 2006. Mr. Choi then worked as a senior associate and was promoted to manager of the assurance division of PricewaterhouseCoopers in October 2009. Mr. Choi was then transferred to the Capital Market Accounting Advisory Service Group of PricewaterhouseCoopers in December 2011 and was later promoted to senior manager in October 2012 and up to his joining our Group in December 2014.

Mr. Choi obtained a degree of Bachelor of Business Administration (Honours) in Accountancy and Management Information Systems from City University of Hong Kong in November 2004. Mr. Choi has become an associate member of Hong Kong Institute of Certified Public Accountants since April 2008.

Mr. Choi did not hold directorships in any listed companies in the last three years.

**Mr. TAM Lin Bong** (譚練邦), aged 39, is the deputy chief operating officer of our Group and is responsible for human resources management, recruitment and employment policies, internal control matters and external liaison of our Group. Mr. Tam Lin Bong joined our Group as a teaching assistant in September 2002 and became the human resources manager of Beacon College in April 2012. Mr. Tam Lin Bong was appointed as the deputy chief operating officer of our Group in June 2013. Prior to joining our Group, Mr. Tam Lin Bong worked as a teaching assistant in Kwun Tong Government Secondary School (觀塘官立中學) from February 2002 to July 2002.

Mr. Tam Lin Bong obtained a degree of Bachelor of Business Administration (Honours) from Hong Kong Baptist University in December 2001 and graduated with a Master of Business Administration degree with distinction from University of Iowa, the United States in August 2015. Mr. Tam Lin Bong also obtained a diploma in teaching English as a second language from the School of Continuing Studies of The Chinese University of Hong Kong in January 2005. Mr. Tam Lin Bong was awarded the Certificate in Employment Ordinance by the Hong Kong Management Association in April 2013. Mr. Tam Lin Bong has also completed several training workshops organised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications in 2014.

Mr. Tam Lin Bong did not hold directorships in any listed companies in the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. NG Wai Lun** (吳偉倫), aged 30, is the deputy chief operating officer of our Group and is responsible for course management, overseeing marketing and design plans and public relations of our Group. Mr. Ng Wai Lun joined our Group in June 2010 as the administration assistant of Beacon College. Mr. Ng Wai Lun was appointed as the deputy chief operating officer of our Group in July 2013. Mr. Ng Wai Lun obtained a degree of Bachelor of Social Science from Chinese University of Hong Kong in December 2010.

Mr. Ng Wai Lun did not hold directorships in any listed companies in the last three years.

### COMPANY SECRETARY

Mr. Choi Shing Wai, aged 36, was appointed as our company secretary with effect from 9 September 2015. Further information on Mr. Choi is set forth in the paragraph headed “Senior management” above.

### BOARD COMMITTEES

#### **Audit committee**

We have established an audit committee of the Board with effect from the Listing Date with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code Provisions under paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee include, amongst other things, (i) to propose the appointment or removal of the external auditors and to review and monitor the effectiveness of the audit process; (ii) to discuss with the external auditor the nature and scope of the audit work prior to commencement of the audit work; (iii) to review our Group’s financial and accounting policies and procedures; (iv) where an internal audit function exists, to ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within our Company, and to review and monitor its effectiveness; (v) to review our Company’s financial information and disclosure thereof, and to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; (vi) to review and supervise our Company’s financial controls, internal control and risk management systems and their implementation; and (vii) to review the arrangements for employees to raise concerns about possible financial reporting improprieties. The audit committee consists of Professor Wong Roderick Sue Cheun, Mr. Kwan Chi Hong and Mr. Li Kai Sing, all of whom are Independent Non-executive Directors. The chairman of the audit committee is Mr. Li Kai Sing who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

#### **Remuneration committee**

We have established a remuneration committee of the Board with effect from the Listing Date with written terms of reference in compliance with the Code Provisions under paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee include, amongst other things, (i) to make recommendations to our Board on our Company’s policy and structure for all

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## DIRECTORS AND SENIOR MANAGEMENT

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Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve our management's remuneration proposals with reference to our Board's corporate goals and objectives; (iii) to consider and make recommendations to our Board, on the remuneration packages and overall benefits paid to our Directors and senior management; (iv) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment; and (v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct. The remuneration committee consists of two executive Directors and three Independent Non-executive Directors: Mr. Tam, Mr. Li, Professor Wong Roderick Sue Cheun, Mr. Kwan Chi Hong and Mr. Li Kai Sing. The chairman of the remuneration committee is Mr. Kwan Chi Hong.

### **Nomination Committee**

We have established a nomination committee of the Board with effect from the Listing Date with written terms of reference in compliance with the Code Provisions under paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee include, amongst other things, (i) to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendations on any proposed changes to our Board to complement our Company's corporate strategy; (ii) to identify individuals suitably qualified to become members of our Board and select or make recommendations to our Board on the selection of individuals nominated for directorships; (iii) to assess the independence of Independent Non-executive Directors; (iv) to consider and make recommendations to our Board regarding the appointment, reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and (v) to formulate a policy concerning diversity of board members. The nomination committee consists of two executive Directors and three Independent Non-executive Directors: Ms. June Leung, Mr. Tam, Mr. Kwan Chi Hong, Mr. Li Kai Sing and Professor Wong Roderick Sue Cheun. The chairman of the nomination committee is Ms. June Leung.

### **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our Group's operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

During the Track Record Period, the aggregate amount of remuneration paid to our Directors, including salaries, contributions to defined contribution benefit plans (including pensions), housing allowances and discretionary bonuses was approximately HK\$6.3 million, HK\$6.4 million, HK\$6.3 million and HK\$2.7 million, respectively. Directors' remuneration is determined with reference to salaries paid by comparable companies and the experience, responsibilities and performance of the relevant Director.

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## DIRECTORS AND SENIOR MANAGEMENT

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We did not pay our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office during the Track Record Period. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been made or are payable by our Company or any of our subsidiaries to our Directors in respect of the services rendered during the Track Record Period.

Particulars of the service agreements and appointment letters are set out in the section headed “C. Further information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus.

### COMPLIANCE ADVISER

Our Company has appointed VMS as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder. VMS will, inter alia, advise our Company with due care and skill when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement (as required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus;
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;
- if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in the foregoing paragraphs above; and
- assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the compliance adviser forms an opinion that the new appointees’ understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

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## SHARE CAPITAL

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### Authorised Share Capital

	<i>HK\$</i>
10,000,000,000 Shares	100,000,000

Without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate granted to our Directors as described below, the share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

	<i>HK\$</i>
10 Shares in issue as at the date of this prospectus	0.10
374,999,990 Shares to be issued pursuant to the Capitalisation Issue	3,749,999.90
<u>125,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,250,000</u>
<u><u>500,000,000</u></u> Total	<u><u>5,000,000</u></u>

According to Rule 8.08 of the Listing Rules, at the time of the listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital in the hands of the public.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Conditions of the Public Offer” in the section headed “Structure and conditions of the Share Offer” of this prospectus being satisfied, our Directors have been granted a general unconditional mandate to allot Shares and to make or grant offers, agreements and options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than among others, pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be and allotted issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes); and

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## SHARE CAPITAL

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- (b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or the options which may be granted under the Share Option Schemes. This general mandate to issue Shares will remain in effect until, whichever is the earliest:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the date by which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws to be held; or
- (c) the date on which such mandate is resolved, varied or renewed by our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 3. Written resolutions of the Sole Shareholder passed on 21 June 2018” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Conditional on conditions as stated in the paragraph headed “Conditions of the Public Offer” in the section headed “Structure and conditions of the Share Offer” of this prospectus being satisfied, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be and allotted issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company – 6. Repurchases of our own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until, whichever is the earliest:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the date by which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws to be held; or

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## SHARE CAPITAL

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- (c) the date on which such mandate is resolved, varied or renewed by our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 3. Written resolutions of the Sole Shareholder passed on 21 June 2018” in Appendix IV to this prospectus.

### SHARE OPTION SCHEMES

Our Group adopted the Pre-IPO Share Option Scheme on 21 June 2018, the purpose of which is to incentivise and reward eligible participants by reason of their contribution or potential contribution to our Company and/or any of our subsidiaries. As at the date of this prospectus, our Company had granted options to subscribe for up to a total of 5.0% of the issued share capital of our Company immediately after the Share Offer and Capitalisation Issue and assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Schemes to a service company, namely Max Wisdom Development Limited, whose ultimate beneficial owner is Mr. Lam Yat Yan, who is a tutor of our Group. No grantee under the Pre-IPO Share Option Scheme is a Director, a member of the senior management of our Group or a connected person of our Company. The exercise price for each Share under the Pre-IPO Share Options is 50% of the Offer Price. The vesting dates of the Pre-IPO Share Options range from one to three years from the Grant Date (being 27 June 2018). The exercise of the Pre-IPO Share Options would have a dilutive effect on the earnings per Share. For the two years ended 31 July 2016 and 2017, the total expenses recognised by the Group for the Pre-IPO Share Options were HK\$0.5 million and HK\$2.2 million, respectively. Details of the principal terms of the Pre-IPO Share Option Scheme are summarised in the paragraph headed “D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

Our Group has conditionally adopted the Post-IPO Share Option Scheme. Details of the principal terms of the Post-IPO Share Option Scheme are summarised in the paragraph headed “E. Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

Save for the aforesaid share options granted under the Pre-IPO Share Option Scheme, our Group does not have any outstanding share options, warrants, convertible debt securities or other convertible instruments, or similar rights convertible into Shares as at the Latest Practicable Date.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

The substantial Shareholders of our Company are Beacon Enterprise, Ms. June Leung, Mr. Tam, Ms. Irene Leung and Mr. Ng. Immediately after completion of the Share Offer and the Capitalisation Issue, the above substantial Shareholders will indirectly control the exercise of voting rights of 75% of the Shares eligible to vote in a general meeting of our Company (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes).

So far as our Directors are aware, immediately after completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes), the following persons will have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### Long Positions in Shares of our Company

Name of interested party	Capacity/Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Capitalisation Issue and the Share Offer	
		Number of Shares held	Approximate percentage of shareholding in our Company	Number of Shares held	Approximate percentage of shareholding in our Company
Beacon Enterprise (Note 1)	Beneficial owner	10	100%	375,000,000	75%
Ms. June Leung (Note 1)	Interests held jointly with another person; interest in controlled corporation	10	100%	375,000,000	75%
Mr. Tam (Note 1)	Interests held jointly with another person; interest in controlled corporation	10	100%	375,000,000	75%
Ms. Irene Leung (Note 1)	Interests held jointly with another person; interest in controlled corporation	10	100%	375,000,000	75%
Mr. Ng (Note 1)	Interests held jointly with another person; interest in controlled corporation	10	100%	375,000,000	75%
Max Wisdom Development Limited (Note 2)	Beneficial owner	0	0%	25,000,000	5%
Mr. Lam Yat Yan (Note 2)	Interest in controlled corporation	0	0%	25,000,000	5%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. Our Company will be held as to approximately 75% by Beacon Enterprise immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes). Beacon Enterprise is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li. Pursuant to the Deed of Acting in Concert, each of our Core Shareholders has agreed to jointly control their respective interests in our Company and decisions as to the corporate matters relating to the financials and operations of our Group shall be in accordance with the unanimous consent of all our Core Shareholders. Each of our Core Shareholders shall exercise their respective voting rights in our Company in the same way. Hence, each of our Core Shareholders is deemed to be interested in all the Shares held by our Core Shareholders in aggregate by virtue of the SFO.
  
2. The said 25,000,000 Shares represent the number of Shares to be issued upon exercise in full of all the options granted under the Pre-IPO Share Option Scheme which represent 5% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue (assuming the options granted under the Share Option Schemes are not exercised). The ultimate beneficial owner of Max Wisdom Development Limited (“Max Wisdom”) is Mr. Lam Yat Yan (“Mr. Lam”) who is a tutor of our Group. Hence, Mr. Lam is deemed to be interested in all the Shares which may be issued upon the exercise of the Pre-IPO Share Options and held by Max Wisdom by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Share Offer, the following persons are directly or indirectly in 10% or more of the issued voting shares of any class of our subsidiaries:

Name of our subsidiary	Name of interested party	Capacity/Nature of interest	Approximate percentage of shareholding
Ascent Prep International Education Limited	Edutopia Limited <i>(Note 1)</i>	Beneficial owner	49%
	Britannia Study Link (Asia) Limited <i>(Note 1)</i>	Interests in controlled corporation	49%
	Chan Sze Ming Samuel <i>(Note 1)</i>	Interests in controlled corporation	49%
BEE-2-BEE Limited	Graceful Hands Learning Center Limited <i>(Note 2)</i>	Beneficial owner	30%
	Kwok Tsui Ping Heide <i>(Note 2)</i>	Interests in controlled corporation	30%
Glocal Development Group Limited	Dr. Shen Xu Hui <i>(Note 3)</i>	Beneficial owner	30%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. Edutopia Limited is wholly-owned by Britannia Study Link (Asia) Limited which is owned as to approximately 70.3% by Chan Sze Ming Samuel. Hence, Chan Sze Ming Samuel and Britannia Study Link (Asia) Limited are deemed to be interested in the shares held by Edutopia Limited by virtue of the SFO.
2. Graceful Hands Learning Center Limited is owned as to 90% by Kwok Tsui Ping Heide. As such, Kwok Tsui Ping Heide is deemed to be interested in the shares held by Graceful Hands Learning Center Limited.
3. Dr. Shen Xu Hui is our non-executive Director.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that have been or may be granted under the Share Option Schemes), have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any class of our subsidiaries.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders of our Company are Beacon Enterprise, Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Li and Mr. Chan. Immediately after completion of the Share Offer and Capitalisation Issue, Ms. June Leung, Mr. Tam, Ms. Irene Leung and Mr. Ng will, pursuant to the Deed of Acting in Concert, indirectly through Beacon Enterprise, control the exercise of voting rights of 75.0% of the Shares eligible to vote in a general meeting of our Company. In addition, on the basis that Mr. Li and Mr. Chan together with our Core Shareholders hold their respective interest in our Company through a common investment holding company, namely, Beacon Enterprise, Mr. Li and Mr. Chan together with our Core Shareholders and Beacon Enterprise are regarded as a group of Controlling Shareholders of our Company.

For the purpose of the Listing Rules, Beacon Enterprise, Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Li and Mr. Chan are our Controlling Shareholders.

Our Core Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of our business history and will continue to be parties acting in concert until such arrangement is terminated pursuant to the Deed of Acting in Concert. For details, please refer to the section headed “History, development and corporate structure – Shareholding and corporate structure – (2) Acting in concert confirmation” in this prospectus.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Board is satisfied, on the basis of the following matters, that our Company can operate independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

#### **Management independence and operational independence**

Our Board consists of eight Directors, four of whom are executive Directors, one of whom is a non-executive Director and the remaining three are Independent Non-executive Directors. All of our executive Directors, Ms. June Leung, Mr. Tam, Mr. Li and Mr. Chan make up our Controlling Shareholders. Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries and/or authorised persons) holds all relevant licences and/or registrations necessary to carry on its businesses in all material respects, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to carry out our business decisions independently. Our three Independent Non-executive Directors will also bring independent judgment to the decision-making process of our Board.

### **Administrative independence**

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, invoicing and billing, human resources and information technology.

### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs. We believe we are capable of obtaining financing from Independent Third Parties, if necessary without reliance on our Controlling Shareholders. Therefore, we are financially independent from our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders after Listing.

## **CORPORATE GOVERNANCE MEASURES**

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of our Shareholders, including:

- our INEDs will review, on an annual basis, the compliance with the undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders have undertaken to provide all information requested by our Company for the annual review by our INEDs and the enforcement of the Deed of Non-competition;
- our Controlling Shareholders have undertaken to allow, subject to confidentiality restrictions imposed by any third party, the representatives, the auditors and (if necessary) the compliance adviser of our Company to have access to his/its business, financial and/or corporate records as may be necessary for the INEDs with regard to the compliance with the terms of the Deed of Non-competition;
- our Company will disclose the review results and decisions with basis on matters reviewed by our INEDs relating to compliance with and enforcement of the undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual report of our Company or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual confirmation on compliance with and enforcement of the terms of the Deed of Non-competition;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- in the event that potential conflicts of interest may materialise, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, our Director(s) with an interest in the relevant transaction(s) will, unless provided in the Articles, abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such board meeting in accordance with the Articles; and
- in the event that potential conflicts of interest may materialise, our Controlling Shareholder(s) with an interest in the relevant transaction(s) will abstain from voting in the shareholders' meeting of our Company with respect to the relevant resolution(s).

### DEED OF NON-COMPETITION

Conditional upon the Listing taking place, our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), pursuant to which each of our Controlling Shareholders has provided, irrevocable and unconditional, joint and several undertakings and covenants with us with effect immediately upon the Share Offer becoming unconditional as specified under the paragraph headed "Conditions of the Public Offer" under the section headed "Structure and conditions of the Share Offer" of this prospectus and for the period commencing from the Listing Date and until the earlier of the date on which (a) the Shares cease to be listed on the Stock Exchange; and (b) our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, cease to own or be entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company (the "**Restricted Period**").

In accordance with the terms of the Deed of Non-competition, among others,

- (i) each of our Controlling Shareholders confirms, represents and warrants (other than his/her/its interest in our Group) that as of the date of the Deed of Non-competition, he/she/it and his/her/its close associates and/or companies controlled by him/her/it currently is/are not engaged or interested in any equity interest or is otherwise interested in any company or entity or firm which is principally engaged in any of (a) the business of providing private supplementary secondary school education services, operation of private secondary day schools and offering ancillary education services and products including but not limited to child education in Hong Kong; (b) the business of our Group as described in this prospectus; and (c) such other new business which our Group may undertake from time to time in Hong Kong after the Listing (the "**Restricted Business**"), which in each case directly or indirectly, competes or may compete with the business of our Group.
- (ii) each of our Controlling Shareholders irrevocably and unconditionally, jointly and severally covenants and undertakes to our Company that he/she/it shall not, and shall procure that none of their respective close associates (other than members of our Group) shall during the Restricted Period, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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company, among other things, carry on, participate or be interested, engaged or otherwise involved in or assist or support any third party in the operation of, invest, participate, acquire or hold any right or interest in any business (other than our Group) or is about to be engaged in any business (other than our Group) which is the same or similar to that carried on by our Group and/or which competes or may compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to any Restricted Business) (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise);

- (iii) each of our Controlling Shareholders jointly and severally covenants and undertakes to our Company that it shall and shall procure his/her/its close associates (other than members of our Group) that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to any of our Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the “**Offeree**”) shall be first referred to our Group in the following manner:
  - a. our Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to, promptly refer (in any event no later than 14 days from the date of becoming aware or receipt of such New Opportunity or the related enquiry), or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the business of our Group and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”). In the event that our Company decides to take up the opportunity, each of our Controlling Shareholders shall and shall procure his/her/its close associates to use his/her/its best endeavour to assist our Group to obtain such opportunity;
  - b. the Offeree will be entitled to pursue the New Opportunity only if (1) (i) the Offeree has received a written notice from our Company declining the New Opportunity and confirming that (a) the New Opportunity would not constitute competition with our Group; (b) our Company has determined (by resolutions duly passed by our Board without the attendance of any Directors with beneficial interest in such New Opportunity); and (c) the Offeree may pursue such New Opportunity, or (ii) the Offeree has not received such notice from our Company within one month from our Company’s receipt of the Offer Notice; and (2) the principal terms on which that the Offeree invests, participates or engages in such New Opportunity shall be substantially the same as or not more favourable than those disclosed to and considered by our Company. If there is a material change in the terms and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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conditions of the New Opportunity pursued by the Offeree, the Offeree shall refer the New Opportunity as so revised to our Group in the manner as set out above.

- (iv) if our Controlling Shareholder(s) and/or his/her/its close associate(s) decide to be involved, engaged, or to participate in the New Opportunity, whether directly or indirectly, the terms of such involvement, engagement or participation shall be disclosed to our Company and our Directors as soon as possible;
- (v) in the event of any disagreement as to whether or not any New Opportunity or activity or proposed activity of any Controlling Shareholder constitutes a Restricted Business, the matter shall be determined by our Independent Non-executive Directors whose majority decision shall be final and binding;
- (vi) Notwithstanding the taking up of the New Opportunity or other new projects or business opportunities (if any) by any of our Controlling Shareholders in accordance with the terms of the Deed of Non-competition, each of Ms. June Leung, Mr. Tam, Mr. Li and Mr. Chan shall, as our Directors, always perform his/her duties in good faith and in the interest of our Company and shall not (at any time when he/she is an executive Director) allow his/her commitment to devote substantially all of his/her time to our Group be undermined in any way;
- (vii) the Independent Non-executive Directors will review on an annual basis (a) the compliance with and enforcement of the Deed of Non-competition; and (b) all decisions taken in relation to whether to take up any New Opportunity;
- (viii) each of our Controlling Shareholders further jointly and severally undertakes to our Company to promptly, among other matters:
  - a. provide all relevant information for the annual review by the Independent Non-executive Directors for compliance with and enforcement of the Deed of Non-competition;
  - b. use his/its endeavours to assist our Company to invest in the New Opportunity on the terms being offered to the Offeree;
  - c. allow, subject to confidentiality restrictions imposed by any third party, our Directors, the representatives, the auditors and (if necessary) the compliance adviser of our Company to have sufficient access to his/its business, financial and/or corporate records as may be necessary for the Independent Non-executive Directors to determine whether our Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;
  - d. make an annual declaration in our Company's annual report or announcements on compliance with and enforcement of the terms of the Deed of Non-competition in accordance with the Listing Rules and consent to such disclosures;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- e. address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time; and
- f. procure any Director from time to time nominated by the relevant Controlling Shareholder:
  - (1) to disclose to our Company upon signing of the Deed of Non-competition and at any time during which the Shares of our Company are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or his/ her close associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interest (if any) which such Director has or may have with our Group;
  - (2) to notify our Company forthwith of any changes of the details and information referred to in paragraph (f)(1) above, including any such business or interest acquired by such Director and/or his/her close associates after the Listing so as to enable our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports and/or half-year reports required to be issued by our Company pursuant to the Listing Rules.

The aforementioned terms of the Deed of Non-competition do not apply in respect of:

- (i) our Controlling Shareholders' interest in our Group; or
- (ii) our Controlling Shareholders' interest in the shares of a company other than our Group (the "**Other Company**") provided that:
  - a. the total number of shares held by our Controlling Shareholders and their respective close associates (other than members of our Group) does not exceed 5% of the issued shares of the Other Company;
  - b. our Controlling Shareholders and their respective close associates (other than members of our Group) are not entitled to appoint more than 10% of the total number of directors of the Other Company and such director(s) does/do not participate in the management of such Other Company;
  - c. none of our Controlling Shareholders and their respective close associates is the shareholder with the largest shareholding or interest in the Other Company; or
- (iii) Ms. June Leung's interest in the issued share capital of Dragonway Bliss Holdings which is subject to the call option as set out in the Call Option Deed.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

### CALL OPTION DEED

On 21 June 2018, Ms. June Leung granted to our Company an option in consideration of HK\$1.0, under which our Company, subject to the fulfillment of certain conditions, could exercise the option to purchase such number of shares in Dragonway Bliss Holdings as determined by our Company up to a maximum number of shares representing 70% of the issued share capital of Dragonway Bliss Holdings or such number of shares in Dragonway Bliss Holdings held by Ms. June Leung (whichever is higher), details of which are set out in the section "Connected transactions – Exempt connected transaction – Call Option Deed" in this prospectus.

### NON-DISPOSAL UNDERTAKING

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders are required to undertake (the "**Rule 10.07 Undertaking**") to the Stock Exchange and our Company that (i) they shall not, among other matters, dispose of any Shares during the first six-month period after the Listing ("**First Six-Month Period**") and (ii) they shall not, among other matters, dispose of any Shares so as to cease to be a Controlling Shareholder during the six months (the "**Second Six-Month Period**") commencing on the date immediately following the date on which the First Six-Month Period expires.

To demonstrate his/her/its commitment to our Group, each of our Controlling Shareholders has voluntarily undertaken to our Company that commencing on the date immediately following the expiry of the Second Six-Month Period, he/she/it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he or she is directly or indirectly interested in beneficially so as to cease to be a Controlling Shareholder for an additional 24 months period (the "**Voluntary Undertaking**"). Such undertaking can only be waived subject to the approval by the independent Shareholders.

In effect, pursuant to the Rule 10.07 Undertaking together with the Voluntary Undertaking, each of our Controlling Shareholders has undertaken to remain as a Controlling Shareholder for an aggregate period of 36 months from the date of the Listing.

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## FINANCIAL INFORMATION

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*The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our consolidated financial information as at and for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017 together with the accompanying notes as set out in the accountant's report in Appendix I to this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. However, whether our actual results and developments will meet our expectations and projection depends on a number of risks and uncertainties over which our Group does not have control. For further information regarding the factors that could cause or contribute to such differences, you should refer to the section headed "Risk factors" in this prospectus.*

### OVERVIEW

We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. According to Euromonitor, as of February 2017, we ranked first among providers of private supplementary secondary school education services providers in Hong Kong, as measured by the number of classroom seating capacity. We also ranked first among private secondary day school operators in Hong Kong which follow the HKDSE curriculum, as measured by the number of students enrolled. In addition, 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 the Latest Practicable Date, we operated 18 teaching centres, with a total of 128 classrooms, which, in accordance with EDB guidelines, allows a maximum classroom capacity of 3,873 students to attend class at any one time. Of our 18 operating teaching centres, two operate as both private supplementary secondary school education teaching centres and private secondary day schools, two are dedicated exclusively to our Beacon Childhood business and one is for ancillary education services. All of our teaching centres have obtained a Certificate of Registration of a School or a Certificate of Provisional Registration of a School. For the year ended 31 July 2017, we had (i) 60,391 unique private supplementary secondary school education student enrollments and 657,936 private supplementary secondary school education session enrollments; (ii) 484 unique private secondary day school student enrollments and 3,825 private secondary day school session enrollments; and (iii) 37,292 enrollments/registrations in our private ancillary education services and products. For the five months ended 31 December 2017, we had (i) 42,471 unique private supplementary school education student enrollments and 339,197 private supplementary secondary school education session enrollments; (ii) 358 unique private secondary day school student enrollments and 1,336 private secondary day school session enrollments; and (iii) 8,362 enrollments/registrations in our private ancillary education services and products.

As at the Latest Practicable Date, we had a total of 1,033 employees which is made up of teaching and non-teaching staff. Our teaching team is comprised of 78 tutors, nine day school teachers, 67 full-time and 361 part-time teaching assistants. Of our 78 tutors, eight

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## FINANCIAL INFORMATION

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also teach at our private secondary day schools. The majority of our teaching team are focused principally on our private supplementary secondary school education services business.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our total revenue was approximately HK\$327.8 million, HK\$376.2 million, HK\$376.4 million, HK\$170.5 million and HK\$195.8 million, respectively. Moreover, for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our revenue generated from the provision of private supplementary secondary school education services was approximately HK\$286.5 million, HK\$335.8 million, HK\$333.0 million, HK\$155.3 million and HK\$179.5 million, respectively, representing approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, of our total revenue. Our profit and total comprehensive income attributable to owners of the Company for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$30.8 million, HK\$30.5 million, HK\$34.8 million, HK\$28.2 million and HK\$33.1 million, respectively.

### **BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION**

The financial information of our Group has been prepared in accordance with Hong Kong Financial Reporting Standards and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which is carried at fair value.

Our further financial information on the basis of preparation of the financial information is set out in Note 2 “Summary of significant accounting policies” of the accountant’s report contained in Appendix I to this prospectus.

### **SIGNIFICANT FACTORS AFFECTING OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP**

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those discussed below and in the section headed “Risk factors” in this prospectus.

#### **Session Enrollments**

Our revenue is primarily driven by the number of session enrollments in our courses, in particular, our private supplementary secondary school education courses and the amount of tuition fees received for such enrollments. During the Track Record Period, total private supplementary secondary school education session enrollments increased from 600,002 for the year ended 31 July 2015 to 681,498 for the year ended 31 July 2016 and then decreased to 657,936 for the year ended 31 July 2017. Moreover, total private secondary school tutorial session enrollments increased from 318,913 for the five months ended 31 December 2016 to 339,197 for the five months ended 31 December 2017.

Our Directors consider that session enrollments generally depend on, among other things, the reputation of our Group, the number and location of our teaching centres, the maximum classroom capacity, the availability of our courses as well as the reputation and

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## FINANCIAL INFORMATION

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teaching qualities of our tutors. We believe that our range of available subjects, live and video course delivery modes and network across various districts in Hong Kong has enabled us to increase the number of students enrolling in our courses, as students in Hong Kong seek support in their preparation for the HKDSE examinations. Our Directors believe that the flexibility of our course offering, range of price points as well as the quality of our teaching team, course materials and lesson handouts, which have a cumulative and direct effect on the quality and reputation of our education services, are important factors in the success of our business and our ability to increase course enrollments.

Session enrollments are affected by the number, location and maximum classroom capacity of our teaching centres. As part of our strategy to expand our network of teaching centres, we intend to continue to expand / optimise the network of our teaching centres to further penetrate the market and service the needs of students in various districts across Hong Kong. Since our establishment in 1989, we have successfully expanded our network from one teaching centre in Yuen Long to 18 operating teaching centres across Hong Kong Island, Kowloon and the New Territories, which has been one of the key factors affecting course enrollments and our revenue.

### **Tuition Fees**

Course enrollments are also dependent on the tuition fees we charge. In respect of private supplementary secondary school education services, we offer a range of course delivery modes, through a mix of live and video instruction, and three different course types, being regular, intensive and summer courses, which are offered at a range of tuition fees. We believe that this flexibility in tuition fees, combined with our ability to offer a wide number of courses by leveraging our platform and infrastructure, is one of the key factors which students consider when deciding to enroll in our courses.

Generally, in accordance with the Education Regulations, no change in tuition fees shall be made without the written approval of the EDB. However, certain of our teaching centres are exempted from the obligation to seek the prior approval of the EDB for such change in tuition fees. For those teaching centres which are not exempted under the Exemption Order, approval from the EDB in respect of change of tuition fees is sought when required.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, the average tuition fees in respect of our private supplementary secondary school education sessions were approximately HK\$478, HK\$493, HK\$506, HK\$487 and HK\$529, respectively. During the Track Record Period and up to the Latest Practicable Date, tuition fees in respect of our private secondary day schools ranged from approximately HK\$2,980 to HK\$3,580 per month.

### **Staff Costs and Tutor Service Fees**

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. Our significant components of operating cost include tutor service fees and compensation to our staff which is comprised of teaching and non-teaching staff.

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## FINANCIAL INFORMATION

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All of our tutors are engaged under (full or part-time) employment contracts or service agreements. As at the Latest Practicable Date, 26 tutors were engaged under employment contracts and 52 were engaged under service agreements.

Typically we offer a revenue sharing scheme, which is common in the private supplementary education industry (although, some tutors engaged under employment contracts are remunerated with a standard salary only). Under the revenue sharing scheme, the service fee of each tutor is based on a percentage of the Net Tuition Fees generated by such tutor. In general, Net Tuition Fees represent session fees paid by students to us net of any refunds or concessions and certain administrative costs, where applicable. Whereafter certain variable expenses attributable to such tutor for that period, including certain printing and marketing expenses and the cost of teaching assistants, are deducted from such tutor's remuneration.

In certain instances, "teams" will be formed by a lead tutor with other tutors and/or teaching assistants as members of their "team". A team member tutor may utilise the teaching, course materials and lesson handouts developed by the lead tutor during their own instruction, and team member teaching assistants would provide teaching support exclusively for the lead tutor. Under the terms of their engagement, a team member tutor would typically provide a percentage of the Net Tuition Fees to the lead tutor in exchange for the utilisation of the team's resources.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, total aggregate staff costs and tutor service fees amounted to approximately HK\$159.6 million, HK\$181.4 million, HK\$189.6 million, HK\$72.7 million and HK\$84.7 million, respectively, representing approximately 48.7%, 48.2%, 50.4%, 42.7% and 43.3%, respectively, of our total revenue. The aggregate tutors' remuneration and tutor service fees amounted to approximately HK\$75.5 million, HK\$93.0 million, HK\$95.2 million, HK\$33.3 million and HK\$43.8 million, representing approximately 23.0%, 24.7%, 25.3%, 19.5% and 22.1% of our revenue for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, respectively.

### **Operating Lease Payments**

All of our teaching centres, offices and warehouses are presently located on leased or licenced premises under operating lease contracts. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, operating lease payments amounted to approximately HK\$49.7 million, HK\$57.0 million, HK\$52.5 million, HK\$21.9 million and HK\$22.5 million, respectively, representing approximately 15.2%, 15.1%, 13.9%, 12.8% and 11.5%, respectively, of our revenue. The duration of our existing lease agreements typically range from one to five years.

As mentioned in the paragraph headed "Significant factors affecting operating results and financial conditions of our Group – Session enrollments" in this section, the location of our teaching centres is a contributing factor to our session enrollments. Our Directors believe that the ability to effectively manage our lease arrangements is important to the financial stability of our Group. However, we may not be able to renew the leases or

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licences at the existing locations on the same or better terms, and the landlords of our teaching centres may increase rent significantly. Leases or licences which are subject to renewal at fair market value or with scheduled rental increase could result in substantial rental increase. If we are not able to enter into leases or licences for our private tutorial centres on commercially acceptable terms at our desired locations, it could materially and adversely affect our business and operating results.

### **Beacon brands**

Our Directors believe that our Beacon brands, in particular “Beacon College” (遵理學校) are well recognised brands in Hong Kong. We believe that market awareness of our Beacon brands have been instrumental to the success of our business. We also believe that maintaining and enhancing our Beacon brands is critical to maintain our competitive advantage. Furthermore, we believe that if the value of our brands or image is diminished or if our brands fail to continue to attract students, our business, financial condition and results of operations could be materially and adversely affected. In order to promote our brand and our tutors, we have allocated considerable marketing resources for our advertising and promotional activities, which have contributed significantly to the success of our operations. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our advertising and promotion expenses were approximately HK\$18.0 million, HK\$15.9 million, HK\$16.5 million, HK\$10.1 million and HK\$8.6 million, respectively, representing approximately 5.5%, 4.2%, 4.4%, 5.9% and 4.4% of our total revenue, respectively.

### **SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set forth in Note 4 “Critical accounting estimates and judgements” of the accountant’s report contained in Appendix I to this prospectus.

### **CRITICAL ACCOUNTING POLICIES**

Our Group has identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in Note 2 “Summary of significant accounting policies” of the accountant’s report contained in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing the financial information:

#### **Revenue recognition**

Our revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered, stated net of bursaries or allowances. We recognise revenue when (i) the amount of revenue and costs can be reliably measured; (ii) when it is probable that future economic benefits will flow to the entity; and (iii) when the following specific criteria have been met for each of our Group’s activities:

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- (a) Tuition fee income from private supplementary secondary school education services and private secondary day school services is recognised when courses and education services are rendered;
- (b) Income from ancillary education services and products is recognised when the services and products are rendered or sold; and
- (c) Interest income is recognised on a time proportion basis using the effective interest method.

### **Tutor service fees**

#### *(a) Service agreements*

Tutor service fees are calculated based on certain percentage of revenue from education services, net of certain variable expenses directly attributable to such tutor.

The tutor service fees are recognised as expense as incurred.

#### *(b) Share-based payments*

The fair value of the tutor services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

### **Receipts in advance**

Our receipts in advance represent tuition fees received in advance/towards the end of the financial year before tuition services are rendered. Our receipts in advance are recognised as revenue when our tuition services are rendered.

### **Operating leases**

Our rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

### **Taxation**

Our tax expense for the period comprises current and deferred tax. Our tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case our tax is also recognised in other comprehensive income or directly in equity, respectively.

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*(i) Current income tax*

Our current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the places where we operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred income tax*

Inside basis differences

Our deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, our deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Our deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Our deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Our deferred income tax liabilities are provided on taxable temporary differences arising from investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by our Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Our deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available which the temporary difference can be utilised.

*(iii) Offsetting*

Our deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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### **Accounts and other receivables**

Our accounts and other receivables are initially recognised at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables.

### **Other payables**

Our other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Our other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Our other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **RESULTS OF OPERATIONS**

The table below presents the summary of consolidated statements of comprehensive income of our Group for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 extracted from the accountant's report as set out in Appendix I to this prospectus.

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### Consolidated statements of comprehensive income

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(unaudited)	
Revenue	327,817	376,225	376,396	170,473	195,837
Other income	185	244	1,063	750	384
Other losses – net	(122)	(489)	(347)	(1)	(333)
Staff costs	(134,910)	(137,964)	(106,008)	(45,989)	(43,043)
Tutor service fees	(24,695)	(43,447)	(83,606)	(26,737)	(41,704)
Operating lease payments	(49,691)	(56,997)	(52,483)	(21,861)	(22,472)
Advertising and promotion expenses	(17,969)	(15,944)	(16,548)	(10,054)	(8,577)
Printing and other operating expenses	(57,293)	(77,250)	(69,039)	(29,536)	(36,611)
Depreciation	(6,407)	(6,579)	(7,479)	(2,976)	(3,360)
<b>Profit before taxation</b>	36,915	37,799	41,949	34,069	40,121
Taxation	(6,146)	(7,531)	(7,898)	(6,014)	(7,702)
<b>Profit for the year/the period</b>	<u>30,769</u>	<u>30,268</u>	<u>34,051</u>	<u>28,055</u>	<u>32,419</u>
<b>Other comprehensive income</b>					
<i>Item that may be reclassified to profit or loss</i>					
Fair value gain on available-for-sale financial asset	–	–	395	–	–
Total comprehensive income for the year/the period	<u>30,769</u>	<u>30,268</u>	<u>34,446</u>	<u>28,055</u>	<u>32,419</u>
Profit/(loss) attributable to					
– Owners of the company	30,769	30,546	34,426	28,174	33,106
– Non-controlling interests	–	(278)	(375)	(119)	(687)
	<u>30,769</u>	<u>30,268</u>	<u>34,051</u>	<u>28,055</u>	<u>32,419</u>
Total comprehensive income/(loss) attributable to					
– Owners of the Company	30,769	30,546	34,821	28,174	33,106
– Non-controlling interests	–	(278)	(375)	(119)	(687)
	<u>30,769</u>	<u>30,268</u>	<u>34,446</u>	<u>28,055</u>	<u>32,419</u>

As shown in the above table, the audited profits attributable to owners of the Company for the five months ended 31 December 2017 amounted to approximately HK\$33.1 million, while the unaudited profits attributable to owners of the Company for the five months ended 31 December 2016 amounted to approximately HK\$28.2 million. It should be noted that the above unaudited profits attributable to owners of the Company for the five months ended 31 December 2016 of HK\$28.2 million contributed to a significant part of the profits

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attributable to owners of the Company for the year ended 31 July 2017, which amounted to approximately HK\$34.8 million. This phenomenon was caused mainly by the seasonal enrollment patterns of private supplementary secondary school education services and based on our Group's historical financial performance for the three years ended 31 July 2015, 2016 and 2017, our Directors expect that these patterns are likely to recur in this financial year as well as in the future. Further details of seasonality are set out in the paragraph headed "Business – Seasonality" in this prospectus.

### KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, we generated revenue from (i) the provision of private supplementary secondary school education services; (ii) the provision of private secondary day school services; and (iii) the provision of ancillary education services and products. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our revenue was approximately HK\$327.8 million, HK\$376.2 million, HK\$376.4 million, HK\$170.5 million and HK\$195.8 million, respectively.

The table below summarises, for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, the amount of revenue generated from (i) private supplementary secondary school education services; (ii) private secondary day school services; and (iii) ancillary education services and products.

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Private supplementary secondary school education services	286,538	335,819	333,040	155,258	179,503
Private secondary day school services	17,862	13,269	13,180	5,970	5,038
Ancillary education services and products	23,417	27,137	30,176	9,245	11,296
	<u>327,817</u>	<u>376,225</u>	<u>376,396</u>	<u>170,473</u>	<u>195,837</u>

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### *Private Supplementary Secondary School Education Services*

Our Group provides private supplementary secondary school education services from Secondary 1 to Secondary 6 under our “Beacon College” (遵理學校) brand. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, 62,244, 63,898, 60,391, 45,324 and 42,471 unique registered students enrolled in at least one of our private supplementary secondary school education courses, respectively. As discussed in the section headed – “Business – Our principal business activities – Our education programmes and services – Private supplementary secondary school education services” we offer different course types for each of the subjects we offer. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our revenue generated from private supplementary secondary school education services was approximately HK\$286.5 million, HK\$335.8 million, HK\$333.0 million, HK\$155.3 million and HK\$179.5 million, respectively, representing approximately 87.4%, 89.3%, 88.5%, 91.1% and 91.7%, respectively, of our total revenue. Set out below is the breakdown of revenue from private supplementary secondary school education services by course type during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	(HK\$'000)		(HK\$'000)		(HK\$'000)		(HK\$'000)		(HK\$'000)	
	(unaudited)									
Regular courses	224,992	78.5	266,049	79.2	256,156	76.9	121,785	78.5	139,353	77.6
Intensive courses	34,255	12.0	35,114	10.5	42,083	12.6	9,534	6.1	12,162	6.8
Summer courses	<u>27,291</u>	<u>9.5</u>	<u>34,656</u>	<u>10.3</u>	<u>34,801</u>	<u>10.5</u>	<u>23,939</u>	<u>15.4</u>	<u>27,988</u>	<u>15.6</u>
Total	<u>286,538</u>	<u>100.0</u>	<u>335,819</u>	<u>100.0</u>	<u>333,040</u>	<u>100.0</u>	<u>155,258</u>	<u>100.0</u>	<u>179,503</u>	<u>100.0</u>

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Set out below is a breakdown of our private supplementary secondary school education services by average session fees and number of session enrollments during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	Average session fees	Number of session enrollments	Average session fees	Number of session enrollments	Average session fees	Number of session enrollments	Average session fees	Number of session enrollments	Average session fees	Number of session enrollments
	(HK\$)	(Note)	(HK\$)	(Note)	(HK\$)	(Note)	(HK\$)	(Note)	(HK\$)	(Note)
Regular courses	504	446,829	520	511,366	550	466,103	535	227,767	592	235,208
Intensive courses	429	79,797	442	79,477	443	95,019	348	27,374	359	33,895
Summer courses	372	73,376	382	90,655	359	96,814	375	63,772	399	70,094
<b>Total</b>		<b>600,002</b>		<b>681,498</b>		<b>657,936</b>		<b>318,913</b>		<b>339,197</b>
Average session fees for total courses	<b>478</b>		<b>493</b>		<b>506</b>		<b>487</b>		<b>529</b>	

*Note:* Being course revenue divided by session enrollments for the respective year/period and rounded to the nearest dollar. This results in the difference against the revenue shown in the table above.

### *Year ended 31 July 2015 compared with year ended 31 July 2016*

Revenue from private supplementary secondary school education services increased by approximately 17.2% from approximately HK\$286.5 million for the year ended 31 July 2015 to approximately HK\$335.8 million for the year ended 31 July 2016, which was mainly due to increases in our revenue generated from regular courses of approximately 18.2% respectively. The increase in revenue generated by our regular courses for the year ended 31 July 2016 was mainly due to the increase in number of session enrollments in particular on our core subjects.

### *Year ended 31 July 2016 compared with year ended 31 July 2017*

Revenue from our private supplementary secondary school education services decreased by approximately 0.8% from approximately HK\$335.8 million for the year ended 31 July 2016 to approximately HK\$333.0 million for the year ended 31 July 2017, which was mainly due to the decrease in revenue generated from our regular courses of approximately 3.7%. Such decrease was primarily due to the decrease in session enrollments of our regular courses. The decrease in the number of session enrollments of our regular courses was primarily due to the downsizing of our teaching centre in Tuen Mun as part of our optimisation plan of teaching centres.

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*Five months ended 31 December 2016 compared with five months ended 31 December 2017*

Revenue from our private supplementary secondary school education services increased by approximately 15.6% from approximately HK\$155.3 million for the five months ended 31 December 2016 to approximately HK\$179.5 million for the five months ended 31 December 2017, which was due to the increase in revenue generated from our regular, intensive and summer courses for the five months ended 31 December 2017 of approximately 14.4%, 27.6% and 16.9% respectively. Such increase was primarily due to the increase in session enrollments for our regular, intensive and summer courses and the increase in average tuition fee from approximately HK\$487 for the five months ended 31 December 2016 to approximately HK\$529 for the five months ended 31 December 2017.

### *Private Secondary Day School Services*

As at the Latest Practicable Date, we operated two private secondary day schools located in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. During the Track Record Period, we operated a private secondary day school in Kowloon Bay, however in order to improve efficiency and better manage our resources, we merged our private secondary day school operations in Mong Kok and Kowloon Bay into a single private secondary day school in Mongkok in 2016. Our two private secondary day schools adopt the school curriculum as set out by the EDB. Revenue from our private secondary day schools for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$17.9 million, HK\$13.3 million, HK\$13.2 million, HK\$6.0 million and HK\$5.0 million, respectively, representing approximately 5.4%, 3.5%, 3.5%, 3.5% and 2.6% of our total revenue, respectively. Set out below is the breakdown of our unique student enrollments and revenue from our private secondary day schools during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	Number of unique student enrollments	Number of session enrollments	Revenue (HK\$'000)	Number of unique student enrollments	Number of session enrollments	Revenue (HK\$'000)	Number of unique student enrollments	Number of session enrollments	Revenue (HK\$'000)
Secondary 4	-	-	-	-	-	-	18	139	432
Secondary 5	107	980	3,052	94	773	2,423	102	793	2,482
Secondary 6	563	4,178	14,810	403	3,078	10,846	364	2,893	10,266
<b>Total</b>	<b>670</b>	<b>5,158</b>	<b>17,862</b>	<b>497</b>	<b>3,851</b>	<b>13,269</b>	<b>484</b>	<b>3,825</b>	<b>13,180</b>

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	Five months ended 31 December					
	2016			2017		
	Number of unique student enrollments	Number of session enrollments	Revenue (HK\$'000)	Number of unique student enrollments	Number of session enrollments	Revenue (HK\$'000)
Secondary 4	14	51	163	17	48	171
Secondary 5	86	287	917	71	262	910
Secondary 6	359	1,354	4,890	270	1,026	3,957
Total	459	1,692	5,970	358	1,336	5,038

In accordance with the Education Regulations, all tuition fees in respect of day schools must be approved by the EDB, and no changes to such tuition fees shall be made without the written approval of the EDB.

During the Track Record Period and as at the Latest Practicable Date, the tuition fees for our private secondary day schools ranged from approximately HK\$2,980 to HK\$3,580 per month. Revenue generated from our private secondary day school services decreased from approximately HK\$17.9 million for the year ended 31 July 2015 to approximately HK\$13.3 million for the year ended 31 July 2016 and remained stable at approximately HK\$13.2 million for the year ended 31 July 2017. Revenue generated from our private secondary day school services decreased from approximately HK\$6.0 million for the five months ended 31 December 2016 to approximately HK\$5.0 million for the five months ended 31 December 2017. Such decreases of revenues for the year ended 31 July 2016 and for the five months ended 31 December 2017 were primarily due to decreases in number of private secondary day school session enrollments as experienced in the private secondary day school industry. For further details please refer to the section headed “Industry overview – Industry overview of private secondary day schools in Hong Kong” in this prospectus.

### ***Ancillary Education Services and Products***

Our Group offers various ancillary education services and products such as (i) interview preparation and supplementary primary school education and tutorial services under our “Beacon Childhood” brand; (ii) an HND in Business (QCF) registered with the EDB under our “Beacon CAPE” brand; (iii) IELTS, general interest and foreign language courses under our “Beacon BExcellent” brand; (iv) mock examination services; (v) VIP self-study services; (vi) online course scheduling and management services; and (vii) other miscellaneous services.

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Revenue from our ancillary education services and products for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 was approximately HK\$23.4 million, HK\$27.1 million, HK\$30.2 million, HK\$9.2 million and HK\$11.3 million, respectively, representing approximately 7.1%, 7.2%, 8.0%, 5.4% and 5.7% of our total revenue, respectively. The following table sets forth the number of enrollments/registrations and revenue generated from our ancillary education services and products during the Track Record Period:

	Year ended 31 July								
	2015			2016			2017		
	Enrollments/ Registrations	Revenue HK\$'000	%	Enrollments/ Registrations	Revenue HK\$'000	%	Enrollments/ Registrations	Revenue HK\$'000	%
Beacon Childhood	1,427	2,173	9.3	2,076	4,229	15.6	1,867	5,562	18.4
Beacon CAPE (Note)	14	613	2.6	15	630	2.3	6	262	0.9
Beacon BExcellent	1,894	3,319	14.2	2,158	2,735	10.1	1,931	2,164	7.2
Mock examinations services	21,243	8,611	36.8	27,211	10,343	38.1	28,949	12,285	40.7
VIP self-study services	4,804	5,475	23.4	4,263	6,044	22.3	4,539	6,831	22.6
Online course scheduling and management services	N/A	2,823	12.0	N/A	2,694	9.9	N/A	2,368	7.9
Other miscellaneous services	N/A	403	1.7	N/A	462	1.7	N/A	704	2.3
<b>Total</b>	<b>29,382</b>	<b>23,417</b>	<b>100.0</b>	<b>35,723</b>	<b>27,137</b>	<b>100.0</b>	<b>37,292</b>	<b>30,176</b>	<b>100.0</b>

	Five months ended 31 December					
	2016			2017		
	Enrollments/ Registrations	Revenue HK\$'000	%	Enrollments/ Registrations	Revenue HK\$'000	%
Beacon Childhood	761	2,049	22.2	1,328	3,530	31.3
Beacon CAPE (Note)	6	131	1.4	3	66	0.5
Beacon BExcellent	1,212	1,347	14.6	727	914	8.1
Mock examinations services	6,738	1,089	11.8	4,683	855	7.6
VIP self-study services	1,718	2,820	30.5	1,621	2,943	26.1
Online course scheduling and management services	N/A	1,480	16.0	N/A	1,371	12.1
Other miscellaneous services	N/A	329	3.5	N/A	1,617	14.3
<b>Total</b>	<b>10,435</b>	<b>9,245</b>	<b>100</b>	<b>8,362</b>	<b>11,296</b>	<b>100.0</b>

*Note:* Beacon CAPE enrollments are for admission to our HND programme which runs for the academic year/relevant period.

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Revenue from our ancillary education services and products increased from approximately HK\$23.4 million for the year ended 31 July 2015 to approximately HK\$27.1 million for the year ended 31 July 2016. Such increase was primarily due to increases in revenue generated from (i) Beacon Childhood; (ii) mock examinations; and (iii) VIP self-study services. The increases in revenue generated from Beacon Childhood, mock examinations services and VIP self-study services were mainly due to the increases in number of enrollments/registrations.

Revenue generated from our ancillary education services and products increased from approximately HK\$27.1 million for the year ended 31 July 2016 to approximately HK\$30.2 million for the year ended 31 July 2017. Such increase was primarily due to increases in revenue generated from Beacon Childhood, mock examinations services and VIP self-study services. The increases in revenue generated from mock examinations and VIP self-study services were mainly due to the increases in number of enrollments and average session fee. The increase in revenue generated from Beacon Childhood was mainly due to the increase in average session fee.

Revenue generated from our ancillary education services and products increased by approximately 22.2% from approximately HK\$9.2 million for the five months ended 31 December 2016 to approximately HK\$11.3 million for the five months ended 31 December 2017. Such increase was primarily due to increases in revenue generated from Beacon Childhood and other miscellaneous services. The increase in revenue generated from Beacon Childhood was mainly due to the increase of number of enrollments. The increase in revenue generated from other miscellaneous services was mainly due to the increase in service fees received from the Collaborator. Details for the arrangement with Collaborator are set out in the paragraph headed “Business – Collaboration Arrangement with another private supplementary secondary school education service provider” in the prospectus.

### **Staff Costs**

Staff costs are mainly comprised of (i) salaries, allowances and bonus; and (ii) pension costs paid to our employees. As at the Latest Practicable Date, we employed 463 teaching staff, which is comprised of 26 staff tutors, nine day school teachers and 428 teaching assistants. The majority of our tutors are engaged in the provision of private supplementary secondary school education services while the rest are engaged in our ancillary education services and products business. All of our staff tutors are engaged under (full or part-time) employment contracts. We also have a team of 570 non-teaching staff. We typically share revenue with our staff tutors based on a percentage of the Net Tuition Fees generated from courses and products provided by such tutors. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our staff costs were approximately HK\$134.9 million, HK\$138.0 million, HK\$106.0 million, HK\$46.0 million and HK\$43.0 million, respectively, representing approximately 41.2%, 36.7%, 28.2%, 27.0% and 22.0% of our total revenue, respectively.

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Set out below is a breakdown of the total staff costs during the Track Record Period:

	For the year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff tutors ( <i>Note 1</i> )	50,820	37.7	49,520	35.9	11,634	11.0	6,587	14.3	2,056	4.8
Day school teachers ( <i>Note 2</i> )	9,648	7.2	5,493	4.0	4,016	3.8	1,842	4.0	1,782	4.1
Teaching assistants	18,671	13.8	24,158	17.5	26,110	24.6	11,160	24.3	11,521	26.8
Non-teaching staff	48,369	35.8	51,496	37.3	56,560	53.4	23,276	50.6	24,478	56.9
Other allowances	3,514	2.6	3,296	2.4	3,552	3.3	1,420	3.1	1,486	3.4
Pension costs	3,888	2.9	4,001	2.9	4,136	3.9	1,704	3.7	1,720	4.0
	<u>134,910</u>	<u>100.0</u>	<u>137,964</u>	<u>100.0</u>	<u>106,008</u>	<u>100.0</u>	<u>45,989</u>	<u>100.0</u>	<u>43,043</u>	<u>100.0</u>

*Notes:*

1. Excluded tutors who were engaged on service agreements.
2. Excluded six full-time tutors under employment contracts and two full-time tutors on service agreements who have also entered into agreements with us to provide teaching services in our private secondary day schools.

The staff tutors costs for the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 were approximately HK\$50.8 million, HK\$49.5 million, HK\$11.6 million, HK\$6.6 million and HK\$2.1 million respectively. The staff tutors costs decreased slightly from approximately HK\$50.8 million for the year ended 31 July 2015 to approximately HK\$49.5 million for the year ended 31 July 2016 which was mainly due to the decrease in numbers of tutors being engaged under employment contracts from 33 as at 31 July 2015 to 29 as at 31 July 2016. The staff tutors costs decreased from approximately HK\$49.5 million for the year ended 31 July 2016 to approximately HK\$11.6 million for the year ended 31 July 2017 which was mainly due to the decrease in numbers of tutors engaged under employment contracts, including our Top One Tutor who switched from being engaged under the employment contract to the service agreement in September 2016. Remuneration payable to our Top One Tutor was approximately HK\$34.6 million for the year ended 31 July 2016 which was entirely recorded as staff tutors costs. The staff tutors costs decreased from approximately HK\$6.6 million for the five months ended 31 December 2016 to approximately HK\$2.1 million for the five months ended 31 December 2017 which was mainly due to the decrease in numbers of tutors engaged under employment contracts, including our Top One Tutor who switched from being engaged under the employment contract to the service agreement in September 2016.

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### Tutor service fees

During the Track Record Period, we engaged a number of tutors on service agreements, the material commercial terms of which are broadly similar to the employment agreements we enter into with our staff tutors, save for the terms on remuneration and length of engagement which vary among tutors. As at the Latest Practicable Date, 52 tutors were engaged under service agreements.

The table below sets out our tutor service fees during the Track Record Period:

	For the year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tutor service fees	24,695	43,447	83,606	26,737	41,704
Total number of tutors on service agreement as at the respective year-end/period-end date	27	37	44	37	50

We share revenue with tutors engaged on service agreements based on a percentage of the Net Tuition Fees generated from courses and products provided by such tutors which is similar to the engagement arrangement with our staff tutors. In general, Net Tuition Fees represent session fees paid by students to us net of any refunds or concessions and certain administrative costs, where applicable. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we recorded tutor service fees of approximately HK\$24.7 million, HK\$43.4 million, HK\$83.6 million, HK\$26.7 million and HK\$41.7 million, respectively, representing approximately 7.5%, 11.5%, 22.2%, 15.7% and 21.3% of our total revenue, respectively. Tutor service fees increased from approximately HK\$24.7 million for the year ended 31 July 2015 to approximately HK\$43.4 million for the year ended 31 July 2016 which were mainly due to increase in revenue attributable to our tutors who were engaged under service agreements which, in turn, led to an increase in revenue shared with such tutors and increase in number of tutors on services agreements from 27 as at 31 July 2015 to 37 as at 31 July 2016.

Tutor service fees increased from approximately HK\$43.4 million for the year ended 31 July 2016 to approximately HK\$83.6 million for the year ended 31 July 2017 mainly due to the increase in the number of tutors including our Top One Tutor who was changed to be engaged under service agreements in September 2016 and the contribution of services by one of the Top Five Tutors (Tutor F). Such increase was partly offset by drop of service fees payable to certain tutors existing on 31 July 2016 as a result of drop of their corresponding revenue or departure. Tutor service fees increased from approximately HK\$26.7 million for the five months ended 31 December 2016 to approximately HK\$41.7 million for the five months ended 31 December 2017 which were mainly due to (i) the increase in the number of tutors newly engaged under service agreement; (ii) the increase in number of the existing tutors being engaged under employment contracts switching to be engaged from employment contracts to service agreements after the expiration of their respective employment contracts and (iii) the admission of one of the Top Five Tutors (Tutor G). For this reason, our staff tutors costs decreased during the same period under comparison.

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The aggregate amount of staff tutors costs and tutor service fees for the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 were approximately HK\$75.5 million, HK\$93.0 million, HK\$95.2 million, HK\$33.3 million and HK\$43.8 million respectively. The increase in the aggregate amount of staff tutors costs and tutor service fees from approximately HK\$75.5 million for the year ended 31 July 2015 to approximately HK\$93.0 million for the year ended 31 July 2016 was mainly due to (i) the increase in revenue from private supplementary secondary school education services of approximately 17.2% for the year ended 31 July 2016 as compared to that of the year ended 31 July 2015 and (ii) the increase in numbers of tutors from 60 as at 31 July 2015 to 66 as at 31 July 2016. The slight increase in the aggregate amount of staff tutors costs and tutor service fees from approximately HK\$93.0 million for the year ended 31 July 2016 to approximately HK\$95.2 million for the year ended 31 July 2017 was mainly due to the contribution of services by one of the Top Five Tutors (Tutor F), which was partially offset by the decrease in revenue from private supplementary secondary school education services of approximately 0.8% for the year ended 31 July 2017 as compared to that of the year ended 31 July 2016. The increase in the aggregate amount of staff tutors costs and tutor service fees from approximately HK\$33.3 million for the five months ended 31 December 2016 to HK\$43.8 million for the five months ended 31 December 2017 was primarily due to (i) the increase in revenue from private supplementary secondary school education services of approximately 15.6% for the five months ended 31 December 2017 as compared to that of the corresponding period in 2016 and (ii) the admission of one of the Top Five Tutors (Tutor G).

As far as cost structure is concerned, the major difference between employment contracts and service agreements is that, under employment contracts, our Group has to contribute 5% of the employees' income to the MPF, up to the prevailing ceiling of HK\$1,500 per month per employee. During the Track Record Period, the MPF contributions, if otherwise required, for the tutors who would have switched from employment contracts to service agreements would amount to approximately HK\$570,000 (being the aggregate of HK\$94,500, HK\$138,000, HK\$216,000 and HK\$121,500 for the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017 respectively), representing approximately 0.06%, 0.08%, 0.11% and 0.14% of the total staff costs and tutor service fees of our Group of the respective periods. Other expenses such as insurance and holidays, given the nature of the industry, would be minimal. Our Directors therefore consider that the impact on the cost structure is insignificant. For the different contractual arrangements with our tutors including the major differences between the employment contract and the service agreement, please refer to the section headed "Business - Contractual arrangement with our tutors" in this prospectus.

In June 2016, our Group entered into a contract with a tutor's service company, pursuant to which the service company will be granted of the share options. The exercise price for each Share under all options to be granted to the tutor's service company is 50% of the offer price of the intended initial public offering of our Company. The total number of shares which may be issued upon exercise of all share options shall be an aggregate of 5.0% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue. 30% of the share options shall vest on the first anniversary of the option grant date; another 30% of the share options shall vest on the second anniversary of the option grant date; and the remaining 40% of the share options shall vest on the third

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anniversary of the option grant date. The vesting of the options is subject to certain performance conditions. The options are exercisable within a period of three years once the options become vested subject to the conditions as agreed between the grantee and our Group. Share-based compensation expenses are amortised over the options' respective vesting period starting from the contract signing date. The total expenses recognised in the consolidated statements of comprehensive income for share options were approximately HK\$0.5 million and approximately HK\$2.2 million for the two years ended 31 July 2016 and 31 July 2017 respectively and were accounted for as tutor service fees.

### Sensitivity Analysis

The following table sets out a sensitivity analysis of (i) the effect of the fluctuations of tuition fees from the private supplementary secondary school education services during the Track Record Period; (ii) the effect of the fluctuations of our staff costs, including tutor service fees; and (iii) the effect of fluctuations of our operating lease payments, during the Track Record Period, assuming no change of depreciation and amortisation or any other costs. The sensitivity analysis is hypothetical in nature and we assume that all other variables remained constant. The following sensitivity analysis is for illustrative purposes only, which indicates the likely impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the year with a 5% and 10% increase or decrease in tuition fees from the private supplementary secondary school education services, and staff costs and tutor service fees. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations experienced by our Group, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees presents a meaningful analysis of the potential impact of changes in the tuition service fees, and staff costs and tutor service fees on our profitability. Our Directors believe that such fluctuations reflect (i) the historical annual increase in average tuition fees experienced by our Group during the Track Record Period; and (ii) the typical annual increase in salaries paid to our non-teaching staff and the reasonable range in revenue sharing ratio with our tutors as a result of achieving certain levels of student enrollments. Moreover, we have conducted a sensitivity analysis on a 10% and 20% increase and decrease in operating lease payments to provide further analysis of the potential impact of such changes on our profitability. A 10% and 20% change in operating lease payments is with reference to the range of historical fluctuations experienced by our Group.

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	For the year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
<b>Tuition fee from private supplementary secondary school education services (decrease)/increase</b>	<b>Impact to our profit for the year/period</b>				
(10)%	(23,926)	(28,041)	(27,809)	(12,964)	(14,989)
(5)%	(11,963)	(14,020)	(13,904)	(6,482)	(7,494)
5%	11,963	14,020	13,904	6,482	7,494
10%	23,926	28,041	27,809	12,964	14,989
<b>Staff costs and tutor service fees (decrease)/ increase</b>	<b>Impact to our profit for the year/period</b>				
(10)%	13,327	15,148	15,833	6,073	7,076
(5)%	6,664	7,574	7,916	3,036	3,538
5%	(6,664)	(7,574)	(7,916)	(3,036)	(3,538)
10%	(13,327)	(15,148)	(15,833)	(6,073)	(7,076)
<b>Operating lease payments (decrease)/increase</b>	<b>Impact to our profit for the year/period</b>				
(20)%	8,298	9,518	8,765	3,651	3,753
(10)%	4,149	4,759	4,382	1,825	1,876
10%	(4,149)	(4,759)	(4,382)	(1,825)	(1,876)
20%	(8,298)	(9,518)	(8,765)	(3,651)	(3,753)

### Operating lease payments

Our operating lease payments during the Track Record Period were comprised mainly of rental expenses under operating leases and rates in relation to our teaching centres, offices and warehouses. For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our operating lease payments were approximately HK\$49.7 million, HK\$57.0 million, HK\$52.5 million, HK\$21.9 million and HK\$22.5 million, respectively, representing approximately 15.2%, 15.1%, 13.9%, 12.8% and 11.5% of our total revenue, respectively.

Our operating lease payments increased by approximately 14.7% from approximately HK\$49.7 million for the year ended 31 July 2015 to approximately HK\$57.0 million for the year ended 31 July 2016. Such increase was mainly due to increases in rents and the relocation of our headquarters.

Our operating lease payments decreased by approximately 7.9% from approximately HK\$57.0 million for the year ended 31 July 2016 to approximately HK\$52.5 million for the year ended 31 July 2017. Such decrease was mainly due to the downsizing of the teaching centres in Yuen Long and Tuen Mun as part of our optimisation plan of teaching centres.

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Our operating lease payments increased by approximately 2.8% from approximately HK\$21.9 million for the five months ended 31 December 2016 to approximately HK\$22.5 million for the five months ended 31 December 2017. Such increase was mainly due to the opening of a new teaching centre in Yee Wo Street, Causeway Bay which was partially offset by closing of another teaching centre in Causeway Bay due to the refurbishment plan by the landlord and the downsizing of the teaching centre in Tuen Mun.

### Advertising and promotion expenses

Our advertising and promotion expenses during the Track Record Period comprised mainly (i) advertising expenses such as public transit and web-based digital advertising; (ii) outdoor billboards, brochures and leaflets; and (iii) other marketing expenses.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, our advertising and promotion expenses were approximately HK\$18.0 million, HK\$15.9 million, HK\$16.5 million, HK\$10.1 million and HK\$8.6 million, respectively, representing approximately 5.5%, 4.2%, 4.4%, 5.9% and 4.4% of our total revenue, respectively.

Set out below is a breakdown of our advertising and promotion expenses incurred during the Track Record Period:

	Year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Advertising expenses	9,571	53.3	8,474	53.2	8,868	53.6	5,468	54.4	5,062	59.0
Outdoor billboards, brochures and leaflets	3,891	21.6	5,249	32.9	5,964	36.0	3,200	31.8	2,659	31.0
Other marketing expenses	4,507	25.1	2,221	13.9	1,716	10.4	1,386	13.8	856	10.0
	<u>17,969</u>	<u>100.0</u>	<u>15,944</u>	<u>100.0</u>	<u>16,548</u>	<u>100.0</u>	<u>10,054</u>	<u>100.0</u>	<u>8,577</u>	<u>100.0</u>

Our advertising and promotion expenses decreased from approximately HK\$18.0 million for the year ended 31 July 2015 to approximately HK\$15.9 million for the year ended 31 July 2016. Such decrease was mainly due to the decreases in advertising and other marketing expenses.

Our advertising and promotion expenses increased from approximately HK\$15.9 million for the year ended 31 July 2016 to approximately HK\$16.5 million for the year ended 31 July 2017. Such increase was mainly due to the increase in outdoor billboards, brochures and leaflets and advertising expenses, which was partially offset by the decrease in other marketing expenses.

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Our advertising and promotion expenses decreased from approximately HK\$10.1 million for the five months ended 31 December 2016 to HK\$8.6 million for the five months ended 31 December 2017. Such decrease was mainly due to the decreases in (i) advertising expenses; (ii) outdoor billboards, brochures and leaflets; and (iii) other marketing expenses.

### Printing and other operating expenses

During the Track Record Period, printing and other operating expenses incurred by our Group were mainly comprised of printing and stationeries, building management fees, utilities expenses, air-conditioning expenses, listing expenses and other general and administrative expenses. The table below is an analysis of the major components of our printing and other operating expenses during the Track Record Period:

	For the year ended 31 July						Five months ended 31 December			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air-conditioning expenses	2,106	3.7	2,219	2.9	2,290	3.4	1,085	3.7	808	2.2
Utilities expense	2,597	4.5	2,434	3.2	2,169	3.1	1,068	3.6	1,007	2.8
Building management fees	7,725	13.5	7,933	10.2	7,808	11.3	3,115	10.5	3,578	9.8
Listing expenses	2,045	3.6	9,863	12.7	2,200	3.2	917	3.1	4,430	12.0
Printing and stationeries	27,411	47.8	29,783	38.6	30,445	44.1	14,310	48.4	15,441	42.2
Other general and administrative expenses	15,409	26.9	25,018	32.4	24,127	34.9	9,041	30.7	11,347	31.0
	<u>57,293</u>	<u>100.0</u>	<u>77,250</u>	<u>100.0</u>	<u>69,039</u>	<u>100.0</u>	<u>29,536</u>	<u>100.0</u>	<u>36,611</u>	<u>100.0</u>

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017, we incurred printing and other operating expenses of approximately HK\$57.3 million, HK\$77.3 million, HK\$69.0 million, HK\$29.5 million and HK\$36.6 million, respectively.

The increase in printing and other operating expenses from approximately HK\$57.3 million for the year ended 31 July 2015 to approximately HK\$77.3 million for the year ended 31 July 2016 was mainly due to the increases in (i) printing and stationeries; (ii) listing expenses; and (iii) other general and administrative expenses. Listing expenses increased from approximately HK\$2.0 million for the year ended 31 July 2015 to approximately HK\$9.9 million for the year ended 31 July 2016, which was mainly due to the increase in professional fees incurred in preparation for our Listing. Other general and administrative expenses increase from approximately HK\$15.4 million for the year ended 31 July 2015 to approximately HK\$25.0 million for the year ended 31 July 2016, mainly due to the increases in examination fee, school functions and other services fee.

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The decrease in printing and other operating expenses from approximately HK\$77.3 million for the year ended 31 July 2016 to approximately HK\$69.0 million for the year ended 31 July 2017 was mainly due to the decrease in listing expenses.

The increase in printing and other operating expenses from approximately HK\$29.5 million for the five months ended 31 December 2016 to approximately HK\$36.6 million for the five months ended 31 December 2017 was mainly due to the increases in (i) listing expenses; (ii) printing and stationeries; and (iii) other general and administrative expenses.

### **Taxation**

As our operations are based exclusively in Hong Kong, the principal tax liability of our Group is Hong Kong profits tax.

Our Group is subject to profits tax at a rate of 16.5% on our estimated assessable profits for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017. Our income tax expenses amounted to approximately HK\$6.1 million, HK\$7.5 million, HK\$7.9 million, HK\$6.0 million and HK\$7.7 million respectively. The effective tax rate was approximately 16.6%, 19.9%, 18.8%, 17.7% and 19.2% for the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2016 and 2017 respectively.

The increase in effective tax rate for the year ended 31 July 2016, as compared to the year ended 31 July 2015, was mainly due to the increase in expenses which are not deductible for tax purposes. Slight decrease in effective tax rate for the year ended 31 July 2017 as compared to the year ended 31 July 2016, was mainly attributable to the decrease in expenses which are not deductible for tax purposes. The increase in effective tax rate for the five months ended 31 December 2017, as compared to the five months ended 31 December 2016, was mainly due to the increase in expenses which are not deductible for tax purpose for the five months ended 31 December 2017.

### **COMPARISON OF RESULTS OF OPERATIONS**

#### **Five months ended 31 December 2017 compared with five months ended 31 December 2016**

##### ***Revenue***

Our revenue increased by approximately 14.9% from approximately HK\$170.5 million for the five months ended 31 December 2016 to approximately HK\$195.8 million for the five months ended 31 December 2017. Such increase was primarily attributable to the increases in revenues from private supplementary secondary school education services of approximately HK\$24.2 million for the five months ended 31 December 2017 and ancillary education services and products of approximately HK\$2.1 million for the five months ended 31 December 2017.

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The increase in revenue from private supplementary secondary school education services for the five months ended 31 December 2017 was primarily due to the increase in session enrollments for our regular, intensive and summer courses and the increase in average tuition fee from approximately HK\$487 for the five months ended 31 December 2016 to approximately HK\$529 for the five months ended 31 December 2017.

The increase in revenue from ancillary education services and products for the five months ended 31 December 2017 was mainly due to the increase in revenue generated from Beacon Childhood resulted from the increase of number of enrollments and the increase in revenue generated from other miscellaneous services which was attributable to the increase in service fees received from the Collaborator. Details for the arrangement with Collaborator are set out in the paragraph headed “Business – Collaboration Arrangement with another private supplementary secondary school education service provider” in the prospectus.

### *Other income – net*

Our other income decreased by approximately 48.8% from approximately HK\$0.8 million for the five months ended 31 December 2016 to approximately HK\$0.4 million for the five months ended 31 December 2017. Such decrease was primarily attributable to the decrease in advertising income.

### *Other losses – net*

Our other losses increased by approximately 23,798.2% from approximately HK\$0.001 million for the five months ended 31 December 2016 to approximately HK\$0.3 million for the five months ended 31 December 2017. Such increase was primarily attributable to the increase in loss on disposal of property, plant and equipment.

### *Staff costs*

Our staff costs decreased by approximately 6.4% from approximately HK\$46.0 million for the five months ended 31 December 2016 to approximately HK\$43.0 million for the five months ended 31 December 2017. Such decrease was primarily attributable to the decrease in the number of tutors engaged under the employment contract.

### *Tutor service fees*

Our tutor service fees increased by approximately 56.0% from approximately HK\$26.7 million for the five months ended 31 December 2016 to approximately HK\$41.7 million for the five months ended 31 December 2017. Such increase was primarily attributable to the increase of number of tutors who were engaged under service agreements from 37 in the five months ended 31 December 2016 to 50 in the five months ended 31 December 2017.

### *Operating lease payments*

Our operating lease payments increased by approximately 2.8% from approximately HK\$21.9 million for the five months ended 31 December 2016 to approximately HK\$22.5 million for the five months ended 31 December 2017. Such increase was primarily

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attributable to the opening of the new teaching centre in Yee Wo Street, Causeway Bay which was partially offset closing of another teaching centre in Causeway Bay due to the refurbishment plan by the landlord and the downsizing of the teaching centre in Tuen Mun.

### *Advertising and promotion expenses*

Our advertising and promotion expenses decreased by approximately 14.7% from approximately HK\$10.1 million for the five months ended 31 December 2016 to approximately HK\$8.6 million for the five months ended 31 December 2017. Such decrease was primarily attributable to the decreases in (i) advertising expenses; (ii) outdoor billboards brochures and leaflets; and (iii) other marketing expenses.

### *Printing and other operating expenses*

Our printing and other operating expenses increased by approximately 24.0% from approximately HK\$29.5 million for the five months ended 31 December 2016 to approximately HK\$36.6 million for the five months ended 31 December 2017. Such increase was primarily attributable to the increases in (i) listing expenses; (ii) printing and stationeries; and (iii) other general and administrative expenses.

### *Taxation*

Taxation increased by approximately 28.1% from approximately HK\$6.0 million for the five months ended 31 December 2016 to approximately HK\$7.7 million for the five months ended 31 December 2017. The effective tax rate increased from approximately 17.7% for the five months ended 31 December 2016 to 19.2% for the five months ended 31 December 2017. The increase in effective tax rate was primarily attributable to the increase in expenses which are not deductible for tax purpose for the five months ended 31 December 2017.

### *Net Profit and profit margin*

As a result of the foregoing, we recorded a net profit for the five months ended 31 December 2017 of approximately HK\$32.4 million, representing an increase of approximately 15.6% from the amount of approximately HK\$28.1 million for the five months ended 31 December 2016. Our net profit margin increased to approximately 16.6% for the five months ended 31 December 2017 from approximately 16.5% for the five months ended 31 December 2016.

### **Year ended 31 July 2017 compared with year ended 31 July 2016**

#### *Revenue*

Our revenue increased slightly by approximately 0.05% from approximately HK\$376.2 million for the year ended 31 July 2016 to approximately HK\$376.4 million for the year ended 31 July 2017. The slight increase was mainly due to the increase in revenue from ancillary services of approximately HK\$3.0 million for the year ended 31 July 2017, which was partially offset by the decrease in revenue from private supplementary secondary school education services of approximately HK\$2.8 million.

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The decrease in revenue from private supplementary secondary school education services for the year ended 31 July 2017 was mainly due to the decreases in the number of session enrollments of our regular courses resulting from the downsizing of our teaching centre in Tuen Mun. The downsizing of Tuen Mun teaching centre was because we were not able to reach an agreed lease renewal term with the landlord and was also part of our optimisation plan of teaching centres, which includes optimising the usage and/or distribution of our teaching centres.

The increase in revenue from ancillary education services and products for the year ended 31 July 2017 was mainly due to increases in revenues generated from Beacon Childhood, mock examinations services and VIP self-study services.

### *Other income – net*

Our other income increased by approximately 335.7% from approximately HK\$0.2 million for the year ended 31 July 2016 to approximately HK\$1.1 million for the year ended 31 July 2017. Such increase was primarily attributable to the increase in advertising income.

### *Other losses – net*

We recorded other losses of approximately HK\$0.3 million for the year ended 31 July 2017, represented a decrease of other losses by approximately 29.0% as compared to that for the year ended 31 July 2016. The decrease in other losses was mainly attributable to decrease in loss on disposal of property, plant and equipment.

### *Staff costs*

Our staff costs decreased by approximately 23.2% from approximately HK\$138.0 million for the year ended 31 July 2016 to approximately HK\$106.0 million for the year ended 31 July 2017. Such decrease was mainly due to the decrease in the cost of staff tutors resulting from the decrease in the number of tutors engaged under employment contracts.

### *Tutor service fees*

Our tutor service fees increased by approximately 92.4% from approximately HK\$43.4 million for the year ended 31 July 2016 to approximately HK\$83.6 million for the year ended 31 July 2017, which was mainly due to the increase in the number of tutors who were engaged under service agreements from 37 as at 31 July 2016 to 44 as at 31 July 2017.

### *Operating lease payments*

Our operating lease payments decreased by approximately 7.9% from approximately HK\$57.0 million for the year ended 31 July 2016 to approximately HK\$52.5 million for the year ended 31 July 2017. Such decrease was mainly due to downsizing of the teaching centres in Yuen Long and Tuen Mun as part of our optimisation plan of teaching centres.

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### *Advertising and promotion expenses*

Our advertising and promotion expenses slightly increased from approximately HK\$15.9 million for the year ended 31 July 2016 to approximately HK\$16.5 million for the year ended 31 July 2017. Such increase was mainly due to the increase in advertising expenses, outdoor billboards, brochures and leaflets which was partially offset by the decrease in other marketing expenses.

### *Printing and other operating expenses*

We incurred printing and other operating expenses of approximately HK\$69.0 million for the year ended 31 July 2017, representing a decrease of approximately 10.6% as compared to printing and other operating expenses of approximately HK\$77.3 million incurred for the year ended 31 July 2016. Such decrease in printing and other operating expenses for the year ended 31 July 2017 was mainly due to the decrease in listing expenses.

### *Taxation*

Taxation increased by approximately 4.9% from approximately HK\$7.5 million for the year ended 31 July 2016 to approximately HK\$7.9 million for the year ended 31 July 2017. The effective tax rate slightly decreased from approximately 19.9% for the year ended 31 July 2016 to approximately 18.8% for the year ended 31 July 2017. The decrease in effective tax rate was mainly attributable to the decrease in expenses which are not deductible for tax purpose.

### *Net profit and profit margin*

As a result of the foregoing, we recorded a net profit for the year ended 31 July 2017 of approximately HK\$34.1 million, representing an increase of approximately 12.5% from approximately HK\$30.3 million for the year ended 31 July 2016. Our net profit margin increased from approximately 8.0% for the year ended 31 July 2016 to approximately 9.0% for the year ended 31 July 2017.

## **Year ended 31 July 2016 compared with year ended 31 July 2015**

### *Revenue*

Our revenue increased by approximately 14.8% from approximately HK\$327.8 million for the year ended 31 July 2015 to approximately HK\$376.2 million for the year ended 31 July 2016. The increase was mainly due to the increase in revenue from private supplementary secondary school education services of approximately HK\$49.3 million.

The increase in revenue from private supplementary secondary school education services for the year ended 31 July 2016 was mainly due to an increase in the number of session enrollments by approximately 13.6% from approximately 600,002 for the year ended 31 July 2015 to approximately 681,498 for the year ended 31 July 2016. In particular, enrollments in our summer and regular courses increased by approximately 23.5% and

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14.4%, respectively. As a result of the increase in session enrollments, the revenue from our private supplementary secondary school education services business increased by approximately 17.2% from approximately HK\$286.5 million for the year ended 31 July 2015 to approximately HK\$335.8 million for the year ended 31 July 2016.

### *Other income – net*

Our other income increased by approximately 31.9% from approximately HK\$0.19 million for the year ended 31 July 2015 to approximately HK\$0.24 million for the year ended 31 July 2016. Such increase was primarily attributable to the increase in sundry income.

### *Other losses – net*

Our other losses increased from approximately HK\$0.1 million for the year ended 31 July 2015 to approximately HK\$0.5 million for the year ended 31 July 2016. Such increase was principally due to the increase in loss of disposal of property, plant and equipment.

### *Staff costs*

Our staff costs increased by approximately 2.3% from approximately HK\$134.9 million for the year ended 31 July 2015 to approximately HK\$138.0 million for the year ended 31 July 2016. Such increase was mainly due to increases in the aggregate number of teaching assistants and non-teaching staff.

### *Tutor service fees*

Our tutor service fees increased by approximately 75.9% from approximately HK\$24.7 million for the year ended 31 July 2015 to approximately HK\$43.4 million for the year ended 31 July 2016. Such increase was mainly due to the increase in revenue attributable to our tutors who were engaged under service agreements which, in turn, lead to an increase in revenue shared with such tutors. Such increase was mainly due to the increase in the number of tutors who were engaged under service agreements from 27 as at 31 July 2015 to 37 as at 31 July 2016.

### *Operating lease payments*

Our operating lease payments increased by approximately 14.7% from approximately HK\$49.7 million for the year ended 31 July 2015 to approximately HK\$57.0 million for the year ended 31 July 2016. Such increase was mainly due to increases in the rents of certain teaching centres and the relocation of our headquarters.

### *Advertising and promotion expenses*

Our advertising and promotion expenses decreased by approximately 11.3% from approximately HK\$18.0 million for the year ended 31 July 2015 to approximately HK\$15.9 million for the year ended 31 July 2016. Such decrease was mainly due to the decreases in advertising expenses and other marketing expenses.

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### *Printing and other operating expenses*

We incurred printing and other operating expenses of approximately HK\$77.3 million for the year ended 31 July 2016, representing an increase of approximately 34.8% as compared to printing and other operating expenses of approximately HK\$57.3 million incurred for the year ended 31 July 2015. Such increase in printing and other operating expenses for the year ended 31 July 2016 was mainly due to the increase in printing and stationeries, listing expenses and other general and administrative expenses.

### *Taxation*

Taxation increased by approximately 22.5% from approximately HK\$6.1 million for the year ended 31 July 2015 to approximately HK\$7.5 million for the year ended 31 July 2016. The effective tax rate increased from approximately 16.6% for the year ended 31 July 2015 to approximately 19.9% for the year ended 31 July 2016. The increase in taxation was mainly due to the increase in assessable profit. The increase in effective tax rate was mainly due to the increase in expenses which are not deductible for tax purposes.

### *Net profit and profit margin*

As a result of the foregoing, we recorded a net profit for the year ended 31 July 2016 of approximately HK\$30.3 million, representing a decrease of approximately 1.6% from the amount of approximately HK\$30.8 million for the year ended 31 July 2015. Our net profit margin slightly decreased to approximately 8.0% for the year ended 31 July 2016 from approximately 9.4% for the year ended 31 July 2015.

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## FINANCIAL INFORMATION

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### FINANCIAL CONDITIONS OF OUR GROUP

The table below presents the summary of consolidated statements of financial position of our Group as at 31 July 2015, 2016 and 2017 and as at 31 December 2017 extracted from the accountant's report as set out in Appendix I to this prospectus.

#### Consolidated statements of financial position

	As at 31 July			As at 31
	2015	2016	2017	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	18,011	21,493	20,449	24,980
Prepayments	7,476	11,028	14,099	13,636
Deferred tax assets	1,528	1,695	1,719	2,292
Available-for-sale financial asset	—	—	2,395	2,395
	27,015	34,216	38,662	43,303
<b>Current assets</b>				
Accounts receivables	381	469	976	1,444
Deposits, prepayments and other receivables	22,274	20,247	29,121	51,336
Income tax recoverable	—	32	55	54
Amount due from a related company	—	—	45	—
Amounts due from shareholders	40,931	40,931	—	—
Cash and cash equivalent	33,490	66,949	52,990	61,760
Short-term deposits	911	911	913	913
	97,987	129,539	84,100	115,507
<b>Total assets</b>	<b>125,002</b>	<b>163,755</b>	<b>122,762</b>	<b>158,810</b>

## FINANCIAL INFORMATION

	As at 31 July			As at 31
	2015	2016	2017	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Equity</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	–	–	–	–
Other reserve	5,711	6,182	8,799	9,731
Retained earnings	<u>67,758</u>	<u>98,304</u>	<u>57,730</u>	<u>70,836</u>
	73,469	104,486	66,529	80,567
Non-controlling interests	<u>–</u>	<u>(275)</u>	<u>1,408</u>	<u>721</u>
<b>Total equity</b>	<u>73,469</u>	<u>104,211</u>	<u>67,937</u>	<u>81,288</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Amounts due to related companies	30	30	42	–
Receipts in advance	21,781	20,188	19,320	36,744
Other payables	19,773	26,278	22,035	28,483
Current income tax payable	<u>8,626</u>	<u>9,394</u>	<u>10,526</u>	<u>8,955</u>
	<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>
<b>Non-current liabilities</b>				
Other non-current liabilities	1,323	3,654	2,885	3,172
Deferred tax liabilities	<u>–</u>	<u>–</u>	<u>17</u>	<u>168</u>
	<u>1,323</u>	<u>3,654</u>	<u>2,902</u>	<u>3,340</u>
<b>Total liabilities</b>	<u>51,533</u>	<u>59,544</u>	<u>54,825</u>	<u>77,522</u>
<b>Total equity and liabilities</b>	<u>125,002</u>	<u>163,755</u>	<u>122,762</u>	<u>158,810</u>
<b>Total assets less current liabilities</b>	<u>74,792</u>	<u>107,865</u>	<u>70,839</u>	<u>84,628</u>

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### ANALYSIS ON MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### **Property, plant and equipment**

Property, plant and equipment mainly represents leasehold improvement, furniture and fixtures, office and laboratory equipment and motor vehicles. As at 31 July 2015, 2016, 2017, property, plant and equipment amounted to approximately HK\$18.0 million, HK\$21.5 million and HK\$20.4 million, respectively.

The increase in property, plant and equipment from approximately HK\$18.0 million as at 31 July 2015 to approximately HK\$21.5 million as at 31 July 2016 was mainly due to leasehold improvements of a teaching centre in Kowloon Bay and the headquarters in Tsuen Wan but was partially offset by depreciation of existing property, plant, and equipment.

The decrease in property, plant and equipment from approximately HK\$21.5 million as at 31 July 2016 to approximately HK\$20.4 million as at 31 July 2017 was mainly due to depreciation of existing property, plant, and equipment and was partially offset by the opening of a new teaching centre in Tseung Kwan O.

The increase in property, plant, and equipment from approximately HK\$20.4 million as at 31 July 2017 to approximately HK\$25.0 million as at 31 December 2017 was mainly due to leasehold improvements of the new teaching centres in Yee Wo Street, Causeway Bay.

#### **Available-for-sale financial asset**

Our Group has available-for-sale financial asset of approximately HK\$2.4 million as at 31 July 2017 and 31 December 2017, representing the value of equity shares of an unlisted Hong Kong company.

In deciding whether to engage in investment into available-for-sale financial asset and other kinds of investment, our Group has adopted an investment policy setting out key criteria and factors our Group would take into consideration for an investment decision, which include basic particulars of the target company or service plan, potential reward and required maturity period, direct and indirect costs in relation to the investment, synergy to our Group's business (if any) and potential risk and mitigating measures in relation to identified risk (if any). Our chief financial officer is responsible to gather and assess the relevant information of the proposed investment and discuss with the Board regarding the proposed investment decision. As at the Latest Practicable Date, our Group does not have investment plan on similar and/or other available-for-sale investment.

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### Deposits, prepayments and other receivables

	<b>As at 31 July</b>			<b>As at 31 December</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits and prepayments	27,166	26,501	36,826	50,852
Other receivables	<u>2,584</u>	<u>4,774</u>	<u>6,394</u>	<u>14,120</u>
	29,750	31,275	43,220	64,972
Less: non-current portion				
Prepayments for operating lease and property, plant and equipment	<u>(7,476)</u>	<u>(11,028)</u>	<u>(14,099)</u>	<u>(13,636)</u>
Other receivables and prepayments – current portion	<u><u>22,274</u></u>	<u><u>20,247</u></u>	<u><u>29,121</u></u>	<u><u>51,336</u></u>

Deposits and prepayments which mainly represent deposits for utilities, building management fees, prepayments for advertising, operating lease payments and others, were approximately HK\$27.2 million, HK\$26.5 million, HK\$36.8 million and HK\$50.9 million as at 31 July 2015, 2016 and 2017 and as at 31 December 2017, respectively.

The decrease in deposits and prepayments from approximately HK\$27.2 million as at 31 July 2015 to approximately HK\$26.5 million as at 31 July 2016 was mainly due to the return of certain rental prepayments which was partially offset by the increase in prepayments of tutor service fees.

The increase in deposits and prepayments from approximately HK\$26.5 million as at 31 July 2016 to approximately HK\$36.8 million as at 31 July 2017 was mainly due to payments to (i) a tutor's service company under its new service agreement entered with our Group; and (ii) in relation of renovation for two new teaching centres in Causeway Bay.

The increase in deposits and prepayment from approximately HK\$36.8 million as at 31 July 2017 to approximately HK\$50.9 million as at 31 December 2017 was mainly due to the increase in prepayments of service fees.

Other receivables, which mainly represent the amounts due from tutors and a cash collection company, were approximately HK\$2.6 million, HK\$4.8 million, HK\$6.4 million and HK\$14.1 million as at 31 July 2015, 2016 and 2017 and as at 31 December 2017 respectively.

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### Amounts due from shareholders

	As at 31 July		As at 31 December	
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from shareholders	40,931	40,931	–	–

The amounts due from the shareholders represent the advanced payment to shareholders. Such amounts due from shareholders are unsecured, interest free and have no fixed repayment terms.

The amounts due from shareholders was approximately HK\$40.9 million as at 31 July 2015 and remained the same as at 31 July 2016 and decreased to nil as at 31 July 2017 and 31 December 2017.

### Amounts due to related companies

	As at 31 July		As at 31 December	
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to related companies	(30)	(30)	(42)	–

The amounts due to related companies represent the outstanding amount of payments that had been made by related companies, on behalf of our Group, for our operating expenses. Such amounts due to related companies are unsecured, interest free and have no fixed repayment terms.

The amounts due to related parties remained the same at HK\$30,000 as at 31 July 2015 and as at 31 July 2016. The amount had slightly increased to approximately HK\$42,000 as at 31 July 2017 and decreased to nil as at 31 December 2017.

Our Directors confirm that all amounts due to related companies were settled before the Listing.

### Receipts in advance

Receipts in advance represent tuition fees collected for private supplementary secondary school tutoring services which are not rendered before the year end date.

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Receipts in advance decreased from approximately HK\$21.8 million as at 31 July 2015 to approximately HK\$20.2 million as at 31 July 2016. Such decrease was mainly due to the decrease in tuition fee of our summer courses for the academic year 2015/2016 which was collected in the year ended 31 July 2015, but such relevant services were delivered in the year ended 31 July 2016.

Receipts in advance decreased from approximately HK\$20.2 million as at 31 July 2016 to approximately HK\$19.3 million as at 31 July 2017. Such decrease was mainly due to the decrease in tuition fee of our summer courses for the academic year 2016/2017 which was collected in the year ended 31 July 2016, but such relevant services were delivered in the year ended 31 July 2017.

Receipts in advance increased from approximately HK\$19.3 million as at 31 July 2017 to approximately HK\$36.7 million as at 31 December 2017. Such increase was mainly due to higher enrollment number of our regular and intensive courses compared to that of our summer courses which are to be delivered after 31 December 2017.

### **Other payables**

Other payables increased from approximately HK\$19.8 million as at 31 July 2015 to approximately HK\$26.3 million as at 31 July 2016. Such increase was mainly due to increases in (i) tutor service fees; (ii) professional fees; and (iii) listing expenses.

Other payables decreased from approximately HK\$26.3 million as at 31 July 2016 to approximately HK\$22.0 million as at 31 July 2017. Such decrease was mainly attributable to the decreases in (i) tutor services fees; (ii) professional fees; and (iii) rent and rates, which were partly offset by the increase in staff costs, advertising fees and licence fees.

Other payables increased from approximately HK\$22.0 million as at 31 July 2017 to approximately HK\$28.5 million as at 31 December 2017. Such increase was mainly due to the increases in (i) staff costs; (ii) printing expenses; and (iii) professional fees, where were partially offset by the decreases in advertising fees and licence fees.

### **Current income tax payable**

Current income tax payable increased from approximately HK\$8.6 million as at 31 July 2015 to approximately HK\$9.4 million as at 31 July 2016. Such increase was mainly due to increase in assessable profit for the year.

Current income tax payable increased from approximately HK\$9.4 million as at 31 July 2016 to approximately HK\$10.5 million as at 31 July 2017. Such increase was mainly due to increase in assessable profit for the year.

Current income tax payable decreased from approximately HK\$10.5 million as at 31 July 2017 to approximately HK\$9.0 million as at 31 December 2017. Such decrease was mainly due to the increase in tax payment which was partially offset by the increase in assessable profit.

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### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group's operations and capital requirements were financed principally through internally generated funds.

Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the Listing will be financed through internally generated funds, the net proceeds from the Share Offer, retained earnings and our share capital. Save for the implementation of our business strategies and expansion plan as described in this prospectus and except for the capital expenditures that are necessary for our business operations such as repair, replacement or maintenance of the facilities of our existing teaching centres, teaching facilities and equipment, we had no material capital expenditures planned or committed as at the Latest Practicable Date.

We anticipate that our future capital expenditure will increase as we implement our business strategies and expansion plan. The estimated capital expenditure of our Group for the three years after Listing are expected to be approximately HK\$62.5 million which will be primarily used for (i) acquisition of premise(s) using for teaching centre(s); (ii) optimising of up to four existing private supplementary secondary school teaching centres and opening of up to five new teaching centres for private supplementary secondary school education services; and (iii) establishing up to five new teaching centres for Beacon Childhood education business by opening on our own and/or possible acquisition of existing services providers. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details of our capital expenditure plans for the implementation of our business strategies.

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## FINANCIAL INFORMATION

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### Cash flows of our Group

During the Track Record Period, our Group generally financed its operations through internally generated funds. The following table sets forth a condensed summary of our Group's consolidated statements of cash flows for the Track Record Period. Such summary of the consolidated statements of cash flow is extracted from the accountant's report contained in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto, for more details.

	For the year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from operating activities	32,018	53,867	29,034	28,782	41,423
Net cash generated from/(used in) investing activities	23,816	(10,549)	(8,782)	(3,784)	(8,224)
Net cash used in financing activities	<u>(45,237)</u>	<u>(9,860)</u>	<u>(34,211)</u>	<u>(9,086)</u>	<u>(24,430)</u>
Net increase/ (decrease) in cash and cash equivalents	10,597	33,458	(13,959)	15,912	8,769
Cash and cash equivalents at beginning of the year	22,901	33,490	66,949	66,949	52,990
Exchange (losses)/ gains on cash and cash equivalents	<u>(8)</u>	<u>1</u>	<u>–</u>	<u>(1)</u>	<u>1</u>
Cash and cash equivalents at end of the year	<u><u>33,490</u></u>	<u><u>66,949</u></u>	<u><u>52,990</u></u>	<u><u>82,860</u></u>	<u><u>61,760</u></u>

### Net cash generated from operating activities

Our net cash generated from operations is mainly generated from our revenue received. Our cash used in operations mainly represents tutor service fees paid, operating lease payments and tax paid.

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For the year ended 31 July 2015, the net cash generated from operating activities of our Group was approximately HK\$32.0 million, which was mainly attributable to the cash generated from operations of approximately HK\$37.7 million, and partially offset by income tax paid of approximately HK\$5.7 million. Our operating cash flows before movements in working capital was approximately HK\$43.2 million, which was primarily attributable to profit before tax of approximately HK\$36.9 million after adjustment for depreciation of property, plant and equipment of approximately HK\$6.4 million. Our change in working capital contributed to a cash outflow of approximately HK\$5.5 million, which is primarily due to outflows of deposits, prepayments and other receivables of approximately HK\$7.4 million and outflows of other payables of approximately HK\$12.5 million and partially offset by the inflows of amounts due from related companies of approximately HK\$10.1 million and receipts in advance of approximately HK\$4.2 million.

For the year ended 31 July 2016, the net cash generated from operating activities of our Group was approximately HK\$53.9 million, which was mainly attributable to the cash generated from operations of approximately HK\$60.8 million, and partially offset by income tax paid of approximately HK\$7.0 million. Our operating cash flows before movements in working capital was approximately HK\$45.3 million, which was primarily attributable to profit before tax of approximately HK\$37.8 million after adjustment for depreciation of property, plant and equipment of approximately HK\$6.6 million. Our change in working capital contributed to a cash inflow of approximately HK\$15.5 million, which was primarily due to inflows of other payables of approximately HK\$8.8 million and deposits, prepayments and other receivables of approximately HK\$8.3 million, and partially offset by outflows of receipts in advance of approximately HK\$1.6 million.

For the year ended 31 July 2017, the net cash generated from operating activities of our Group was approximately HK\$29.0 million, which was mainly attributable to the cash generated from operations of approximately HK\$35.8 million, and partially offset by income tax paid of approximately HK\$6.8 million. Our operating cash flows before movements in working capital was approximately HK\$52.0 million, which was primarily attributable to profit before tax of approximately HK\$41.9 million after adjustment for depreciation of property, plant and equipment of approximately HK\$7.5 million, share based compensation expenses of approximately HK\$2.2 million and other expenses of approximately HK\$0.3 million. Our change in working capital contributed to a cash outflow of approximately HK\$16.2 million, which was primarily due to outflows of deposits, prepayments and other receivables of approximately HK\$9.7 million and outflows of other payables of approximately HK\$5.0 million.

For the five months ended 31 December 2017, the net cash generated from operating activities of our Group was approximately HK\$41.4 million, which was mainly attributable to the cash generated from operations of approximately HK\$51.1 million, and partially offset by income tax paid of approximately HK\$9.7 million. Our operating cash flows before movements in working capital was approximately HK\$44.7 million, which was primarily attributable to profit before tax of approximately HK\$40.1 million after adjustment for depreciation of property, plant and equipment of approximately HK\$3.4 million, share based compensation expenses of approximately HK\$0.9 million and other expenses of approximately HK\$0.3 million. Our change in working capital contributed to a cash inflow

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of approximately HK\$6.4 million, which is primarily due to inflows of receipt in advance of approximately HK\$17.4 million and outflows of deposits, prepayments and other receivables of approximately HK\$18.0 million.

### **Net cash generated from/(used in) investing activities**

During the Track Record Period, our Group derived cash outflows from investing activities mainly from the increase in amounts due from shareholders. Our cash inflow generated from investing activities is primarily from the repayment of amounts due from shareholders.

For the year ended 31 July 2015, our net cash generated from investing activities was approximately HK\$23.8 million. The net cash generated from investing activities was primarily due to repayments of the amounts due from shareholders of approximately HK\$30.8 million and partially offset by the purchase of property, plant and equipment of approximately HK\$6.9 million, mainly used for equipment, fixture and renovation for existing and/or new teaching centres.

For the year ended 31 July 2016, our net cash used in investing activities was approximately HK\$10.5 million. The net cash used in investing activities was entirely due to the purchase of property, plant and equipment of approximately HK\$10.6 million, mainly used for equipment, fixture and renovation for existing and/or new teaching centres.

For the year ended 31 July 2017, our net cash used in investing activities was approximately HK\$8.8 million. The net cash used in investing activities was due to purchase of property, plant and equipment of approximately HK\$6.8 million, mainly used for equipment, fixture and renovation for existing and/or new teaching centres, and purchase of 2.5% equity share of an unlisted Hong Kong company with a consideration of HK\$2.0 million.

For the five months ended 31 December 2017, our net cash used in investing activities was approximately HK\$8.2 million. The net cash used in investing activities was due to purchase of property, plant and equipment of approximately HK\$8.2 million, mainly used for equipment, fixture and renovation for existing and/or new teaching centres.

### **Net cash used in financing activities**

Our net cash used in financing activities mainly represents dividends paid and amounts paid for the listing expenses.

For each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017, our Group paid a dividend of HK\$45.0 million, nil, HK\$34.1 million and HK\$20.0 million, respectively. Our Group had paid listing expenses of approximately HK\$0.3 million, HK\$9.9 million, HK\$2.2 million and HK\$4.4 million for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017.

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### NET CURRENT ASSETS

The following table sets forth our Group's current assets and liabilities as at 31 July 2015, 2016 and 2017, as at 31 December 2017 and as at 30 April 2018.

	<b>2015</b>	<b>As at 31 July</b>		<b>As at 31</b>	<b>As at 30</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>December</b>	<b>April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>	<i>2018</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
<b>Current assets</b>					
Accounts receivables	381	469	976	1,444	1,569
Deposits, prepayments and other receivables	22,274	20,247	29,121	51,336	36,208
Income tax recoverable	–	32	55	54	54
Amount due from a related company	–	–	45	–	–
Amounts due from shareholders	40,931	40,931	–	–	–
Cash and cash equivalents	33,490	66,949	52,990	61,760	73,711
Short-term deposits	911	911	913	913	913
	<u>97,987</u>	<u>129,539</u>	<u>84,100</u>	<u>115,507</u>	<u>112,455</u>
	<u>97,987</u>	<u>129,539</u>	<u>84,100</u>	<u>115,507</u>	<u>112,455</u>
<b>Current liabilities</b>					
Amounts due to related companies	30	30	42	–	–
Receipts in advance	21,781	20,188	19,320	36,744	14,455
Other payables	19,773	26,278	22,035	28,483	29,108
Current income tax payable	8,626	9,394	10,526	8,955	12,405
	<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>	<u>55,968</u>
	<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>	<u>55,968</u>
Total current liabilities	<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>	<u>55,968</u>
	<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>	<u>55,968</u>
Net current assets	<u>47,777</u>	<u>73,649</u>	<u>32,177</u>	<u>41,325</u>	<u>56,487</u>
	<u>47,777</u>	<u>73,649</u>	<u>32,177</u>	<u>41,325</u>	<u>56,487</u>

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As at 31 July 2015, we had net current assets of approximately HK\$47.8 million. The key components of our current assets as at 31 July 2015 were mainly comprised of (i) amounts due from shareholders of approximately HK\$40.9 million; (ii) deposits, prepayments and other receivables of approximately HK\$22.3 million; and (iii) cash and cash equivalents of approximately HK\$33.5 million. The key components of our current liabilities as at 31 July 2015 were mainly (i) other payables of approximately HK\$19.8 million; (ii) receipts in advance of approximately HK\$21.8 million; and (iii) current income tax payable of approximately HK\$8.6 million.

As at 31 July 2016, we had net current assets of approximately HK\$73.6 million. The key components of our current assets as at 31 July 2016 were mainly comprised of (i) amounts due from shareholders of approximately HK\$40.9 million; (ii) deposits, prepayments and other receivables of approximately HK\$20.2 million; and (iii) cash and cash equivalents of approximately HK\$66.9 million. The key components of our current liabilities as at 31 July 2016 were mainly (i) other payables of approximately HK\$26.3 million; (ii) receipts in advance of approximately HK\$20.2 million; and (iii) current income tax payable of approximately HK\$9.4 million.

As at 31 July 2017, we had net current assets of approximately HK\$32.2 million. The key components of our current assets as at 31 July 2017 were mainly comprised of (i) deposits, prepayments and other receivables of approximately HK\$29.1 million; and (ii) cash and cash equivalents of approximately HK\$53.0 million. The key components of our current liabilities as at 31 July 2017 were mainly (i) other payables of approximately HK\$22.0 million; (ii) receipts in advance of approximately HK\$19.3 million; and (iii) current income tax payable of approximately HK\$10.5 million.

As at 31 December 2017, we had net current assets of approximately HK\$41.3 million. The key components of our current assets as at 31 December 2017 were mainly comprised of (i) deposits, prepayments and other receivables of approximately HK\$51.3 million; and (ii) cash and cash equivalents of approximately HK\$61.8 million. The key components of our current liabilities as at 31 December 2017 were mainly (i) other payables of approximately HK\$28.5 million; (ii) receipts in advance of approximately HK\$36.7 million; and (iii) current income tax payable of approximately HK\$9.0 million.

As at 30 April 2018, we had net current assets of approximately HK\$56.5 million. The key components of our current assets as at 30 April 2018 were mainly comprised of (i) cash and cash equivalents of approximately HK\$73.7 million and (ii) deposits, prepayments and other receivables of approximately HK\$36.2 million. The key components of our current liabilities as at 30 April 2018 were mainly comprised of (i) other payables of approximately HK\$29.1 million; and (ii) receipts in advance of approximately HK\$14.5 million.

Our net current assets increased by approximately HK\$25.9 million from approximately HK\$47.8 million as at 31 July 2015 to approximately HK\$73.6 million as at 31 July 2016, which was primarily due to the increase in cash and cash equivalents of approximately HK\$33.5 million and was partially offset by increase in other payables of approximately HK\$6.5 million.

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Our net current assets decreased by approximately HK\$41.5 million from approximately HK\$73.6 million as at 31 July 2016 to approximately HK\$32.2 million as at 31 July 2017, which was primarily due to the decrease in amounts due from shareholders of approximately HK\$40.9 million and decrease in cash and cash equivalents by approximately HK\$14.0 million, and was partially offset by the increase in deposits, prepayments and other receivables by approximately HK\$8.9 million and decrease in other payables of approximately HK\$4.2 million.

Our net current assets increased by approximately HK\$9.1 million from approximately HK\$32.2 million as at 31 July 2017 to approximately HK\$41.3 million as at 31 December 2017, which was primarily due to the increase in deposits, prepayments and other receivables of approximately HK\$22.2 million and the increase in cash and cash equivalents of approximately HK\$8.8 million, and were partially offset by the increase in receipts in advance of approximately HK\$17.4 million and the increase in other payables of approximately HK\$6.4 million.

Our net current assets increased by approximately HK\$15.2 million from approximately HK\$41.3 million as at 31 December 2017 to approximately HK\$56.5 million as at 30 April 2018, which was primarily due to the increase in cash and cash equivalents of approximately HK\$11.9 million and the decrease in receipts in advance of approximately HK\$22.2 million, and were partially offset by the decrease in deposits, prepayments and other receivables of approximately HK\$15.1 million.

### INDEBTEDNESS

Save for certain non-compliance and dispute disclosed in Note 30 to the accountants' report in Appendix I to this prospectus, as at 30 April 2018, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our Group did not have any outstanding loan, capital issued, bank overdrafts, liabilities under acceptances or acceptable credits, loans and other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that as at the Latest Practicable Date, our Group had an unutilised banking facilities in the amount of HK\$700,000 in respect of a corporate credit card.



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### Current ratio

Our Group's current ratios were approximately 1.95, 2.32, 1.62 and 1.56 as at 31 July 2015, 2016 and 2017 and as at 31 December 2017, respectively.

The decrease in our current ratio from approximately 1.62 as at 31 July 2017 to approximately 1.56 as at 31 December 2017 was due to the higher proportionate increase in current liabilities than the increase in current assets during the year. Current liabilities as at 31 December 2017 of approximately HK\$74.2 million increased by approximately 42.9%, whereas current assets as at 31 December 2017 of approximately HK\$115.5 million increased by approximately 37.3%. The increase in current liabilities was primarily due to the increase in receipts in advance of approximately HK\$17.4 million and the increase in other payables of approximately HK\$6.4 million. The increase in current assets was primarily due to the increase in deposits, prepayments and other receivables of approximately HK\$22.2 million and the increase in cash and cash equivalents of approximately HK\$8.8 million.

The decrease in our current ratio from approximately 2.32 as at 31 July 2016 to approximately 1.62 as at 31 July 2017 was due to the decrease in current assets during the year ended 31 July 2017. Current assets decreased by approximately 35.1% from approximately HK\$129.5 million as at 31 July 2016 to approximately HK\$84.1 million as at 31 July 2017. The decrease in current assets was primarily due to the decrease in amounts due from shareholders of approximately HK\$40.9 million from approximately HK\$40.9 million as at 31 July 2016 to nil as at 31 July 2017 and decrease in cash and cash equivalents by approximately HK\$14.0 million, which was partially offset by the increase in deposits, prepayments and other receivables by approximately HK\$8.9 million.

The increase in our current ratio from approximately 1.95 as at 31 July 2015 to approximately 2.32 as at 31 July 2016 was due to the higher proportionate increase in current assets than the increase in current liabilities during the year. Current assets as at 31 July 2016 of approximately HK\$129.5 million increased by approximately 32.2% as compared with the current assets of approximately HK\$98.0 million as at 31 July 2015, whereas current liabilities as at 31 July 2016 of approximately HK\$55.9 million increased by approximately 11.3% as compared with current liabilities of approximately HK\$50.2 million as at 31 July 2015. The increase in current assets was primarily due to the increase in cash and cash equivalents and partially offset by the decrease in deposits, prepayments and other receivables. The increase in current liabilities was primarily due to increases in other payables and current income tax payable.

### Gearing ratio

Our gearing ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and amounts due to related companies and shareholders less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year-end date. No gearing ratio is calculated since we did not have any interest bearing liabilities including bank and other borrowings and amounts due to related companies and shareholders as at 31 July 2015, 2016 and 2017 and as at 31 December 2017.

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### **Return on assets ratio**

Our Group's return on assets ratios were approximately 24.6%, 18.7%, 28.0% for each of the three years ended 31 July 2015, 2016 and 2017, respectively. Our return on assets ratio for the five months ended 31 December 2017 was not applicable to our Group since the calculation is on a full year basis.

The increase in return on total assets from approximately 18.7% for the year ended 31 July 2016 to approximately 28.0% for the year ended 31 July 2017 was mainly due to the increase in profit attributable to owners of the Company for the year ended 31 July 2017 by approximately 12.7% and the decrease in total assets by approximately 25.0% which was mainly due to the decrease in amount due from shareholders from approximately HK\$40.9 million as at 31 July 2016 to nil as at 31 July 2017.

The decrease in return on assets from approximately 24.6% for the year ended 31 July 2015 to approximately 18.7% for the year ended 31 July 2016 was primarily due to an increase in total assets by approximately 31.0% whereas there was a slight decrease in profit attributable to owners of the Company by approximately 0.7%.

### **Return on equity ratio**

Our Group's return on equity ratios were approximately 41.9%, 29.2%, 51.7% for each of the three years ended 31 July 2015, 2016 and 2017, respectively. Our return on equity ratio for the five months ended 31 December 2017 was not applicable to our Group since the calculation is on a full year basis.

The increase in return on equity from approximately 29.2% for the year ended 31 July 2016 to approximately 51.7% for the year ended 31 July 2017 was mainly attributable to the increase in profit attributable to owners of the Company for the year ended 31 July 2017 by approximately 12.7% and the decrease in equity attributable to owners of the Company by approximately 36.3% which was mainly due to the distribution of dividends in the amount of HK\$75.0 million for the year ended 31 July 2017.

The decrease in return on equity from approximately 41.9% for the year ended 31 July 2015 to approximately 29.2% for the year ended 31 July 2016 was primarily due to the increase in equity attributable to owners of the Company of approximately 42.2% whereas the profit attributable to owners of the Company for the year ended 31 July 2016 decreased by approximately 0.7%.

### **Interest coverage ratio**

Our Group had no finance cost for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017 and as such does not have an interest coverage ratio.

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### DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### FOREIGN EXCHANGE RISK

The functional currency of our operations has historically included the Hong Kong dollar. Our Group has not experienced any material operating trends or effects on liquidity as a result of fluctuations in currency exchange rates in the past.

### CONTRACTUAL COMMITMENTS

At the end of each of the reporting period, our Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of our leased properties which fall due as follows:

	As at 31 July			As at 31 December	
	2015	2016	2017	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Within one year	37,512	45,460	40,599	42,521	
Later than one year but within five years	17,375	35,055	42,294	47,638	
	<u>54,887</u>	<u>80,515</u>	<u>82,893</u>	<u>90,159</u>	

The leases are generally negotiated for a lease term of one to five years at fixed or variable rentals.

### OFF BALANCE SHEET TRANSACTIONS

Our Group has not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

### LISTING EXPENSES

The listing expenses in connection with the Share Offer and the Listing consist primarily of underwriting commission and professional fee, and, assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the estimated Offer Price range, are estimated to be HK\$39.3 million. During the Track Record Period, we incurred listing expenses of approximately HK\$21.0 million, of which HK\$18.5 million was recognised in the consolidated statements of comprehensive income and HK\$2.5 million was recognised as prepayments in the consolidated statements of financial position which will be accounted for a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of approximately HK\$18.3 million prior to and upon

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completion of the Share Offer, of which (i) approximately HK\$7.1 million is expected to be recognised as expenses in our consolidated statements of comprehensive income during the remaining seven months of the year ending 31 July 2018; and (ii) approximately HK\$11.2 million is expected to be accounted for as a deduction from equity upon Listing which shall not have impact to our consolidated statements of comprehensive income for the year ending 31 July 2018. The listing expenses are estimates only and subject to adjustment based on audit and the actual amount incurred or to be incurred. In view of this, **prospective investors should note that the financial results and the net profit of our Group for the year ending 31 July 2018 may be adversely affected by the non-recurring expenses in relation to the Share Offer and the Listing and may not be comparable to the financial performance of our Group in the past.**

### DIVIDENDS

For the year ended 31 July 2016, no dividends were declared by our Group. For the year ended 31 July 2015, Beacon College declared a dividend of HK\$45.0 million out of distributable profits and such dividend was settled in full. For the year ended 31 July 2017, a dividend of HK\$75.0 million was declared by the Company. Among the dividends declared, HK\$34.1 million was settled in cash while the remaining was settled by offsetting the amounts due from shareholders of Beacon College. During the five months ended 31 December 2017, our Group had declared a dividend of HK\$20.0 million. This dividend has been paid.

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon (1) our Group's (a) overall results of operation; (b) financial position; (c) capital requirements; (d) cash flow; and (e) future prospects; (2) the amount of distributable reserves of the Company; and (3) other factors which our Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our Group currently has neither formulated any dividend policy nor determined any target dividend payout rate after Listing. The historical dividend payments should not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flow generated from the operating activities, the existing financial resources available to our Group including internally generated funds and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

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### RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the Track Record Period carried out by our Group in the normal course of its business:

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Messing and office refreshment to Chain World Inc. Limited <i>(Note 1)</i>	88	–	–	–	–
Insurance expenses to Tenti Wealth Management Co. Limited <i>(Note 2)</i>	17	25	2	–	–
Marketing and promotion expenses to Bel Canto Singers Foundation Limited <i>(Note 3)</i>	–	–	10	5	–
Service fees to Hong Kong International Affairs Consultancy Company Limited <i>(Note 4)</i>	–	78	240	100	60
Licence income from Dragonway Bliss Limited <i>(Note 5)</i>	–	–	(45)	(13)	(5)
	<u>105</u>	<u>103</u>	<u>207</u>	<u>92</u>	<u>55</u>

*Notes:*

1. Messing and office refreshment expenses are charged at cost.
2. Insurance expenses are paid with reference to market rates of similar insurance plans.
3. Marketing and promotion expenses are paid with reference to market rates of similar projects.
4. Service fees are paid with reference to market rates of similar projects.
5. Licence income are recognized with reference to market rates of similar projects.

For analysis of related party transactions, please refer to the accountant's report as set out in note 28 "related party transactions" in Appendix I to this prospectus in addition to the transactions detailed elsewhere in this prospectus.

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### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to the owner of our Company as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2017 or at any future dates following the Share Offer. It is prepared based on the consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2017 as set out in the accountant's report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	<b>Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017<sup>(1)</sup> (HK\$'000)</b>	<b>Estimated net proceeds from the Share Offer<sup>(2)</sup> (HK\$'000)</b>	<b>Unaudited pro forma adjusted net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 (HK\$'000)</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(3)</sup> HK\$</b>
Based on an Offer Price of HK\$0.90 per Share	80,567	92,430	172,997	0.35
Based on an Offer Price of HK\$1.10 per Share	80,567	116,055	196,622	0.39

*Notes:*

- (1) The audited consolidated net tangible assets information of our Group attributable to the owners of the Company as at 31 December 2017 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited net assets of our Group attributable to the owners of our Company as at 31 December 2017 of HK\$80,567,000.
- (2) The estimated net proceeds to be received by our Company from the Share Offer are based on the indicative Offer Price of HK\$0.90 and HK\$1.10 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$18,538,000 which have been accounted for prior to 31 December 2017) payable by our Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

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- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 shares were in issue assuming that the Share Offer and the Capitalisation Issue has been completed on 31 December 2017, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2017.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2017, the distributable reserves comprising other reserves and retained earnings of the Company was approximately HK\$26.0 million.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS**

In the ordinary course of our business, we are exposed to various market risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

#### **Foreign exchange risk**

Entities within our Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity’s functional currency. However, our Group’s operations are mainly in Hong Kong. Foreign currency transactions and monetary assets and liabilities that are denominated in a currency that is not the functional currency of the entities our Group are insignificant to our Group.

#### **Interest rate risk**

Our Group’s interest rate risk arises from bank balances. Our Group’s interest income will be affected by fluctuation of prevailing market interest rates and will expose our Group to cash flow interest rate risk. However, the relevant interest rate risk is insignificant to our Group.

#### **Credit Risk**

We do not have significant concentrations of credit risk in view of our large number of customers. We did not record any significant bad debts losses in relation to our accounts receivables during the Track Record Period. The credit risk of our other financial assets, which mainly comprise deposits with banks, accounts receivables, deposits, prepayments and other receivables and amounts due from related companies and shareholders, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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Deposits are mainly placed with high-credit-quality financial institutions. Management considers that the credit risk associated with the deposits with banks and financial institution is low. Accounts receivables mainly comprise of digital receipts generated from operations with no recent history of material defaults. Our Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk. Rental deposits are placed with reputable landlord(s) with no history of default. We do not expect any losses from the non-performance by these counterparties.

### **Liquidity Risk**

We apply prudent liquidity risk management to maintain sufficient working capital. In managing our liquidity risk, we regularly and closely monitor our current and expected liquidity requirements to maintain our rolling cash flow at a level which is considered adequate by our management to finance our operations and to maintain sufficient cash to meet our business operation and development requirements.

Our management monitors capital using the debt to equity ratio. Our Directors consider that we will be able to maintain sufficient financial resources to meet our needs. Please refer to Note 3 of the accountant's report included as Appendix I to this prospectus for further details regarding our liquidity risk.

### **MATERIAL ADVERSE CHANGE**

Our Directors confirm that save as disclosed in the sections headed "Summary – Recent Developments" and "Summary – Listing Expenses" of this prospectus, since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See section headed “Business – Business Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS FROM THE SHARE OFFER

Based on the Offer Price of HK\$1.00 per Offer Share (being the mid-point of the estimated Offer Price range), the net proceeds of the Share Offer are expected to be approximately HK\$85.7 million after deducting the underwriting fees and commissions and estimated expenses payable by our Group in relation to the Share Offer.

Our Directors intend to use the net proceeds from the Share Offer for the following purposes:

- approximately HK\$62.5 million (being approximately 73% of net proceeds) will be used for the opening/optimising of up to 14 teaching centres in the coming two to three years upon Listing. We intend to open/optimize up to five teaching centres of around 5,000 sq. ft. and up to nine teaching centres of around 2,000 sq. ft. across various districts in Hong Kong for various education services and products. We intend to use a combination of capital investment by way of:
  - approximately HK\$29.0 million for acquisition of premise(s) to be used as teaching centre(s);
  - approximately HK\$11.8 million for acquisition of established teaching centres and/or opening of new Beacon Childhood teaching centres on our own for the expansion of our Beacon Childhood business; and
  - approximately HK\$6.1 million for establishment of new teaching centres and approximately HK\$15.6 million for optimisation of existing teaching centres.

As at the Latest Practicable Date, we had not identified any specific acquisition target or confirmed the number and type of schools to be acquired or the timeframe for incurring the acquisition expenditure;

- approximately HK\$15.8 million (being approximately 19% of net proceeds) for non-teaching staff recruitment and upgrading of teaching centres facilities and IT infrastructure (including IT systems, audio-visual systems, student learning and management portal, mobile application and system security) to enhance the students’ learning experience and to cope with the growth of our business and the expansion of our network of teaching centres;
- approximately HK\$5.4 million (being approximately 6% of net proceeds) for marketing activities in order to further enhance our brand awareness and image in Hong Kong, including the placement of advertisements across various media platforms; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- the remaining amount of approximately HK\$2.0 million (being approximately 2% of net proceeds) will be used for funding working capital and general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.10 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$12.1 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.90 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$12.1 million.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of its future development plans as intended, we intend to place the net proceeds on deposit with banks or other financial institutions or held in government issued securities.

In the event there is to be a material modification to the use of proceeds as described above, we plan to issue an announcement of the modification.

### REASONS FOR THE LISTING AND THE SHARE OFFER

Our Company and our Directors believe that the Listing represents an important step for our Group to implement our business strategies and expansion plans after our long history of establishment and devotion to the education industry. The Share Offer is strategically critical to the long-term growth of our Group's business as it can provide our Group with additional capital to implement our future plans set out in this section. In addition, our Directors believe that being a company listed on the Stock Exchange will give us the following benefits.

#### **Enhancing confidence in services and brand, strengthening our Group's credibility and competitiveness**

Our Directors believe that a listing status will enhance our Group's credibility with its tutors and customers (i.e. students and parents), and thus enhance the level of competitiveness of our Group, which in turn benefits our Group in tutor/teacher retention, and attracts more quality tutors/teachers to join our Group, thus further strengthening our principal business. Our Directors believe that the enhanced level of information transparency after the Listing, by which our Group's existing and prospective students, their parents, the tutors and the public may have more access to our Group's corporate and financial information and could generate further confidence in our Group's services among our stakeholders. The status of being a listed company in Hong Kong will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our customer base and market share within the industry; and facilitate our Group to achieve different business growth and/or diversification opportunities, such as collaboration with scholars, educators and business partners, if any, when opportunity arises.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Diversification of shareholder base and enhancement of liquidity in trading of Shares**

Our Directors are of the view that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of Shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify our Company's shareholder base and potentially lead to a more liquid market in the trading of its Shares, which would benefit our Group in higher flexibility for future fund raising.

### **Expediting our expansion plan without exerting extra pressure on financial position and cash flow**

Our Group plans to seek equity fund raising by way of the Share Offer and the Listing instead of continuing to use the historical capital structure and internal resources to fund our future growth, as it will place undue financial burden on our Group in terms of cash flow if our expansion plan is solely funded by our internal capital resources for growth purpose.

As set out on p.130 of this prospectus, the number of Beacon teaching centres was 18 for all year end or period end except for 31 July 2017 when it had 19 Beacon teaching centres. Although the number of Beacon teaching centres was relatively stable during the Track Record Period, the maximum classroom capacity at all of Beacon teaching centres dropped from 4,544 on 31 July 2015 to 3,873 as at the Latest Practicable Date by approximately 14.8%. Reasons for the drop of the maximum classroom capacity were mainly due to (1) escalating rental rate; and (2) limited resources of our Group. All of these resulted in our Group proceeding with optimisation plan of our Group's teaching centres during the Track Record Period, including downsizing certain teaching centres and closure of certain teaching centre with low utilisation rate. On this basis, our Directors consider that our Group did not expand our operation during the Track Record Period. Moreover, our Directors consider that the existing internal resources of our Group pose a constraint for our expansion.

In order to combat the adverse impact of the drop of maximum classroom capacity on our Group's revenue, management of our Group adopted a number of measures to promote utilisation rate of teaching centres, including the engagement of renowned tutors (such as Tutor F and Tutor G as referred to in this Prospectus), and enhancement of course offerings. The revenue of our Group was approximately HK\$376 million for both of FY2016 and FY2017 (FY2015: approximately HK\$328 million). Management of our Group believes that the lack of growth in revenue in FY2017 was mainly attributable to a drop in our maximum classroom capacity.

During the long history of our Group's operation, due to limited financial resources and increasing costs pressure, we could only utilise and allocate our available financial resources for the expansion and development on those essential items, but had to accord lower priority to those less important business plans, notwithstanding such plans are, from the perspective of the management, beneficial to the development of our Group as a whole. With the additional resources, our Group considers it will become able to engage more advanced technology and equipment to consolidate our commitment to enhance students'

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## FUTURE PLANS AND USE OF PROCEEDS

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learning experience. Such investment is considered by management to be necessary for us to maintain our competitive lead over, and to out-perform our competitors in the Hong Kong tutorial market in this fast-moving era.

The revenue stream of our Group is subject to seasonal factors as illustrated by the seasonality analysis in paragraph headed “Seasonality” under the section headed “Business” in this prospectus, whereas certain expenses incurred by and cash outflows of our Group on a regular basis are fixed in nature, including operating lease charges, staff costs (excluding those for tutors and teaching assistants) and certain other operating expenses. This could result in net cash outflow exposure during the slack season.

Our Group’s operating lease commitment within one year amounted to approximately HK\$37.5 million, HK\$45.5 million, HK\$40.6 million and HK\$42.5 million as at the respective balance sheet dates of 31 July 2015, 2016 and 2017, and 31 December 2017 respectively.

Our Group had cash and cash equivalents of approximately HK\$73.7 million as at 30 April 2018. However, as outlined and disclosed in “Future Plans and Use of Proceeds – Reasons for the Listing and the Share Offer” in this prospectus, due to (a) the highly fluctuating cash flow of the industry and (b) significant amount of operating lease commitment within one year (amounted to approximately HK\$42.5 million as at 31 December 2017), our Group adopted prudent cash management by maintaining a high level of cash and bank balances which are sufficient for about three to six months’ usage. Our Group recorded a net cash outflow during the slack season from April to July of approximately HK\$14.9 million, HK\$26.8 million and HK\$42.7 million for the period from April to July in 2015, 2016 and 2017 respectively (mainly due to seasonal factors, i.e. most secondary school public examinations and internal examinations are being held or will have been held, and secondary school students are not inclined to attend tutorial lessons during these months).

In view of our Group’s substantial tutor costs and rental expenses and the foreseeable net cash outflow during the months from April to July of each year, which is the traditional slack period for the Hong Kong private supplementary secondary school education services industry, our Directors consider that it is prudent and crucial by keeping sufficient working capital to accommodate the budgeted cash outflow for about three to six months, as well as to deal with any financial needs which may arise from unforeseeable events (failing which our Group’s business operation may be disrupted). Our Directors consider that our current working capital could only support our current scale of operations, but is not sufficient to support the expansion plan. As such, extra working capital is crucial for our Group to capture the potential business opportunities and to facilitate the implementation of our expansion plan in a faster pace without exerting additional pressure on our financial position and cash flow.

Our Group’s fixed operating expenses primarily comprise staff costs (in respect of non-teaching staff), rental expenses and other general and administrative expenses (save for printing costs). During each of the three years ended 31 July 2015, 2016 and 2017, our Group’s monthly average fixed operating expenses amounted to approximately HK\$11.9 million, HK\$13.2 million and HK\$13.1 million, respectively with a simple average of

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## FUTURE PLANS AND USE OF PROCEEDS

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approximately HK\$12.7 million. Among the cash and cash equivalents of approximately HK\$73.7 million held by our Group as at 30 April 2018, approximately HK\$14.5 million were receipts in advance, which represented tuition fees collected for private supplementary secondary school tutoring services that had not been rendered before 30 April 2018, and (for prudent cash management reasons) such cash usually will not be utilised by our Group until the relevant tuition services are rendered.

	<i>HK\$ million</i>		
Cash and cash equivalents on 30 April 2018	73.7	<b>A</b>	
Less: receipts in advance on 30 April 2018	(14.5)	<b>B</b>	
 Sub-total	 59.2	 <b>C=A-B</b>	
 Our Group's monthly simple average fixed operating expenses during the three years ended 31 July 2015, 2016 and 2017	 12.7	 <b>D</b>	
 Number of months for cash and cash equivalents (excluding receipts in advance) on 30 April 2018 to meet our operation (in terms of our monthly simple average fixed operating expenses of HK\$12.7 million during the three years ended 31 July 2015, 2016 and 2017)	 4.7 months	 <b>E=C/D</b>	

As shown in the table above, the period of 4.7 months is consistent with our Group's policy.

Our Directors are of the view that there are potential business opportunities in the market, which is supported by the industry expert as set out in the section headed "Industry Overview" in this prospectus. In order to capture these business opportunities, our Directors take the view that our Group has the business need to expand and optimise our teaching centres and upgrade our existing teaching infrastructure and facilities. Additional funding is required to achieve it. Otherwise, it will exert pressure on working capital of our Group or cause postponement in implementing the expansion plan. Accordingly, our Directors consider that there is a genuine need to raise additional fund from the Listing so as to expand our business and capture the business opportunities in the market.

Our Directors also consider that, apart from raising funds, one of the advantages of being a listed company is that our Company would then be able to offer share options and/or award to, among others, teaching and long term staff of our Company (our Company has been in operation for nearly 29 years) which is a common practice for listed companies to retain and encourage senior management and talented employees and the management of our Group considers this kind of incentive scheme is important since the quality-teaching team and long term staff contribute to part of our Group's success in the last 29 years and the incentive scheme is considered in the interests of our Group and the Shareholders as a

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## FUTURE PLANS AND USE OF PROCEEDS

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whole. While there are no plans to issue any options at this stage, the Chapter 17 compliant scheme that our Company proposes to adopt is expected to provide a degree of flexibility that will give our Company a competitive advantage.

Further, our Directors decided to proceed with the form of equity financing for the purpose of the expansion plan, instead of solely relying on debt financing for the following reasons: (i) the finance costs will result in interest expenses and accordingly increase our Group's gearing ratio; (ii) it is not required for us to retain a portion of our business income for loan repayment under equity financing and our Company can retain the flexibility and capability for business development of our Group and for dividend payment; (iii) the market speculation that interest rate in Hong Kong is set to rise and the use of debt financing for a relatively significant amount and the subsequent renewal of the debt will subject our Group to risk of increasing financing costs; and (iv) debt financing and equity financing are not mutually exclusive, but our Group may have a better position to bargain for more favourable terms from debt financiers if our Group has a larger equity base after the Listing and become a listed company. As such, our Directors are of the view that raising capital by debt financing for the time being would not be beneficial to our Group and our Shareholders as a whole, and equity financing is more appropriate for financing the expansion plan.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITER**

**VMS Securities Limited**

### **SOLE BOOKRUNNER**

**VMS Securities Limited**

### **JOINT LEAD MANAGERS**

*(in respect of the Placing only)*

**VMS Securities Limited**

**Great Roc Capital Securities Limited**

### **CO-MANAGERS**

*(in respect of the Placing only)*

**Fortune (HK) Securities Limited**

**China Sky Securities Limited**

**Halcyon Securities Limited**

**First Capital Securities Limited**

### **UNDERWRITING ARRANGEMENTS**

#### **Public Offer**

#### **Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement entered into on 29 June 2018, our Company is offering initially 12,500,000 Public Offer Shares (subject to adjustment) for subscription by way of the Public Offer at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal, in all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter has agreed to procure subscribers, or failing which, it shall subscribe for the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

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## UNDERWRITING

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### Grounds for Termination

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner (which is also the Public Offer Underwriter) has the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if prior to the Termination Time:

- (a) there has come to the notice of the Sole Sponsor, the Sole Bookrunner or the Public Offer Underwriter, or the Sole Sponsor or the Sole Bookrunner or any Public Offer Underwriter have reasonable cause to believe:
  - (i) that any statement contained in any offer documents (as described in the Public Offer Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) considered by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not based on fair and reasonable assumptions; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Relevant Documents considered by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion to be material; or
  - (iii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the options which may be granted under the Share Option Schemes) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (iv) our Company withdraws any of the offer documents (as described in the Public Offer Underwriting Agreement) (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

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## UNDERWRITING

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- (v) any expert named in “F. Other Information – 10. Qualifications and consents of experts” under Appendix IV – Statutory and General Information to this prospectus has withdrawn its consent to being named in any or to the issue of this prospectus or the Application Forms and/or in any Relevant Documents; or
- (vi) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter) as determined by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion to be material; or
- (vii) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, the Controlling Shareholders, and the executive Directors (collectively called, the “**Warrantors**”) pursuant to the relevant provision in the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
- (viii) any adverse change or development involving a prospective adverse change (whether or not permanent) in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or
- (ix) any breach of, or any event or circumstances rendering untrue, incomplete or inaccurate, any of the representations, warranties, agreements and undertakings given by the Warrantors under the Public Offer Underwriting Agreement, as determined by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion to be material; or
- (x) any of the representations, warranties, agreements and undertakings given by the Warrantors under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading, deceptive or breached in any respect when given or repeated as determined by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion to be material or any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than upon any of the Public Offer Underwriter or the Placing Underwriters);
- (xi) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with the creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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## UNDERWRITING

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- (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Bookrunner (for itself, which is also Public Offer Underwriter) in its absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled, and the Sole Bookrunner, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
  - (xiii) any loss or damage has been sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Bookrunner (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or
  - (xiv) a contravention by any member of our Group of the Listing Rules or applicable laws or regulations as determined by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion to be material; or
  - (xv) any of our Directors and senior management members of our Company as set out in the “Directors and senior management” section of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
  - (xvi) the chairman or an executive Director of our Company vacating his or her office; or
  - (xvii) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares pursuant to the terms of the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency of war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the Cayman Islands, the BVI, PRC, the United States, the United Kingdom, the European Union as a whole, or where any member of our Group was incorporated (the “**Relevant Jurisdictions**”); or

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## UNDERWRITING

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- (ii) any change or development involving a prospective change, or any event or series of events or circumstances currently in existence or otherwise, likely to result in any change or development (whether or not permanent) involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, exchange control, credit or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures), in or affecting the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, deferral, provincial, state, regional, municipal, local, domestic or foreign (“**Authority**”)), New York (imposed at Federal or New York State level or other competent Authority), London, PRC, the European Union as a whole, the Cayman Islands, the BVI or any other jurisdiction where any member of our Group was incorporated, or any disruption in commercial banking or foreign exchange trading, procedures or matters in those places or jurisdictions; or
- (v) any new laws, regulations, policies or directives or any change or development involving a prospective change in existing laws, regulations, policies or directives or any change or development involving a prospective change in the interpretation or application thereof by any court, governmental authority or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union as a whole or any other country or organisation in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting the Relevant Jurisdictions; or
- (viii) there is a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the peg of the Renminbi to a basket of currencies including the United States dollar; or
- (ix) (save to the extent as having been reasonably disclosed in this prospectus), any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group; or
- (x) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xi) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Share Offer with the Listing Rules or any other applicable laws or regulation; or
- (xii) a genuine demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) a governmental authority or a political body or organisation has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in the “Directors and senior management” section of this prospectus,

which, individually or in aggregate, in the sole and absolute opinion of the Sole Bookrunner:

- (1) has, will have or could be expected to have a material adverse change, or any development likely to involve a prospective material adverse change, in the affairs or condition (financial, operational or otherwise), on the due incorporation or continual subsistence, or in the earnings, management, business, assets or liabilities, shareholders’ equity, results of operations or prospects of any member of our Group, whether or not arising in our ordinary course of business; or
- (2) has, will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or

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## UNDERWRITING

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- (3) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable for any part of the Public Offer Underwriting Agreement or the Share Offer to proceed; or
- (4) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance or implementation in accordance with the terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (5) makes or will or may make our Company to be unable to comply with the terms and conditions of the Share Offer, the Offer Shares, the Listing, and/or any other related matters to a material extent, with consideration of law(s).

### **Undertakings to the Stock Exchange Pursuant to the Listing Rules**

#### **Undertakings by Our Company**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except for Shares issued pursuant to (i) the Share Offer; or (ii) any of the circumstances provided under Rule 10.08 of the Listing Rules.

#### **Undertakings by our Controlling Shareholders**

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that they shall not and shall procure that the relevant registered holders controlled by them:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which our Controlling Shareholders are shown by this prospectus to be the beneficial owners (whether direct or indirect); or
- (b) in the period of six months immediately after the expiry of the First Six Month Period (“**Second Six Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be or cease to deem to be controlling shareholders (as defined in the Listing Rules) of our Company (“**Lock-up Restriction**”).

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## UNDERWRITING

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In addition to the undertaking given by our Controlling Shareholders to the Stock Exchange and our Company under paragraphs (a) and (b) above, our Controlling Shareholders voluntarily undertake to our Company that they shall continue be subject to the Lock-up Restriction for an additional period of 24 months immediately after the expiry of the Second Six Month Period (“**24-Month Period**”).

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Stock Exchange and to our Company respectively that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when any of them pledges or charges any securities of our Company beneficially owned by them in favor of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

### **Undertakings Pursuant to the Public Offer Underwriting Agreement**

#### **Undertakings by our Company**

Our Company has undertaken to the Sole Sponsor and the Sole Bookrunner (which is also the Public Offer Underwriter) that, and each of our Controlling Shareholders and executive Directors has undertaken irrevocably to the Sole Sponsor and the Sole Bookrunner (which is also the Public Offer Underwriter) to procure that except for the issue of the Shares pursuant to the Share Offer, or as otherwise with the Sole Sponsor’s and the Sole Bookrunner’s prior written consent and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the first six-month period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or

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## UNDERWRITING

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any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing, (collectively, “**Relevant Group Securities**”), or deposit any Relevant Group Securities with a depository in connection with the issue of depository receipts; or repurchase any Relevant Group Securities, or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Relevant Group Securities, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Relevant Group Securities); or
- (c) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Relevant Group Securities; or
- (d) enter into any transaction with the same economic effect as any transactions specified in paragraph (a), (b) or (c) above; or
- (e) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b), (c) or (d) above,

whether any of the foregoing transactions described in paragraph (a), (b), (c) or (d) above is to be settled by delivery of Shares or other securities of our Company or Shares of other member of our Group, in cash or otherwise (whether or not the issue of such share or other securities will be completed within the First Six-Month Period). Further, our Company will not, and will procure each other member of our Group not to, enter into any of the transactions specified in paragraph (a), (b), (c) or (d) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder (together with its close associates), either individually or taken together with the others of them would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period commencing on the date immediately following the expiry of the First Six-Month Period and ending on, and including, the date that is 36 months after the Listing Date (the “**Restriction Period**”). In the event of our Company entering into or agreeing to enter into or announcing any of the foregoing transactions, during the Restriction Period, it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

### **Undertakings by our Controlling Shareholders**

Each of our Controlling Shareholders have jointly and severally undertaken to the Company, the Sole Sponsor and the Sole Bookrunner (which is also the Public Offer Underwriter) that, unless in compliance with the Listing Rules:

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## UNDERWRITING

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- (a) he/she/it will not, and will procure that his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it who is/are the registered holder(s) (“**Related Parties**”) will not, without the Sole Sponsor’s and the Sole Bookrunner’s prior written consent at any time during the First Six-Month Period (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any options, warrants, rights, interests or encumbrance over, or agree to transfer or dispose of or create an encumbrance over, including the creation or entry into any agreement to create any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition, either directly or indirectly, conditionally or unconditionally (collectively, the “**Disposing Actions**”), any Shares or other securities of our Company or any interest therein beneficially owned by it/him/her directly or indirectly through its controlled entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts and the issuance and allotment of any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise; or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Relevant Securities; or; (ii) conduct or enter into any of the Disposing Actions on any shares or interest in any company controlled by it or any of its close associates which is the beneficial owner (directly or indirectly) of any of such Relevant Securities (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (iv) enter into or effect any transaction or offer to or agree to enter into or effect any transactions with the same economic effect as any of the transactions referred to in sub-paragraphs (i), (ii) or (iii) above; or (v) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (i), (ii), (iii) or (iv) above, which any of the foregoing transactions referred to in sub-paragraphs (i), (ii), (iii), (iv) or (v) is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) he/she/it will not, and will procure that the Related Parties will not, at any time during the Restriction Period enter into any of the foregoing transactions in paragraph (a)(i), (ii), (iii) or (iv) above or agree or announce any intention to enter into any such transactions if, immediately following such transaction, he/she/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as such term is defined in the Listing Rules) of our Company;

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## UNDERWRITING

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- (c) in the event that he/she/it enters into any such transactions or agrees to or announces an intention to enter into any such transactions within the Restriction Period, he/she/it will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of our Company.
- (d) comply with and procure that the Related Parties will comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the Related Parties of any Shares or other securities of our Company.

Each of our Controlling Shareholders have jointly and severally undertaken to our Company, the Sole Sponsor, Sole Bookrunner (which is also the Public Offer Underwriter) that at any time after the date of the Public Offer Underwriting Agreement up to and including the date which is the expiry date of the Restriction Period, our Controlling Shareholders will:

- (i) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which she/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Sole Bookrunner in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (ii) when he/she/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be or have been sold, transferred or disposed of, immediately inform our Company, and the Sole Sponsor and the Sole Bookrunner in writing of any such indication.

Our Company has undertaken to the Sole Sponsor and the Sole Bookrunner to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraphs (i) and (ii) above immediately, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

### **Indemnity**

We, the Controlling Shareholders and the executive Directors have agreed to indemnify the Public Offer Underwriter for certain losses which it may suffer, including, among other things, losses arising from the performance of its obligations under the Public Offer Underwriting Agreement (other than losses which are attributable to actions of the Public Offer Underwriter) and any breach by us of the provisions of the Public Offer Underwriting Agreement.

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## **UNDERWRITING**

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### **PLACING**

#### **Placing Underwriting Agreement**

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, amongst others, the Sole Bookrunner, the Joint Lead Managers, the Co-Managers and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally (but not jointly nor jointly and severally) agree to act as agents of our Company to procure subscribers for, or failing which they shall subscribe for, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Public Offer – Undertakings Pursuant to the Public Offer Underwriting Agreement” above in this section.

#### **COMMISSION AND EXPENSES**

The Public Offer Underwriter will receive an underwriting commission and management fee of 5.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the relevant Placing Underwriters and not the Public Offer Underwriter. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

The aggregate commissions, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$39.3 million (assuming an Offer Price of HK\$1.00 per Offer Share, which is the mid-point of the estimated Offer Price range) in total and are payable and borne by our Company.

#### **INDEPENDENCE OF SOLE SPONSOR**

VMS satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### UNDERWRITERS' INTERESTS IN OUR COMPANY

The Underwriters will receive underwriting commissions and/or selling concessions and/or praecipium and/or management fee pursuant to the Underwriting Agreements. Particulars of such underwriting commission and expenses are set out in the paragraph headed "Commission and expenses" above in this section. Our Company has appointed VMS as (a) the Sole Sponsor; and (b) our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after such Listing Date and such appointment may be subject to extension by mutual agreement. Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. VMS Securities Limited is the Sole Bookrunner.

The Share Offer consists of (subject to adjustment):

- (i) the Public Offer of 12,500,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in “The Public Offer” below; and
- (ii) the Placing of 112,500,000 Shares (subject to adjustment as mentioned below).

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer without taking into account any options which have been or may be granted under the Share Option Schemes.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Public Offer Shares and Placing Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in “The Public Offer” below.

### THE PUBLIC OFFER

#### Number of Shares Initially Offered

Our Company is initially offering 12,500,000 Shares at the Offer Price under the Public Offer, representing 10% of the 125,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares initially offered under the Public Offer will represent 2.5% of our total issued share capital immediately after completion of the Share Offer, without taking into account any options which have been or may be granted under the Share Option Schemes.

In Hong Kong, individual retail investors are expected to apply for the Public Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Placing Shares will not be allotted Placing Shares in the Placing.

The Sole Bookrunner (on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner and the Sole Sponsor so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for the Public Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (with any odd board lots being allocated to Pool A). Pool A will comprise 6,252,000 Public Offer Shares and Pool B will comprise 6,248,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B. Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B.

Multiple or suspected multiple applications and any application for more than 6,248,000 Offer Shares are liable to be rejected.

### Reallocation

The allocation of Shares between the Public Offer and the Placing is subject to adjustment and reallocation on the following basis.

Where the Placing Shares are fully subscribed or oversubscribed:

- (a) if the Offer Shares are undersubscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate;
- (b) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 12,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 25,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
- (c) if the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 37,500,000, 50,000,000 and 62,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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case of (ii) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Share Offer, and such reallocation being referred to in this prospectus as “Mandatory Reallocation”.

Where the Placing Shares are undersubscribed, (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; or (b) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 12,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 25,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Offer Shares are fully subscribed or oversubscribed by less than 15 times or (yy) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.90 per Offer Share) stated in this prospectus.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 25,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner and such additional Offer Shares will be allocated to Pool A and Pool B equally. If the Public Offer Shares are not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner and the Sole Sponsor deem appropriate.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Share Offer.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the Offer Price of HK\$1.10 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section entitled "How to apply for Public Offer Shares" of this prospectus below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

The level of applications in the Public Offer, the results of applications and basis of allotment of the Offer Shares are expected to be announced on Thursday, 12 July 2018 through a variety of channels as described in the section headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus.

### **PLACING**

#### **Number of Offer Shares initially offered**

Subject to adjustment as described in this section, 112,500,000 Placing Shares are offered by our Company for subscription, representing 90% of the total number of the Offer Shares initially available under the Share Offer.

#### **Allocation**

The Placing will include selective marketing of Offer Shares to institutional and professional investors and/or other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Price determination of the Share Offer" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole. The Sole Bookrunner (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Offer Shares under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective professional, institutional and/or other investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as book-building, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on Saturday, 7 July 2018 by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will be not more than HK\$1.10 per Share and is expected to be not less than HK\$0.90 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Bookrunner, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of our Company ([www.bexcellentgroup.com](http://www.bexcellentgroup.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The net proceeds of the Share Offer to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$85.7 million assuming an Offer Price of HK\$1.00 per Share, being the mid-point of the indicative Offer Price range of HK\$0.90 to HK\$1.10 per Share.

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares available under the Public Offer, are expected to be announced on Thursday, 12 July 2018 on the website of our Company ([www.bexcellentgroup.com](http://www.bexcellentgroup.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Share Offer on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published by us on the website of our Company ([www.bexcellentgroup.com](http://www.bexcellentgroup.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in “How to apply for Public Offer Shares”. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 12 July 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Friday, 13 July 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii)

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

An application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; and (iii) the exercise of any options that may be granted under the Share Option Schemes.

No part of our Company's share or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to deal in our Company's Shares as aforesaid is being or proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their licenced securities dealers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 13 July 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 13 July 2018. Shares will be traded in board lots of 4,000 Shares each.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Friday, 6 July 2018 from:

- (i) the following office of the Sole Bookrunner

<b>Public Offer Underwriter</b>	<b>Address</b>
VMS Securities Limited	49/F, One Exchange Square 8 Connaught Place Central Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ii) the following branches of the receiving bank DBS Bank (Hong Kong) Limited:

	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	Queen's Road East – DBS Treasures Centre	Shop A, G/F, Jonsim Place, 228 Queen's Road East, Wanchai
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok, Kowloon
	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street, Yaumatei
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Friday, 6 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – BExcellent Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Saturday, 30 June 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, 3 July 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 4 July 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 5 July 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 6 July 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 July 2018, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Bookrunner (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Bookrunner and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE PROVIDER**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, 30 June 2018 until 11:30 a.m. on Friday, 6 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 July 2018, or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Bookrunner and our Hong Kong Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that the Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Bookrunner, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 (as applied by Section 342E) of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, 3 July 2018: . . . . . 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, 4 July 2018: . . . . . 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 5 July 2018: . . . . . 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, 6 July 2018: . . . . . 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 6:00 a.m. on Monday, 2 July 2018 until 12:00 noon on Friday, 6 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 6 July 2018, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (WUMP) Ordinance.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Bookrunner, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, our Directors, the Sole Bookrunner, the Sole Sponsors and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 6 July 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure and conditions of the Share Offer – Price determination of the Share Offer” in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 12 July 2018 on the Company’s website at [www.bexcellentgroup.com](http://www.bexcellentgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.bexcellentgroup.com](http://www.bexcellentgroup.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 12 July 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. Thursday, 12 July 2018 to 12:00 midnight on Wednesday, 18 July 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 12 July 2018 to Tuesday, 17 July 2018 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 12 July 2018 to Monday, 16 July 2018 at all the receiving bank branches and sub-branches.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 6,248,000 Public Offer Shares.

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 12 July 2018.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 12 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 13 July 2018 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 12 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 12 July 2018 or before by ordinary post and at your own risk.

#### **(ii) If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 12 July 2018 or before by ordinary post and at your own risk.

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 12 July 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 pm on Thursday, 12 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **(iii) If you apply through the HK eIPO White Form service**

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 12 July 2018 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 12 July 2018 or before by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### (iv) If you apply via Electronic Application Instructions to HKSCC

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 12 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" in this section on Thursday, 12 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, 12 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 12 July 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 12 July 2018.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEXCELLENT GROUP HOLDINGS LIMITED (FORMERLY KNOWN AS BEACON GROUP HOLDINGS LIMITED) AND VMS SECURITIES LIMITED**

***Introduction***

We report on the historical financial information of BExcellent Group Holdings Limited (formerly known as Beacon Group Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the consolidated statements of financial position as at 31 July 2015, 2016, 2017 and 31 December 2017, the Company statements of financial position as at 31 July 2015, 2016, 2017 and 31 December 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

***Directors' responsibility for the Historical Financial Information***

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

***Reporting accountant's responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 July 2015, 2016, 2017 and 31 December 2017 and the consolidated financial position of the Group as at 31 July 2015, 2016, 2017 and 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the five months ended 31 December 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong

Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by BExcellent Group Holdings Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

30 June 2018

## I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## (a) Consolidated statements of comprehensive income

	Note	Year ended 31 July			Five months ended 31 December	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
					<i>(Unaudited)</i>	
Revenue	5	327,817	376,225	376,396	170,473	195,837
Other income	6	185	244	1,063	750	384
Other losses – net	6	(122)	(489)	(347)	(1)	(333)
Staff costs	7	(134,910)	(137,964)	(106,008)	(45,989)	(43,043)
Tutor service fees		(24,695)	(43,447)	(83,606)	(26,737)	(41,704)
Operating lease payments		(49,691)	(56,997)	(52,483)	(21,861)	(22,472)
Advertising and promotion expenses		(17,969)	(15,944)	(16,548)	(10,054)	(8,577)
Printing and other operating expenses		(57,293)	(77,250)	(69,039)	(29,536)	(36,611)
Depreciation		(6,407)	(6,579)	(7,479)	(2,976)	(3,360)
<b>Profit before taxation</b>	9	36,915	37,799	41,949	34,069	40,121
Taxation	10	(6,146)	(7,531)	(7,898)	(6,014)	(7,702)
<b>Profit for the year/period</b>		30,769	30,268	34,051	28,055	32,419
<b>Other comprehensive income</b>						
<i>Item that may be reclassified to profit or loss</i>						
Fair value gain on available-for-sale financial asset		–	–	395	–	–
<b>Total comprehensive income for the year/period</b>		<u>30,769</u>	<u>30,268</u>	<u>34,446</u>	<u>28,055</u>	<u>32,419</u>

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Profit/(loss) attributable to					
– Owners of the Company	30,769	30,546	34,426	28,174	33,106
– Non-controlling interests	–	(278)	(375)	(119)	(687)
	<u>30,769</u>	<u>30,268</u>	<u>34,051</u>	<u>28,055</u>	<u>32,419</u>
Total comprehensive income/(loss) attributable to					
– Owners of the Company	30,769	30,546	34,821	28,174	33,106
– Non-controlling interests	–	(278)	(375)	(119)	(687)
	<u>30,769</u>	<u>30,268</u>	<u>34,446</u>	<u>28,055</u>	<u>32,419</u>
Earnings per share <i>(Note (a))</i> : Basic and diluted <i>(expressed in HK\$'000)</i>	11	<u>3,077</u>	<u>3,055</u>	<u>3,482</u>	<u>2,817</u>
		<u>3,311</u>			

*Note (a):* The earnings per share has not been adjusted for the proposed capitalisation issue of 374,999,990 shares pursuant to the shareholder resolution dated 21 June 2018 because the proposed capitalisation issue has not become effective as at the date of this report.

## (b) Consolidated statements of financial position

		As at 31 July		As at 31 December	
	Note	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	18,011	21,493	20,449	24,980
Prepayments	17	7,476	11,028	14,099	13,636
Deferred tax assets	14	1,528	1,695	1,719	2,292
Available-for-sale financial asset	15	—	—	2,395	2,395
		<u>27,015</u>	<u>34,216</u>	<u>38,662</u>	<u>43,303</u>
<b>Current assets</b>					
Accounts receivables	16	381	469	976	1,444
Deposits, prepayments and other receivables	17	22,274	20,247	29,121	51,336
Income tax recoverable		—	32	55	54
Amount due from a related company	18	—	—	45	—
Amounts due from shareholders	18	40,931	40,931	—	—
Cash and cash equivalents	19	33,490	66,949	52,990	61,760
Short-term deposits	19	911	911	913	913
		<u>97,987</u>	<u>129,539</u>	<u>84,100</u>	<u>115,507</u>
		<u>125,002</u>	<u>163,755</u>	<u>122,762</u>	<u>158,810</u>

	Note	As at 31 July		As at 31 December	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
<b>Equity</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	23	–	–	–	–
Other reserves	24	5,711	6,182	8,799	9,731
Retained earnings		<u>67,758</u>	<u>98,304</u>	<u>57,730</u>	<u>70,836</u>
		73,469	104,486	66,529	80,567
Non-controlling interests		<u>–</u>	<u>(275)</u>	<u>1,408</u>	<u>721</u>
<b>Total equity</b>		<u>73,469</u>	<u>104,211</u>	<u>67,937</u>	<u>81,288</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Amounts due to related companies	18	30	30	42	–
Receipts in advance	20	21,781	20,188	19,320	36,744
Other payables	21	19,773	26,278	22,035	28,483
Current income tax payable		<u>8,626</u>	<u>9,394</u>	<u>10,526</u>	<u>8,955</u>
		<u>50,210</u>	<u>55,890</u>	<u>51,923</u>	<u>74,182</u>
<b>Non-current liabilities</b>					
Other non-current liabilities	21	1,323	3,654	2,885	3,172
Deferred tax liabilities	14	<u>–</u>	<u>–</u>	<u>17</u>	<u>168</u>
		<u>1,323</u>	<u>3,654</u>	<u>2,902</u>	<u>3,340</u>
<b>Total liabilities</b>		<u>51,533</u>	<u>59,544</u>	<u>54,825</u>	<u>77,522</u>
<b>Total equity and liabilities</b>		<u>125,002</u>	<u>163,755</u>	<u>122,762</u>	<u>158,810</u>
<b>Total assets less current liabilities</b>		<u>74,792</u>	<u>107,865</u>	<u>70,839</u>	<u>84,628</u>

## (c) Statements of financial position

	Note	As at 31 July			As at 31
		2015	2016	2017	December
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
<b>Assets</b>					
<b>Non-current asset</b>					
Investment in a subsidiary		95,700	95,700	20,700	20,700
<b>Current asset</b>					
Amount due from a subsidiary	18	–	–	1,836	8,000
<b>Total assets</b>		<u>95,700</u>	<u>95,700</u>	<u>22,536</u>	<u>28,700</u>
<b>Current liability</b>					
Amount due to a subsidiary	18	–	9,864	–	2,692
<b>Total liability</b>		<u>–</u>	<u>9,864</u>	<u>–</u>	<u>2,692</u>
<b>Equity</b>					
<b>Equity attributable to owners of</b>					
Share capital	23	–	–	–	–
Other reserves	24	95,700	96,171	23,393	24,325
(Accumulated losses)/ Retained earnings		–	(10,335)	(857)	1,683
<b>Total equity</b>		<u>95,700</u>	<u>85,836</u>	<u>22,536</u>	<u>26,008</u>
<b>Total equity and liability</b>		<u>95,700</u>	<u>95,700</u>	<u>22,536</u>	<u>28,700</u>
<b>Net current (liabilities)/ assets</b>		<u>–</u>	<u>(9,864)</u>	<u>1,836</u>	<u>5,308</u>
<b>Total assets less current liability</b>		<u>95,700</u>	<u>85,836</u>	<u>22,536</u>	<u>26,008</u>

## (d) Consolidated statements of changes in equity

	Note	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total equity HK\$'000	
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000			Total HK\$'000
<b>Balance at 1 August 2014</b>		<u>-</u>	<u>-</u>	<u>81,989</u>	<u>81,989</u>	<u>-</u>	<u>81,989</u>
Profit for the year		<u>-</u>	<u>-</u>	<u>30,769</u>	<u>30,769</u>	<u>-</u>	<u>30,769</u>
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>30,769</u>	<u>30,769</u>	<u>-</u>	<u>30,769</u>
<b>Transactions with owners in their capacity as owners</b>							
Issue of ordinary Shares	23	-	-	-	-	-	-
Dividend	12/26(b)	-	-	(45,000)	(45,000)	-	(45,000)
Deemed contribution from the Shareholders	24	-	5,711	-	5,711	-	5,711
<b>Total transactions with owners in their capacity as owners</b>		<u>-</u>	<u>5,711</u>	<u>(45,000)</u>	<u>(39,289)</u>	<u>-</u>	<u>(39,289)</u>
<b>Balance at 31 July 2015</b>		<u>-</u>	<u>5,711</u>	<u>67,758</u>	<u>73,469</u>	<u>-</u>	<u>73,469</u>
Profit/(loss) for the year		<u>-</u>	<u>-</u>	<u>30,546</u>	<u>30,546</u>	<u>(278)</u>	<u>30,268</u>
<b>Total comprehensive income/(loss)</b>		<u>-</u>	<u>-</u>	<u>30,546</u>	<u>30,546</u>	<u>(278)</u>	<u>30,268</u>
<b>Transactions with owners in their capacity as owners</b>							
Change in ownership interests in a subsidiary		-	-	-	-	3	3
Share-based compensation – value of employee services	8	-	471	-	471	-	471
<b>Total transactions with owners in their capacity as owners</b>		<u>-</u>	<u>471</u>	<u>-</u>	<u>471</u>	<u>3</u>	<u>474</u>
<b>Balance at 31 July 2016</b>		<u>-</u>	<u>6,182</u>	<u>98,304</u>	<u>104,486</u>	<u>(275)</u>	<u>104,211</u>

	Note	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total equity HK\$'000	
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000			Total HK\$'000
Profit/(loss) for the year		–	–	34,426	34,426	(375)	34,051
<b>Other comprehensive income</b>							
Fair value gain on available-for-sale financial asset	15	–	395	–	395	–	395
<b>Total comprehensive income/(loss)</b>		–	395	34,426	34,821	(375)	34,446
<b>Transactions with owners in their capacity as owners</b>							
Change in ownership interests in subsidiaries		–	–	–	–	2,058	2,058
Dividend	12/26(b)	–	–	(75,000)	(75,000)	–	(75,000)
Share-based compensation – value of employee services	8	–	2,222	–	2,222	–	2,222
<b>Total transactions with owners in their capacity as owners</b>		–	2,222	(75,000)	(72,778)	2,058	(70,720)
<b>Balance at 31 July 2017</b>		<u>–</u>	<u>8,799</u>	<u>57,730</u>	<u>66,529</u>	<u>1,408</u>	<u>67,937</u>
Profit/(loss) for the period		–	–	33,106	33,106	(687)	32,419
<b>Total comprehensive income/(loss)</b>		–	–	33,106	33,106	(687)	32,419
<b>Transactions with owners in their capacity as owners</b>							
Dividend	12/26(b)	–	–	(20,000)	(20,000)	–	(20,000)
Share-based compensation – value of employee services	8	–	932	–	932	–	932
<b>Total transactions with owners in their capacity as owners</b>		–	932	(20,000)	(19,068)	–	(19,068)
<b>Balance at 31 December 2017</b>		<u>–</u>	<u>9,731</u>	<u>70,836</u>	<u>80,567</u>	<u>721</u>	<u>81,288</u>

	<i>Note</i>	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
<i>(Unaudited)</i>							
Balance at 1 August 2016		–	6,182	98,304	104,486	(275)	104,211
Profit/(loss) for the period		–	–	28,174	28,174	(119)	28,055
<b>Total comprehensive income/(loss)</b>		–	–	28,174	28,174	(119)	28,055
<b>Transactions with owners in their capacity as owners</b>							
Dividend	12/26(b)	–	–	(50,000)	(50,000)	–	(50,000)
Share-based compensation – value of employee services	8	–	926	–	926	–	926
<b>Total transactions with owners in their capacity as owners</b>		–	926	(50,000)	(49,074)	–	(49,074)
<b>Balance at 31 December 2016</b>		–	7,108	76,478	83,586	(394)	83,192

## (e) Consolidated statements of cash flows

	Note	Year ended 31 July			Five months ended 31 December	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<i>(Unaudited)</i>						
<b>Cash flows from operating activities</b>						
Cash generated from operations	26(a)	37,702	60,830	35,827	35,575	51,119
Income tax paid		(5,684)	(6,963)	(6,793)	(6,793)	(9,696)
<b>Net cash generated from operating activities</b>		<u>32,018</u>	<u>53,867</u>	<u>29,034</u>	<u>28,782</u>	<u>41,423</u>
<b>Cash flows from investing activities</b>						
Purchases of property, plant and equipment		(6,945)	(10,551)	(6,782)	(1,784)	(8,224)
Purchases of available-for-sale financial asset	15	–	–	(2,000)	(2,000)	–
Amounts due from shareholders		30,848	–	–	–	–
Amounts due to shareholders		(93)	–	–	–	–
Increase in bank deposits with maturities over three months		–	–	(2)	–	–
Interest received		6	2	2	–	–
<b>Net cash generated from/(used in) investing activities</b>		<u>23,816</u>	<u>(10,549)</u>	<u>(8,782)</u>	<u>(3,784)</u>	<u>(8,224)</u>
<b>Cash flows from financing activities</b>						
Listing expenses paid in connection with the placing and public offer		(272)	(9,863)	(2,200)	(17)	(4,430)
Dividend paid	12/26(b)	(45,000)	–	(34,069)	(9,069)	(20,000)
Capital injection from non-controlling interests		–	3	2,058	–	–
Proceeds from disposal of subsidiaries (net of cash and cash equivalents)	27	35	–	–	–	–
<b>Net cash used in financing activities</b>		<u>(45,237)</u>	<u>(9,860)</u>	<u>(34,211)</u>	<u>(9,086)</u>	<u>(24,430)</u>

Note	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	10,597	33,458	(13,959)	15,912	8,769
Cash and cash equivalents beginning of the year/period	22,901	33,490	66,949	66,949	52,990
Exchange (losses)/gains on cash and cash equivalents	(8)	1	–	(1)	1
<b>Cash and cash equivalents at end of the year/period</b>	<u>33,490</u>	<u>66,949</u>	<u>52,990</u>	<u>82,860</u>	<u>61,760</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on 15 April 2015 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. 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 the subsidiaries now comprising the group (the "Group") principally engage in the provision for private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong (the "Listing Business"). The ultimate holding company is Beacon Enterprise Limited.

Prior to the incorporation of the Company and the completion of the reorganisation as described below in Note 1.2 (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group (the "Operating Companies"), which were collectively managed and controlled by Beacon College Limited through the school management agreements (the "Contractual Arrangement") throughout the Track Record Period, or since the respective dates of incorporation/establishment of the subsidiaries within the Group, or since the date when the subsidiaries within the Group first came under the control of Beacon College Limited, whichever is earlier.

Since Beacon College Limited, amongst other things, (i) engages all operational and teaching staff, including the tutors; (ii) owns all teaching materials and copyright subsisting in teaching activities; and (iii) manages student enrollment, registration and relevant administrative activities, all the Group's operational resources and intellectual properties are centralised and controlled by Beacon College Limited. Beacon College Limited has the power to direct the relevant activities of the Listing Business, including, among others, the selection of school location, decoration and utilities, licensing arrangement and legal compliances, provision of teaching staff and relevant manpower, providing teaching materials, administration of student enrollment, provision of marketing and promotional services and all other supports and services necessary for the management and operation of relevant teaching centres. In return, Beacon College Limited receives a management services fee based on a percentage of the gross income of the Operating Companies which are variable returns based on the actual performance of the relevant schools. Moreover, under the Contractual Arrangement, Beacon College Limited is exposed and has the right to the variable returns of the Listing Business.

Taking into account the above and the Contractual Arrangement, Beacon College Limited has power over the relevant activities of the Operating Companies which fulfilled the control requirements under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the results of the Operating Companies were consolidated by Beacon College Limited throughout the Track Record Period.

#### 1.2 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Pursuant to the Reorganisation, the Listing Business was transferred to the Company through the following steps:

- On 5 March 2015, Beacon Enterprise Limited was incorporated in the British Virgin Islands and 1,125, 1,125, 250, 250 and 250 shares were allotted and issued as fully paid at par to each of Ms. Leung Ho Ki, June, Mr. Ng King Hang, Mr. Tam Wai Lung, Ms. Leung Ho Yan and Mr. Chan Tsz Ying, Wister (collectively, the "Shareholders").
- On 6 March 2015, Beacon Group Limited was incorporated in the British Virgin Islands. Upon incorporation, one share of the Beacon Group Limited was allotted and issued to Beacon Enterprise Limited.

- On 15 April 2015, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares with par value of HK\$0.1 each. One ordinary share was allotted and issued, nil-paid to Beacon Enterprise Limited.
- On 23 April 2015, Mr. Tam Wei Lun, acting as nominee for and on behalf of Beacon College Limited, formally transferred his entire interest in the issued share capital of Supreme Master Corporation Limited to Beacon Group Limited, at a consideration of HK\$1.
- On 23 April 2015, Mr. Li Man Wai and Mr. Wong Kwok Ho, acting as nominees for and on behalf of Beacon College Limited, formally transferred their entire interest in the issued share capital of Beacon Education Limited (formerly known as Well Young Investments Limited) to Beacon Group Limited, at a consideration of HK\$2.
- On 23 April 2015, Mr. Li Man Wai, acting as a nominee for and on behalf of Beacon College Limited, formally transferred his entire interest in the issued share capital of Gift Dragon Limited, Universe Top Limited, Advance Bestway Limited, Gift Land Inc. Limited, Glocal Development Group Limited, Profit Reward Limited, Beacon Group Development Limited (formerly known as Wellfit Star Investment Limited) and Bexcellent Education Centre Limited to Beacon Group Limited, at a consideration of HK\$30,005.
- On 23 April 2015, Mr. Li Man Wai, acting as a nominee for and on behalf of Beacon College Limited, formally transferred his entire interest in the issued share capital of Easy Sky Limited to Beacon Holdings Limited.
- On 23 April 2015, the entire interest in the issued share capital in each of Beacon Continuing and Professional Education Limited, JR (CB) Limited, JR (MK) Limited, Beacon Learning and Development Centre Limited (formerly known as JR (SS) Limited), JR (ST) Limited, JR (TKO) Limited, JR (TM) Limited, BeConfident Alliance Limited (formerly known as JR (TW) Limited) and JR (YL) Limited held by Charm Gain Limited on trust for and on behalf of Beacon Holdings Limited, was formally reverted back to Beacon Holdings Limited.
- On 23 April 2015, New Creation Advertising Agency Limited, a company held by Mr. Li Sui Leung on trust for and on behalf of Beacon Holdings Limited, was formally reverted back to Beacon Holdings Limited.
- On 23 April 2015, Beacon Holdings Limited transferred its entire interest in Beacon Kids Club Limited, Beacon Sports Association Limited, Business Linkage Limited, JR (WC) Limited, JR (MOS) Limited, Joinway Consultant Limited, Smart Keen Limited, Charm Gain Limited and Nice China Limited to Mr. Li Man Wai, a director of the Company, at a consideration of HK\$45,021. Thereafter, Charm Gain Limited, Beacon Sports Association Limited, Beacon Kids Club Limited, Business Linkage Limited, JR (WC) Limited, JR (MOS) Limited, Joinway Consultant Limited, and Smart Keen Limited, which were inactive companies with no business activity during the Track Record Period, ceased to be subsidiaries of Beacon Holdings Limited.
- On 23 April 2015, the Shareholders transferred their entire interests in the issued share capital of Beacon College Limited to Beacon Group Limited. In consideration of the transfer, Beacon Enterprise Limited allotted and issued shares as fully paid at par of 1,125, 1,125, 250, 250 and 250 to Ms. Leung Ho Ki, June, Mr. Ng King Hang, Mr. Tam Wai Lung, Ms. Leung Ho Yan and Mr. Chan Tsz Ying, Wister respectively.
- On 23 April 2015, Mr. Tam Wai Lung and Mr. Ng King Hang, acting as nominees for and on behalf of Beacon College Limited, formally transferred their entire interests in the issued share capital of Beacon Holdings Limited to Beacon Group Limited, at a consideration of HK\$2.
- On 29 April 2015, Beacon Enterprise Limited transferred its entire interest in the issued share capital of Beacon Group Limited to the Company by crediting the Company's existing one nil-paid share in issue as fully paid. Upon completion of the Reorganisation, the Company has become the holding company of Beacon Group Limited and its subsidiaries.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following principal subsidiaries.

Name of company	Place and date of incorporation	Issued and paid-up share capital	Principal activities and place of operation	Effective interest held as at				Name of the auditors		
				31 July 2015	31 July 2016	31 December 2017	31 December 2017	31 July 2017		
<b>Indirectly owned:</b>										
Advance Bestway Limited	Hong Kong 11 February 2014	HK\$10,000	General business, operation under our sub-brand "Beacon BExcellent"	100%	100%	100%	100%	Note c	Note c	Note f
Ascent Prep International Education Limited	Hong Kong 7 February 2017	HK\$4,200,000	Operation of a teaching centre located in Causeway Bay	N/A	N/A	51%*	51%*	N/A	N/A	Note a
Beacon Childhood Education Centre Company Limited	Hong Kong 21 April 2011	HK\$1	Operation of childhood education centres in Prince Edward and Causeway Bay	100%	100%	100%	100%	Note c	Note c	Note f
Beacon Continuing and Professional Education Limited	Hong Kong 18 September 2000	HK\$2,000	Operation under our sub-brand "Beacon CAPE"	100%	100%	100%	100%	Note c	Note c	Note f
Beacon Holdings Limited	Hong Kong 11 May 2001	HK\$2	Investment holdings company	100%	100%	100%	100%	Note b	Note b	Note f
Beacon Learning and Development Centre Limited (formerly known as JR (SS) Limited)	Hong Kong 19 June 2002	HK\$2,000	Operation of activity education services	100%	100%	100%	100%	Note c	Note c	Note f
Easy Sky Limited	Hong Kong 9 March 2001	HK\$2	Operation of teaching centres in Kowloon Bay	100%	100%	100%	100%	Note b	Note b	Note f
Glocal Education Services Limited (formerly known as Glocal Training Centre Limited)	Hong Kong 2 June 2015	HK\$1,000	Engaged in the operations of overseas study consultancy services	70%	70%	70%	70%	Note a	Note c	Note f
JR (CB) Limited	Hong Kong 27 September 2002	HK\$10,000	Operation of teaching centres located in Causeway Bay and North Point	100%	100%	100%	100%	Note b	Note b	Note f
JR (MK) Limited	Hong Kong 31 July 2002	HK\$2	Operation of teaching centres located in Mong Kok and Tsim Sha Tsui	100%	100%	100%	100%	Note b	Note b	Note f
JR (ST) Limited	Hong Kong 29 May 2002	HK\$2,000	Operation of teaching centres located in Shatin	100%	100%	100%	100%	Note b	Note b	Note f
JR (TM) Limited	Hong Kong 19 June 2002	HK\$2,000	Operation of teaching centres located in Tuen Man, Tsuen Wan and Tseung Kwan O	100%	100%	100%	100%	Note b	Note b	Note f
JR (YL) Limited	Hong Kong 19 June 2002	HK\$2,000	Operation of teaching centres located in Yuen Long	100%	100%	100%	100%	Note b	Note b	Note f
Glocal Development Group Limited (formerly known as Professional Smart Limited)	Hong Kong 28 February 2014	HK\$10,000	Engaged in research and development within the education indirectly	70%	70%	70%	70%	Note c	Note c	Note f
Top News Limited	Hong Kong 11 March 2004	HK\$2	Operation of a teaching centre located in Tai Po	100%	100%	100%	100%	Note b	Note b	Note f
Beacon College Limited	Hong Kong 13 July 1993	HK\$30,000	Provision of school business management services	100%	100%	100%	100%	Note b	Note b	Note f
New Creation Advertising Agency Limited	Hong Kong 17 November 2005	HK\$10,000	Advertising agency	100%	100%	100%	100%	Note d	Note c	Note f
<b>Directly owned:</b>										
Beacon Group Limited	BVI 6 March 2015	US\$1	Investment holding company	100%	100%	100%	100%	Note g	Note g	Note g

\* The remaining 49% of equity interest is wholly owned by an unlisted Hong Kong company, which is owned as to 2.4% by Beacon Holdings Limited and recognised as the Group's available-for-sale financial asset.

*Notes:*

- (a) Audited financial statements were not required under the statutory requirements of their respective places of incorporation as they were incorporated within 18 months.
- (b) PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
- (c) Ray W.H. Chan & Co., Certified Public Accountants, Hong Kong.
- (d) CCP C.P.A. Limited, Certified Public Accountants, Hong Kong.
- (e) UBC & Co., Certified Public Accountants, Hong Kong.
- (f) These subsidiaries have not issued their statutory financial statements for the year ended 31 July 2017 up to the date of this report because these accounts are only required for tax filing before tax deadlines of the respective subsidiaries in accordance with the tax law applicable to them.
- (g) Audited financial statements were not required under the statutory requirements of their respective places of incorporation.

**1.3 Basis of presentation**

Immediately prior to and after the Reorganisation, the Listing Business has been conducted principally through Beacon College Limited, Beacon Education Limited (formerly known as Well Young Investments Limited), Beacon Group Development Limited (formerly known as Wellfit Star Investment Limited), Profit Reward Limited, Glocal Development Group Limited (formerly known as Professional Smart Limited), Gift Land Inc. Limited, Advance Bestway Limited, Universe Top Limited, Gift Dragon Limited, Supreme Master Corporation Limited, Bexcellent Education Centre Ltd., Beacon Holdings Limited and their respective subsidiaries which are the operating entities of the Group.

Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company and the intermediate holding entity have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transactions as described in Note 1.2 above are merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under Beacon College Limited for all the periods presented.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which is carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 below.

New standards and amendments to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period unless prohibited by the relevant standards to apply retrospectively.

New standards and amendments published by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are not yet effective and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after periods</b>
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 4	Applying HKFRS 9 <i>Financial Instrument</i> with HKFRS 4 <i>Insurance Contracts</i>	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendment to HKAS 40	Transfers of investment properties	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
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 2017, 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.

*(i) HKFRS 9 "Financial instruments"*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, for equity instruments currently classified as available-for-sale financial assets, satisfy the conditions for classifying as fair value through other comprehensive income (FVOCI). However, all fair value changes recognised in other comprehensive income can no longer be recycled to profit or loss under the new standard.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets arising from expected credit loss model, except for the prohibition from recycling of changes in fair value to profit or loss upon derecognition of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. As the Group does not have any current hedge relationships, the Group does not expect a significant impact on the accounting resulted from the adoption of HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on management's initial assessment, the adoption of the new standard may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply HKFRS 9 from 1 August 2018, with the practical expedients permitted under the standard, and accordingly will not restate comparative periods in the year of initial application. Based on the historical experience, the Group did not encounter any default cases. Thus, the implementation of HKFRS 9 is not expected to result in any significant impact on the amounts reported in respect of the Group's financial performance and position.

*(ii) HKFRS 15 "Revenue from contracts with customers"*

The new standard replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts, and the related literatures. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Based on management's initial assessment, the application of HKFRS 15 is not expected to have a significant impact as majority of the revenue is contributed from private supplementary secondary school education services and private secondary day school services, while education services are considered as a single performance obligation and recognised when services are rendered. The ancillary education services, such as interview preparation and supplementary primary school education and tutorial services under "Beacon Childhood" brand, IELTS, general interest and foreign language courses under "Beacon BExcellent" brand, are also considered as single performance obligation and recognised when services are rendered. While certain occasional separate performance obligations could affect the timing of the recognition of revenue and the amount is insignificant to the total revenue of the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group plans to adopt the new standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognized in the opening retained earnings at 1 August 2018 and comparative information for the year ended 31 July 2018 will not be restated. Based on the Group's assessment, the new standard will unlikely to have any material impact on the amounts reported in the Historical Financial Information.

(iii) **HKFRS 16 "Leases"**

The new standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. The Group's current accounting policy for such leases is set out in note 2.20. The Group's non-cancellable operating lease commitments as at 31 July 2015, 2016, 2017 and 31 December 2017, are amounting to HK\$54,887,000, HK\$80,515,000, HK\$82,893,000 and HK\$90,159,000 respectively, which are not reflected in the consolidated statements of financial position, are set out in note 29(b). 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 lease, though the effect is not expected to be significant.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) **Business combinations**

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

*(ii) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(iii) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

*Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

## 2.4 Foreign currency translation

### (a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in Hong Kong dollar which is the functional and the presentation currency of the Group's entities.

### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other losses – net'.

Translation differences on non-monetary financial assets and liabilities such as assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

## 2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fixtures	5 years
Office and laboratory equipment	5 years
Leasehold improvements	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

## 2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7 Financial assets

### (a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'accounts and other receivables' and 'cash and cash equivalents' in the statements of financial position (Notes 2.10 and 2.11).

#### (ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### (b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future assets and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.9 Impairment of financial assets

### (a) *Assets carried at amortised costs*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### (b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

## 2.10 Accounts and other receivables

Accounts and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

## 2.11 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and demand deposits held at call with banks with original maturities of three months or less.

**2.12 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.13 Receipts in advance**

Receipts in advance represent the tuition fee received while tuition services are not yet provided. The amount is recognised or amortised into the consolidated statements of comprehensive income as revenue when the tuition services are rendered.

**2.14 Other payables**

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.15 Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.16 Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the places where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service rendered, stated net of bursaries/allowances. The Group recognises revenue when the amount of revenue and costs can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

- (i) Income from private supplementary secondary school education services and private secondary day school services are recognised when courses are rendered;
- (ii) Income from ancillary education services and products are recognised when the services and products are rendered or sold; and
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.

**2.18 Employee benefits**

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

**(a) Pension obligations**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) Bonus plans**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's employees after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(c) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**2.19 Tutor service fees****(a) Service agreements**

Tutor service fees are calculated based on certain percentage of revenue from education services, net of certain variable expenses attributable to such tutor.

The tutor service fees are recognised as expense as incurred.

**(b) Share-based compensation expenses**

The Group operates an equity-settled pre-initial public offering share option scheme (the "Scheme") under which the Group receives services from a tutor in exchange of equity instruments (options) of the Group. The fair value of the tutor services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

**2.20 Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**2.21 Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**2.22 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**2.23 Related parties**

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (1) A person or a close member of that person's family is related to the company if that person:
  - (i) has control or joint control of the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (2) An entity is related to the company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (1).
- (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by management who identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Management provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### *(a) Market risk*

###### *(i) Foreign exchange risk*

Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. However, the Group's operations are mainly in Hong Kong. Foreign currency transactions and monetary assets and liabilities that are denominated in a currency that is not the functional currency of the entities within the Group are insignificant to the Group.

###### *(ii) Interest rate risk*

The Group's interest rate risk arises from bank balances. The Group's interest income will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. However, the relevant interest rate risk is insignificant to the Group.

##### *(b) Credit risk*

The credit risk of the Group mainly arises from deposits with banks, accounts receivables, deposits and other receivables, and amounts due from shareholders. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

Deposits are mainly placed with high-credit-quality financial institutions. Management considers that the credit risk associated with the deposits with banks and financial institution is low.

Accounts receivables mainly comprise of digital receipts generated from operations with no recent history of material defaults. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk.

##### *(c) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient working capital. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate working capital is available for operating, investing and financing activities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year/on demand HK\$'000</b>	<b>Over 1 year HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 July 2015</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	18,146	230	18,376
Amounts due to related companies	<u>30</u>	<u>–</u>	<u>30</u>
<b>At 31 July 2016</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	25,273	1,476	26,749
Amounts due to related companies	<u>30</u>	<u>–</u>	<u>30</u>
<b>At 31 July 2017</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	20,374	942	21,316
Amounts due to related companies	<u>42</u>	<u>–</u>	<u>42</u>
<b>At 31 December 2017</b>			
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	<u>27,143</u>	<u>648</u>	<u>27,791</u>

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to enhance returns for shareholders and benefits for other stakeholders.

With regard to maintenance and enhancement of capital structure, the Group considers relevant economic and market conditions and takes necessary measures for the beneficial interest of the Group and its shareholders.

The Group monitors capital on the basis of the Group's debt to equity ratio. During the Track Record Period, the Group has no debt and the capital of the Group is total equity as shown on the consolidated statements of financial position.

### 3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 July 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that is measured at fair value and classified as level 3 instruments for the year ended 31 July 2017 and period ended 31 December 2017.

	<b>Available for sale financial asset</b> <i>HK\$'000</i>
<b>Balance as at 1 August 2016</b>	–
Purchase of equity share of an unlisted Hong Kong company ( <i>Note 15</i> )	2,000
Fair value gain on available-for-sale financial asset included in other comprehensive income	<u>395</u>
Balance as at 31 July 2017 and 31 December 2017	<u><u>2,395</u></u>

The valuation is referenced to the recent transaction price of the shares without adjustment, and therefore no disclosure on quantitative information on unobservable input and sensitivity analysis is required. There were also no transfers between categories during the year.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Recognition of share-based compensation expenses

As mentioned in Note 2.19(b) and Note 8, the Group and a tutor's service company ("Service Company") entered into a service agreement (the "Agreement") dated 3 June 2016 pursuant to which share options will be granted to the Service Company under the Scheme. Judgement was used to determine the grant date of the share options.

The directors have used the Black Scholes Model to determine the total fair value of the options granted to a tutor's service company, which is to be expensed over the vesting period. Significant estimates on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, are required to be made by the directors in applying the Black Scholes model.

##### (b) Income taxes

The Group is principally subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) **Estimated useful lives of property, plant and equipment**

Management determines the estimated lives and related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

**5 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 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.

For each of the years ended 31 July 2015, 2016 and 2017 and periods ended 31 December 2016 and 2017, the CODM consider that the Group is operated and managed as a single operating segment.

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Private supplementary secondary school education services	286,538	335,819	333,040	155,258	179,503
Private secondary day school services	17,862	13,269	13,180	5,970	5,038
Ancillary education services and products	<u>23,417</u>	<u>27,137</u>	<u>30,176</u>	<u>9,245</u>	<u>11,296</u>
	<u>327,817</u>	<u>376,225</u>	<u>376,396</u>	<u>170,473</u>	<u>195,837</u>

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong during the Track Record Period. Ancillary education services and products mainly represent education related income including interview preparation and supplementary primary school education and tutorial services under "Beacon Childhood" brand, IELTS, general interest and foreign language courses under "Beacon BExcellent" brand, mock examination services, VIP self-study services and online course scheduling and management services.

## 6 OTHER INCOME AND OTHER LOSSES – NET

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Other income					
Sundry income	179	242	1,061	750	384
Interest income	6	2	2	–	–
	<u>185</u>	<u>244</u>	<u>1,063</u>	<u>750</u>	<u>384</u>
Other losses – net					
Loss on disposal of property, plant and equipment	(114)	(490)	(347)	–	(333)
Exchange differences	(8)	1	–	(1)	–
	<u>(122)</u>	<u>(489)</u>	<u>(347)</u>	<u>(1)</u>	<u>(333)</u>

## 7 STAFF COSTS

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Salaries, allowances and bonus	131,022	133,963	101,872	44,285	41,323
Pension costs – defined contribution retirement plans (note a)	3,888	4,001	4,136	1,704	1,720
	<u>134,910</u>	<u>137,964</u>	<u>106,008</u>	<u>45,989</u>	<u>43,043</u>

## (a) Pension costs – defined contribution retirement plans

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

**(b) Directors' and chief executive's emoluments**

The remuneration of every director and the chief executive for the year ended 31 July 2015 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emoluments (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	1,374	-	1,026	18	-	2,418
Mr. Chan Tsz Ying, Wister	-	928	-	216	18	-	1,162
Ms. Leung Ho Ki, June	-	1,680	-	-	18	-	1,698
Mr. Li Man Wai	-	960	-	-	18	-	978
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	-	-	-	-	-	-
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	4,942	-	1,242	72	-	6,256

The remuneration of every director and the chief executive for the year ended 31 July 2016 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emoluments (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	1,374	-	1,026	18	-	2,418
Mr. Chan Tsz Ying, Wister	-	1,028	-	216	18	-	1,262
Ms. Leung Ho Ki, June	-	1,680	-	-	18	-	1,698
Mr. Li Man Wai	-	960	-	-	18	-	978
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	-	-	-	-	-	-
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	5,042	-	1,242	72	-	6,356

The remuneration of every director and the chief executive for the year ended 31 July 2017 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emoluments (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	1,354	-	1,046	18	-	2,418
Mr. Chan Tsz Ying, Wister	-	974	-	228	18	-	1,220
Ms. Leung Ho Ki, June	-	1,680	-	-	18	-	1,698
Mr. Li Man Wai	-	960	-	-	18	-	978
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	-	-	-	-	-	-
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	4,968	-	1,274	72	-	6,314

The remuneration of every director and the chief executive for the period ended 31 December 2017 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emoluments (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	560	-	440	8	-	1,008
Mr. Chan Tsz Ying, Wister	-	500	-	-	8	-	508
Ms. Leung Ho Ki, June	-	700	-	-	8	-	708
Mr. Li Man Wai	-	400	-	-	8	-	408
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	76	-	-	-	-	76
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	22	-	-	-	-	22
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	2,258	-	440	32	-	2,730

The remuneration of every director and the chief executive for the period ended 31 December 2016 is set out below:

(Unaudited)

Name	Fees	Salary	Discretionary bonuses	Other benefit	Employer's contribution to pension scheme	Other emoluments	Total
	HK\$'000	HK\$'000	(Note (i)) HK\$'000	(Note (ii)) HK\$'000	HK\$'000	(Note (iii)) HK\$'000	
<i>Executive directors</i>							
Mr. Tam Wai Lung	-	570	-	430	8	-	1,008
Mr. Chan Tsz Ying, Wister	-	407	-	95	8	-	510
Ms. Leung Ho Ki, June	-	700	-	-	8	-	708
Mr. Li Man Wai	-	400	-	-	8	-	408
<i>Non-executive director</i>							
Dr. Shen Xu Hui	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Prof. Wong Roderick Sue Cheun	-	-	-	-	-	-	-
Mr. Kwan Chi Hong	-	-	-	-	-	-	-
Mr. Li Kai Sing	-	-	-	-	-	-	-
	-	2,077	-	525	32	-	2,634

- (i) Discretionary bonuses are determined on individual performance and approved by the Board of Directors.
- (ii) Other benefit represents rental allowance.
- (iii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.
- (iv) No director waived or agreed to waive any emoluments during the track record period.

**(c) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years 31 July, 2015, 2016 and 2017 and at the end of the period 31 December 2017 or at any time during the track record period.

## (d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director, 2 directors, 3 directors, 2 directors and 3 directors for the years ended 31 July 2015, 2016, 2017 and periods ended 31 December 2016 and 2017 respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual(s) are as follows:

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	41,978	44,288	10,934	4,428	965
Pension costs – defined contribution retirement plans	90	90	90	17	11
Bonus	–	–	–	–	–
Compensation for loss of office	–	–	–	–	–
	<u>42,068</u>	<u>44,378</u>	<u>11,024</u>	<u>4,445</u>	<u>976</u>

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
HK\$1 – HK\$500,000	–	–	–	–	2
HK\$500,001 – HK\$1,000,000	–	–	–	–	–
HK\$1,000,001 – HK\$1,500,000	–	–	–	2	–
HK\$1,500,001 – HK\$2,000,000	1	1	–	–	–
HK\$2,000,001 – HK\$2,500,000	1	–	–	1	–
HK\$2,500,001 – HK\$3,000,000	1	–	1	–	–
HK\$3,000,001 – HK\$3,500,000	–	–	1	–	–
HK\$3,500,001 – HK\$4,000,000	–	1	–	–	–
HK\$4,500,001 – HK\$5,000,000	–	–	–	–	–
HK\$8,000,001 – HK\$8,500,000	–	–	–	–	–
HK\$8,500,001 – HK\$9,000,000	–	–	–	–	–
HK\$10,000,001 – HK\$10,500,000	–	–	–	–	–
HK\$34,500,001 – HK\$35,000,000	–	1	–	–	–
HK\$35,000,001 – HK\$35,500,000	1	–	–	–	–
	<u>4</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>

## 8 SHARE-BASED COMPENSATION EXPENSES

On 3 June 2016, the Group entered into a contract with a tutor's service company, pursuant to which the service company will be granted share options of the Company. The exercise price of all options to be granted to the tutor's service company is 50% of the offer price of the intended initial public offering of the Company. The total number of shares which may be issued upon exercise of all share options shall be an aggregate of 5% of the issued share capital of the Company immediately upon completion of the initial public offering of the Company's shares and capitalisation of certain sums standing to credit of the share premium account of the Company. 30% of the share options shall vest on the first anniversary of the option legal grant date; another 30% of the share options shall vest on the second anniversary of the option legal grant date; and the remaining 40% of the share options shall vest on the third anniversary of the option legal grant date. The options are exercisable within a period of three years once the options become vested subject to service condition. Share-based compensation expenses are recognised over the options' respective vesting period starting from the contract signing date. The total expenses recognised in the consolidated statements of comprehensive income for share options were approximately HK\$471,000, HK\$2,222,000 and HK\$932,000 for the year ended 31 July 2016 and 2017 and the period ended 31 December 2017 respectively and were included in tutor service fees.

Based on the fair value of the underlying ordinary share, the directors have used Black-Scholes valuation model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Risk-free interest rate	0.858% – 1.276%
Volatility	35%
Dividend yield	0%

The fair value of the share option as at the grant date was HK\$0.6504.

## 9 PROFIT BEFORE TAXATION

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Profit before taxation has been arrived at after charging:</b>					
Depreciation of property, plant and equipment (Note 13)	6,407	6,579	7,479	2,976	3,360
Auditor's remuneration	378	735	526	175	215
Listing expenses	2,045	9,863	2,200	917	4,430
Rental expenses under operating leases	47,437	54,460	50,133	20,895	21,540
Staff costs (Note 7)	134,910	137,964	106,008	45,989	43,043
Tutor service fees	24,695	43,447	83,606	26,737	41,704
Advertising and promotion expenses	17,969	15,944	16,548	10,054	8,577
Printing and stationary	27,411	29,783	30,445	14,310	15,441
Air conditioning and utilities expenses	4,703	4,653	4,459	2,153	1,815
Building management fees	7,725	7,933	7,808	3,115	3,578
Office expenses	4,065	5,428	5,410	2,003	2,815
Repair and maintenance	1,190	2,750	2,288	794	766

## 10 TAXATION

The amounts of taxation charged/(credited) to the profit or loss represent:

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Current income tax					
– Hong Kong profits tax	6,128	7,698	7,905	6,000	8,124
– Deferred income tax (Note 14)	18	(167)	(7)	14	(422)
	<u>6,146</u>	<u>7,531</u>	<u>7,898</u>	<u>6,014</u>	<u>7,702</u>

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit during the Track Record Period.

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

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit before taxation	<u>36,915</u>	<u>37,799</u>	<u>41,949</u>	<u>34,069</u>	<u>40,121</u>
Calculated at a taxation rate of 16.5%	6,091	6,237	6,922	5,621	6,620
Income not subject to taxation	(44)	(15)	–	–	–
Expenses not deductible for taxation purposes	385	1,476	1,069	393	979
Utilisation of previously unrecognised tax losses	(222)	(134)	(17)	–	–
Tax losses with no deferred tax assets recognised	90	153	–	–	78
Over-provision in prior year	–	(97)	–	–	–
Others	<u>(154)</u>	<u>(89)</u>	<u>(76)</u>	<u>–</u>	<u>25</u>
Income tax expense	<u>6,146</u>	<u>7,531</u>	<u>7,898</u>	<u>6,014</u>	<u>7,702</u>

**11 EARNINGS PER SHARE**

The earnings per share has not been adjusted for the proposed capitalisation issue of 374,999,990 shares pursuant to the shareholder resolution dated 21 June 2018 because the proposed capitalisation issue has not become effective as at the date of this report.

**(a) Basic**

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period. In determining the weighted average number of ordinary shares, the followings have been accounted for:

- 1) 1 share of the Company's issued and fully paid as at 15 April 2015, as disclosed in Note 1.2.
- 2) 1 share of the Company's was subdivided into 10 shares on 2 October 2015 (Note 23)

	Year ended 31 July			Five months ended 31 December	
	2015	2016	2017	2016	2017
				<i>(Unaudited)</i>	
Profit attributable to owners of the Company (HK\$'000)	30,769	30,546	34,821	28,174	33,106
Weighted average number of ordinary shares in issue	<u>10 shares</u>	<u>10 shares</u>	<u>10 shares</u>	<u>10 shares</u>	<u>10 shares</u>
Basic earnings per share for profit attributable to the shareholders of the Company during the years (HK\$'000)	<u>3,077</u>	<u>3,055</u>	<u>3,482</u>	<u>2,817</u>	<u>3,311</u>

**(b) Diluted**

The diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares for the Relevant Periods as the performance-based share options have not been issued, exercised or vested as at 31 July 2016 and 2017, and 31 December 2016 and 2017.

**12 DIVIDENDS**

A dividend of HK\$45,000,000 were proposed and declared by Beacon College Limited on 20 April 2015.

During the year ended 31 July 2016, no dividend has been declared or paid by the companies now comprising the Group.

During the year ended 31 July 2017, the Company has declared and paid a dividend of HK\$50,000,000 and HK\$25,000,000 on 28 December 2016 and 26 July 2017 respectively. The dividends were settled in full (Note 26(b)).

During the period ended 31 December 2017 the Company has declared and paid a dividend of HK\$20,000,000 on 29 December 2017. The dividend was settled in full.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office and laboratory equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 1 August 2014</b>					
Cost	29,590	6,157	17,267	1,624	54,638
Accumulated depreciation	(19,288)	(4,020)	(12,363)	(1,376)	(37,047)
Net book amount	<u>10,302</u>	<u>2,137</u>	<u>4,904</u>	<u>248</u>	<u>17,591</u>
<b>Year ended 31 July 2015</b>					
Opening net book amount	10,302	2,137	4,904	248	17,591
Additions	4,063	370	1,722	790	6,945
Depreciation ( <i>Note 9</i> )	(3,475)	(857)	(1,947)	(128)	(6,407)
Disposals ( <i>Note 6</i> )	(113)	–	–	(1)	(114)
Disposal in subsidiaries ( <i>Note 27</i> )	–	(1)	(3)	–	(4)
Closing net book amount	<u>10,777</u>	<u>1,649</u>	<u>4,676</u>	<u>909</u>	<u>18,011</u>
<b>As at 31 July 2015</b>					
Cost	32,928	6,527	18,983	2,413	60,851
Accumulated depreciation	(22,151)	(4,878)	(14,307)	(1,504)	(42,840)
Net book amount	<u>10,777</u>	<u>1,649</u>	<u>4,676</u>	<u>909</u>	<u>18,011</u>
<b>Year ended 31 July 2016</b>					
Opening net book amount	10,777	1,649	4,676	909	18,011
Additions	8,522	810	1,219	–	10,551
Depreciation ( <i>Note 9</i> )	(3,856)	(674)	(1,834)	(215)	(6,579)
Disposals ( <i>Note 6</i> )	(490)	–	–	–	(490)
Closing net book amount	<u>14,953</u>	<u>1,785</u>	<u>4,061</u>	<u>694</u>	<u>21,493</u>
<b>As at 31 July 2016</b>					
Cost	32,297	7,337	20,203	2,413	62,250
Accumulated depreciation	(17,344)	(5,552)	(16,142)	(1,719)	(40,757)
Net book amount	<u>14,953</u>	<u>1,785</u>	<u>4,061</u>	<u>694</u>	<u>21,493</u>
<b>Year ended 31 July 2017</b>					
Opening net book amount	14,953	1,785	4,061	694	21,493
Additions	4,528	208	2,046	–	6,782
Depreciation ( <i>Note 9</i> )	(4,856)	(634)	(1,774)	(215)	(7,479)
Disposals ( <i>Note 6</i> )	(167)	(59)	(121)	–	(347)
Closing net book amount	<u>14,458</u>	<u>1,300</u>	<u>4,212</u>	<u>479</u>	<u>20,449</u>

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office and laboratory equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 July 2017</b>					
Cost	31,761	6,756	20,940	2,413	61,870
Accumulated depreciation	<u>(17,303)</u>	<u>(5,456)</u>	<u>(16,728)</u>	<u>(1,934)</u>	<u>(41,421)</u>
Net book amount	<u>14,458</u>	<u>1,300</u>	<u>4,212</u>	<u>479</u>	<u>20,449</u>
<b>Period ended 31 December 2017</b>					
Opening net book amount	14,458	1,300	4,212	479	20,449
Additions	5,894	544	1,786	–	8,224
Depreciation ( <i>Note 9</i> )	(2,354)	(242)	(674)	(90)	(3,360)
Disposals ( <i>Note 6</i> )	<u>(333)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(333)</u>
Closing net book amount	<u>17,665</u>	<u>1,602</u>	<u>5,324</u>	<u>389</u>	<u>24,980</u>
<b>As at 31 December 2017</b>					
Cost	36,743	7,300	22,726	2,413	69,182
Accumulated depreciation	<u>(19,078)</u>	<u>(5,698)</u>	<u>(17,402)</u>	<u>(2,024)</u>	<u>(44,202)</u>
Net book amount	<u>17,665</u>	<u>1,602</u>	<u>5,324</u>	<u>389</u>	<u>24,980</u>
<b>Period ended 31 December 2016 (Unaudited)</b>					
Opening net book amount	14,953	1,785	4,061	694	21,493
Additions	1,079	91	614	–	1,784
Depreciation ( <i>Note 9</i> )	(1,933)	(266)	(687)	(90)	(2,976)
Disposals ( <i>Note 6</i> )	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Closing net book amount	<u>14,099</u>	<u>1,610</u>	<u>3,988</u>	<u>604</u>	<u>20,301</u>
<b>As at 31 December 2016 (Unaudited)</b>					
Cost	32,605	7,428	20,813	2,413	63,259
Accumulated depreciation	<u>(18,506)</u>	<u>(5,818)</u>	<u>(16,825)</u>	<u>(1,809)</u>	<u>(42,958)</u>
Net book amount	<u>14,099</u>	<u>1,610</u>	<u>3,988</u>	<u>604</u>	<u>20,301</u>

## 14 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statements of financial position.

	2015 HK\$'000	As at 31 July 2016 HK\$'000	2017 HK\$'000	As at 31 December 2017 HK\$'000
Deferred income tax assets	1,528	1,695	1,719	2,292
Deferred income tax liabilities	—	—	(17)	(168)
	<u>1,528</u>	<u>1,695</u>	<u>1,702</u>	<u>2,124</u>

	2015 HK\$'000	As at 31 July 2016 HK\$'000	2017 HK\$'000	As at 31 December 2017 HK\$'000
At beginning of the year/period	1,546	1,528	1,695	1,702
(Charged)/credited to profit or loss	(18)	167	7	422
At end of the year/period	<u>1,528</u>	<u>1,695</u>	<u>1,702</u>	<u>2,124</u>

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

**Deferred income tax assets****Decelerated accounting depreciation**

	2015 HK\$'000	As at 31 July 2016 HK\$'000	2017 HK\$'000	As at 31 December 2017 HK\$'000
At beginning of the year/period	959	1,126	1,536	1,331
Credited/(charged) to profit or loss	167	410	(205)	(86)
At end of the year/period	<u>1,126</u>	<u>1,536</u>	<u>1,331</u>	<u>1,245</u>

**Tax losses**

	2015 HK\$'000	As at 31 July 2016 HK\$'000	2017 HK\$'000	As at 31 December 2017 HK\$'000
At beginning of the year/period	687	412	159	388
(Charged)/credited to profit or loss	(275)	(253)	229	369
At end of the year/period	<u>412</u>	<u>159</u>	<u>388</u>	<u>757</u>

	Total			As at 31
	As at 31 July			December
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	1,646	1,538	1,695	1,719
(Charged)/credited to profit or loss	<u>(108)</u>	<u>157</u>	<u>24</u>	<u>573</u>
At end of the year/period	<u><u>1,538</u></u>	<u><u>1,695</u></u>	<u><u>1,719</u></u>	<u><u>2,292</u></u>

**Deferred income tax liabilities**

	Accelerated accounting depreciation			
	As at 31 July			As at 31
	2015	2016	2017	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	(100)	(10)	–	(17)
Credited/(charged) to profit or loss	<u>90</u>	<u>10</u>	<u>(17)</u>	<u>(151)</u>
At end of the year/period	<u><u>(10)</u></u>	<u><u>–</u></u>	<u><u>(17)</u></u>	<u><u>(168)</u></u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$90,000, HK\$153,000, nil and HK\$78,000 in respect of losses amounting to HK\$545,000, HK\$926,000, nil and HK\$473,000 as at 31 July 2015, 2016 and 2017 and 31 December 2017 respectively that can be carried forward for offsetting against future taxable income. These tax losses have no expiry dates but the management considered not to recognise as those companies with losses carried forward are not expected to generate future taxable income.

**15 AVAILABLE-FOR-SALE FINANCIAL ASSET**

	As at 31 July			As at 31
	As at 31 July			December
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Unlisted security</b>				
At beginning of year/period	–	–	–	2,395
Additions	–	–	2,000	–
Fair value gain ( <i>Note 24</i> )	<u>–</u>	<u>–</u>	<u>395</u>	<u>–</u>
At end of year/period	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>2,395</u></u>	<u><u>2,395</u></u>

The unlisted security represents equity share of an unlisted Hong Kong company, which is denominated in HK dollar.

The fair value is within level 3 of the fair value hierarchy (see Note 3.3).

## 16 ACCOUNTS RECEIVABLES

	As at 31 July			As at 31 December
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts receivables	381	469	976	1,444
Less: Provision for impairment	—	—	—	—
Accounts receivables – net	<u>381</u>	<u>469</u>	<u>976</u>	<u>1,444</u>

The directors of the Company consider that the carrying amounts of accounts receivables approximate their fair values as at 31 July 2015, 2016, 2017 and 31 December 2017.

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 2015, 2016, 2017 and 31 December 2017, the ageing analysis of the accounts receivables based on invoice date were as follows:

	As at 31 July			As at 31 December
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 – 30 days	291	288	705	1,238
31 – 60 days	2	6	39	2
Over 60 days	<u>88</u>	<u>175</u>	<u>232</u>	<u>204</u>
	<u>381</u>	<u>469</u>	<u>976</u>	<u>1,444</u>

As at 31 July 2015, 2016, 2017 and 31 December 2017, accounts receivables of HK\$381,000, HK\$469,000, HK\$976,000 and HK\$1,444,000 respectively, were past due but not impaired. These relate to certain customers with no recent history of default. Based on historic low default rate, the Group believes that no impairment provision is necessary. The ageing analysis of these receivables is as follows:

	As at 31 July			As at 31 December
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 – 30 days	291	288	705	1,238
31 – 60 days	2	6	39	2
Over 60 days	<u>88</u>	<u>175</u>	<u>232</u>	<u>204</u>
	<u>381</u>	<u>469</u>	<u>976</u>	<u>1,444</u>

As at 31 July 2015, 2016, 2017 and 31 December 2017, no accounts receivables were considered to be impaired and accordingly, no provision has been made.

The maximum exposures of the Group to credit risk as at 31 July 2015, 2016, 2017 and 31 December 2017 are the carrying value of accounts receivables mentioned above.

All accounts receivables of the Group are denominated in Hong Kong dollar. The Group does not hold any collateral as security for accounts receivables.

## 17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		As at 31 July			As at 31 December
	Note	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Deposits and prepayments	a	27,166	26,501	36,826	50,852
Other receivables	b	<u>2,584</u>	<u>4,774</u>	<u>6,394</u>	<u>14,120</u>
		29,750	31,275	43,220	64,972
Less: non-current portion					
Prepayments for operating leases and property, plant and equipment		<u>(7,476)</u>	<u>(11,028)</u>	<u>(14,099)</u>	<u>(13,636)</u>
Deposits, prepayments and other receivables – current portion		<u>22,274</u>	<u>20,247</u>	<u>29,121</u>	<u>51,336</u>

## Notes:

- (a) Deposits and prepayments mainly represent deposits for utilities, operating lease payments, building management fees, prepayments for service fees, renovation, listing expenses, advertising and others.
- (b) Other receivables mainly represent amounts due from tutors and a cash collection company.

As at 31 July 2015, 2016, 2017 and 31 December 2017, no other receivables were past due but not impaired.

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

## 18 AMOUNTS DUE FROM/(TO) SHAREHOLDERS, A SUBSIDIARY AND RELATED COMPANIES

		As at 31 July			As at 31 December
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
<b>Group</b>					
Amounts due from shareholders		<u>40,931</u>	<u>40,931</u>	<u>–</u>	<u>–</u>
Amount due from a related company		<u>–</u>	<u>–</u>	<u>45</u>	<u>–</u>
Amounts due to related companies		<u>(30)</u>	<u>(30)</u>	<u>(42)</u>	<u>–</u>
<b>Company</b>					
Amount due from a subsidiary		<u>–</u>	<u>–</u>	<u>1,836</u>	<u>8,000</u>
Amount due to a subsidiary		<u>–</u>	<u>(9,864)</u>	<u>–</u>	<u>(2,692)</u>

Balance with shareholders, a subsidiary and related parties are unsecured, have no fixed repayment terms and interest-free. The balances are also non-trade in nature.

The amounts due from shareholders were settled on 28 December 2016 (Note 26(b)).

## 19 CASH AND BANK BALANCES

	As at 31 July			As at 31
	2015	2016	2017	December
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Cash and cash equivalents	33,490	66,949	52,990	61,760
Short-term bank deposits maturing over 3 months	911	911	913	913
	<u>34,401</u>	<u>67,860</u>	<u>53,903</u>	<u>62,673</u>

The carrying amounts of cash and bank balances approximate their fair values and are mainly denominated in Hong Kong dollar. As at 31 July 2015, 2016, 2017 and 31 December 2017, approximately HK\$37,000, HK\$31,000, HK\$30,000 and HK\$30,000 are denominated in Renminbi respectively.

## 20 RECEIPTS IN ADVANCE

Receipts in advance represents the tuition fee collected for tutoring services that have not yet been rendered before respective year end and period end dates.

## 21 OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

	As at 31 July			As at 31
	2015	2016	2017	December
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
<b>(a) Current</b>				
Staff costs	5,316	5,826	6,157	8,185
Tutor service fee	–	6,000	–	–
Printing, publication and licence fees	5,221	4,265	6,283	10,432
Professional fees and listing expenses	1,625	3,005	1,424	2,104
Auditor's remuneration	378	415	516	731
Provision of reinstatement cost (Note 22)	1,627	1,005	1,661	1,340
Advertising fees	1,005	697	1,099	574
Rental expenses under operating lease and rates	3,439	3,611	3,997	4,281
Others	<u>1,162</u>	<u>1,454</u>	<u>898</u>	<u>836</u>
Other payables	<u>19,773</u>	<u>26,278</u>	<u>22,035</u>	<u>28,483</u>
<b>(b) Non-current</b>				
Provision of reinstatement cost (Note 22)	1,093	2,178	1,943	2,524
Unamortised rent-free expenses	<u>230</u>	<u>1,476</u>	<u>942</u>	<u>648</u>
Other non-current liabilities	<u>1,323</u>	<u>3,654</u>	<u>2,885</u>	<u>3,172</u>

## 22 PROVISION OF REINSTATEMENT COST

	As at 31 July			As at 31
	2015	2016	2017	December
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Balance as at beginning of the year	3,429	2,720	3,183	3,604
Additions	–	1,145	1,087	260
Utilisation	(709)	(682)	(666)	–
	<u>3,429</u>	<u>2,720</u>	<u>3,183</u>	<u>3,604</u>
Balance as at closing of the year	2,720	3,183	3,604	3,864
Less: non-current portion ( <i>note 21(b)</i> )	(1,093)	(2,178)	(1,943)	(2,524)
	<u>1,627</u>	<u>1,005</u>	<u>1,661</u>	<u>1,340</u>
Current portion ( <i>note 21(a)</i> )	<u>1,627</u>	<u>1,005</u>	<u>1,661</u>	<u>1,340</u>

## 23 SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Issued and fully paid		
On 15 April 2015 (date of incorporation) ( <i>Note (a)</i> )	<u>1</u>	<u>–</u>
At 31 July 2015	<u>1</u>	<u>–</u>
At 31 July 2016, 2017 and 31 December 2017 ( <i>Note (a)</i> )	<u>10</u>	<u>–</u>

- (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.

## 24 OTHER RESERVES

## Group

	Available-for-sale financial asset reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2014	–	–	–	–
Deemed contribution from the shareholder ( <i>Note 27</i> )	–	–	5,711	5,711
At 31 July 2015	–	–	5,711	5,711
Share-based compensation ( <i>Note 8</i> )	–	471	–	471
At 31 July 2016	–	471	5,711	6,182
Share-based compensation ( <i>Note 8</i> )	–	2,222	–	2,222
Fair value gain on available-for-sale financial asset ( <i>Note 15</i> )	395	–	–	395
At 31 July 2017	395	2,693	5,711	8,799
Share-based compensation ( <i>Note 8</i> )	–	932	–	932
At 31 December 2017	<u>395</u>	<u>3,625</u>	<u>5,711</u>	<u>9,731</u>

## Company

	Share-based compensation reserve <i>HK\$'000</i>	Other reserve ( <i>Note</i> ) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2014 and 31 July 2015	–	95,700	95,700
Share-based compensation ( <i>Note 8</i> )	471	–	471
At 31 July 2016	471	95,700	96,171
Share-based compensation ( <i>Note 8</i> )	2,222	–	2,222
Dividend ( <i>Note 12</i> )	–	(75,000)	(75,000)
At 31 July 2017	2,693	20,700	23,393
Share-based compensation ( <i>Note 8</i> )	932	–	932
At 31 December 2017	<u>3,625</u>	<u>20,700</u>	<u>24,325</u>

*Note:* Other reserve of the Company mainly represents the difference between the value of the issued share capital of Beacon Group Limited acquired and the value of the Company's shares in exchange pursuant to the Reorganisation, adjusted for dividends declared and settled during the year ended 31 July 2017 (*Note 12*).

## 25 NON-CONTROLLING INTERESTS

As at 31 July 2015, the total non-controlling interest is nil. The total non-controlling interests was HK\$275,000, HK\$1,408,000 and HK\$721,000 as at 31 July 2016, 2017 and 31 December 2017 respectively. As at 31 July 2017 and 31 December 2017, non-controlling interests amounting to approximately HK\$1,871,000 and HK\$1,260,000 was attributed to Ascent Prep International Education Limited, which is a new subsidiary set up during the year ended 31 July 2017. The non-controlling interests as at 31 July 2016, 2017 and 31 December 2017 in respect of Glocal Education Services Limited, Global Development Group Limited, Global Research and Development Company Limited and BEE-2-BEE Limited are not material.

**Summarised financial information on subsidiaries with material non-controlling interests**

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that is material to the Group.

**Summarised statements of financial position**

	<b>Ascent Prep International Education Limited</b>	
	<b>31 July 2017</b>	<b>31 December 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current</b>		
Assets	3,545	1,270
Liabilities	(137)	(440)
Total current net assets	<u>3,408</u>	<u>830</u>
<b>Non-current</b>		
Assets	690	1,640
Liabilities	(220)	–
Total non-current net assets	<u>470</u>	<u>1,640</u>
Net assets	<u>3,878</u>	<u>2,470</u>

## Summarised statements of comprehensive income

	<b>Ascent Prep International Education Limited</b>		
	<b>Year ended 31 July 2017</b>	<b>Five months ended 31 December 2016</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017 HK\$'000</i>
Revenue	115	N/A	449
Staff costs	(198)	N/A	(795)
Operating lease payments	(204)	N/A	(515)
Printing and other operating expenses	(96)	N/A	(548)
	<u>          </u>	<u>          </u>	<u>          </u>
Loss before taxation	(383)	N/A	(1,409)
Income tax credit	61	N/A	231
	<u>          </u>	<u>          </u>	<u>          </u>
Loss for the year/period	<u>(322)</u>	<u>N/A</u>	<u>(1,178)</u>
Loss and total comprehensive loss attributable to			
– Owners of the Company	(164)	N/A	(601)
– Non-controlling interests	(158)	N/A	(577)
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(322)</u>	<u>N/A</u>	<u>(1,178)</u>

## Summarised statements of cash flows

	<b>Ascent Prep International Education Limited</b>		
	<b>Year ended 31 July 2017</b>	<b>Five months ended 31 December 2016</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017 HK\$'000</i>
Net cash used in operating activities	(1,796)	N/A	(152)
Net cash used in investing activities	–	N/A	(1,605)
Net cash generated from financing activities	4,200	N/A	–
	<u>          </u>	<u>          </u>	<u>          </u>
Net increase/(decrease) in cash and cash equivalent	<u>2,404</u>	<u>N/A</u>	<u>(1,757)</u>
Cash and cash equivalents at end of the year/period	<u>2,404</u>	<u>N/A</u>	<u>647</u>

*Note:*

Ascent Prep International Limited was incorporated on 7 February 2017 and comparative financial information as at and for the period ended 31 December 2016 is not available.

The information above is the amount before inter-company eliminations.

## 26 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Cash generated from operations

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Profit before taxation	36,915	37,799	41,949	34,069	40,121
Adjustments for:					
– Depreciation of property, plant and equipment	6,407	6,579	7,479	2,976	3,360
– Over provision for reinstatement cost	(220)	–	–	–	–
– Loss on disposal of property, plant and equipment	114	490	347	–	333
– Share-based compensation expenses	–	471	2,222	926	932
– Interest income	(6)	(2)	(2)	–	–
– Exchange differences	8	(1)	–	1	–
Change in working capital					
– Accounts receivables	35	(88)	(507)	(150)	(468)
– Deposits, prepayments and other receivables	(7,422)	8,338	(9,746)	(17,298)	(18,001)
– Amounts due from related companies	10,144	–	(45)	–	45
– Amounts due to related companies	(21)	–	12	–	(42)
– Receipts in advance	4,214	(1,593)	(868)	13,321	17,423
– Other payables	(12,466)	8,837	(5,014)	1,730	7,416
Cash generated from operations	<u>37,702</u>	<u>60,830</u>	<u>35,827</u>	<u>35,575</u>	<u>51,119</u>

**(b) Non-cash transaction**

Among the dividends of HK\$75,000,000 declared and settled during the year ended 31 July 2017, approximately HK\$34,069,000 was settled in cash while the remaining was settled by offsetting the amounts due from shareholders of Beacon College Limited (Note 18).

	<b>Liabilities from financing activities</b>		
	<b>Accrual for listing expenses HK\$'000</b>	<b>Dividend payable HK\$'000</b>	<b>Total HK\$'000</b>
<b>Balance as at 1 August 2014</b>	<b>4,158</b>	–	<b>4,158</b>
Cash flows	(272)	(45,000)	(45,272)
Non-cash movements	<u>(2,261)</u>	<u>45,000</u>	<u>42,739</u>
<b>Balance as at 31 July 2015</b>	<b><u>1,625</u></b>	–	<b><u>1,625</u></b>
Cash flows	(9,863)	–	(9,863)
Non-cash movements	<u>11,243</u>	<u>–</u>	<u>11,243</u>
<b>Balance as at 31 July 2016</b>	<b><u>3,005</u></b>	–	<b><u>3,005</u></b>
Cash flows	(2,200)	(34,069)	(36,269)
Non-cash movements	<u>619</u>	<u>34,069</u>	<u>34,688</u>
<b>Balance as at 31 July 2017</b>	<b><u>1,424</u></b>	–	<b><u>1,424</u></b>
<b>Balance as at 1 August 2016</b>	<b>3,005</b>	–	<b>3,005</b>
Cash flows	(17)	(9,069)	(9,086)
Non-cash movements	<u>(748)</u>	<u>9,069</u>	<u>8,321</u>
<b>Balance as at 31 December 2016</b>	<b><u>2,240</u></b>	–	<b><u>2,240</u></b>
<b>Balance as at 1 August 2017</b>	<b>1,424</b>	–	<b>1,424</b>
Cash flows	(4,430)	(20,000)	(24,430)
Non-cash movements	<u>5,110</u>	<u>20,000</u>	<u>25,110</u>
<b>Balance as at 31 December 2017</b>	<b><u><u>2,104</u></u></b>	<b><u><u>–</u></u></b>	<b><u><u>2,104</u></u></b>

## 27 DISPOSAL OF SUBSIDIARIES

	2015 HK\$'000
Cash and cash equivalents	10
Amounts due to related companies	(114)
Amounts due to shareholders	(5,405)
Property, plant and equipment	4
Other payables	<u>(161)</u>
Total identifiable liabilities	(5,666)
Consideration for disposal of subsidiaries	<u>(45)</u>
Deemed contribution from the Shareholder ( <i>Note 24</i> )	<u><u>(5,711)</u></u>
Net cash proceeds from disposal of subsidiaries	<u><u>35</u></u>

On 23 April 2015, Beacon Holdings Limited transferred its entire interest in Beacon Kids Club Limited, Beacon Sports Associations Limited, Business Linkage Limited, Charm Gain Limited, Joinway Consultant Limited, JR (MOS) Limited, JR (WC) Limited, JR Beacon Limited, Nice China Limited, Smart Keen Limited and Star Force Limited (together, the "Subsidiaries") to Mr. Li Man Wai, a nominee of the shareholders of the Subsidiaries, at a consideration of approximately HK\$45,000. The difference between net liability value of the Subsidiaries disposed and the consideration is deemed as contribution from the shareholder of the Group.

## 28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Group are of the view that the following companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of the related party	Relationship with the Group
Chain World Inc. Limited	A related company partially owned by Mr. Li Sui Leung
Tenti Wealth Management Co. Limited	A related company wholly owned by Mr. Li Sui Leung
Bel Canto Singers Foundation Limited	A related company wholly owned by Mr. Ng King Hang
Hong Kong International Affairs Consultancy Company Limited	A related company partially owned by Dr. Shen Xu Hui
Dragonway Bliss Limited ("Dragonway Bliss")	A related company partially owned by Ms. Leung Ho Ki, June

The following is a summary of significant related party transactions during the Track Record Period carried out by the Group in the normal course of its business:

	Year ended 31 July			Five months ended 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Messing and office refreshment to Chain World Inc. Limited ( <i>note i</i> )	88	–	–	–	–
Insurance expenses to Tenti Wealth Management Co. Limited ( <i>note ii</i> )	17	25	2	–	–
Marketing and promotion expenses to Bel Canto Singers Foundation Limited ( <i>note iii</i> )	–	–	10	5	–
Service fees to Hong Kong International Affairs Consultancy Company Limited ( <i>note iv</i> )	–	78	240	100	60
Licence income from Dragonway Bliss ( <i>note v</i> )	–	–	(45)	(13)	(5)
	<u>105</u>	<u>103</u>	<u>207</u>	<u>92</u>	<u>55</u>

Note i: Messing and office refreshment expenses are charged at cost.

Note ii: Insurance expenses are paid with reference to market rates of similar insurance plans.

Note iii: Marketing and promotion expenses are paid with reference to market rates of similar projects.

Note iv: Service fees are paid with reference to market rates of similar projects.

Note v: Licence income are recognised with reference to market rates of similar projects.

Note vi: The Group considers the executive directors as the key management and their compensation are disclosed in Note 7(b).

## 29 COMMITMENTS

### (a) Capital commitments – Office and laboratory equipment

	As at 31 July			As at 31 December
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Contracted but not provided for	<u>213</u>	<u>345</u>	<u>360</u>	<u>342</u>

**(b) Commitments under operating leases**

The future aggregate lease payments under non-cancellable operating leases in respect of teaching centres, offices and warehouse are as follows:

	As at 31 July		As at 31 December	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	37,512	45,460	40,599	42,521
Later than one year but within five years	17,375	35,055	42,294	47,638
	<u>54,887</u>	<u>80,515</u>	<u>82,893</u>	<u>90,159</u>

**30 CONTINGENT LIABILITIES**

During the Track Record Period, the Group did not fully comply with the applicable laws and regulations in respect of (i) certain statutory requirements in the Companies Ordinance and Predecessor Companies Ordinance relating to matters such as failing to lay financial statements in general meetings and failing to hold annual general meetings; (ii) a lease agreement, (iii) Mandatory Providence Fund Schemes Ordinance in respect of underpayment of mandatory provident fund contributions to the employees and (iv) Occupational Safety and Health Ordinance in relation to failing to ensure the safety and health at work for one of the employees. After taking into consideration of the opinions from legal counsel, no provisions have been made at the end of each of the reporting periods as the Directors considered that it is not probable that the Group will result in any material outflows arising from these non-compliances and disputes.

In March 2018, another education services provider filed a writ of summons with an indorsement of claims against Beacon College Limited, a wholly owned subsidiary of the Group, claiming for procuring, inducing, encouraging or facilitating a Group's newly joined tutor on the breach of the previous service contract and damages arising from such breach.

The Directors has obtained independent legal advice and considered that it is not probable that the Group will incur any material losses resulted from this potential litigation.

**31 SUBSEQUENT EVENTS**

Save as disclosed elsewhere in this report, the following significant subsequent events took place after 31 December 2017:

The Company and Ms. Leung Ho Ki, June, executive director of the Company, entered into a call option deed dated 21 June 2018, pursuant to which Ms. Leung Ho Ki, June granted to the Company, in consideration of HK\$1.0, an option to purchase such number of shares of Dragonway Bliss, a related company, as determined by the Company up to a maximum number of shares representing to 70% of the issued share capital of Dragonway Bliss from time to time or such number of shares in Dragonway Bliss being all of its issued share capital then held by Ms. Leung Ho Ki, June at the unit price equal to the then value of each option share as appraised by an independent valuer appointed by the Company.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Reporting Accountant of the Company, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to the owner of our Company as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2017 or at any future dates following the Share Offer. It is prepared based on the consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2017 as set out in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 <sup>(1)</sup> (HK\$'000)	Estimated net proceeds from the Share Offer <sup>(2)</sup> (HK\$'000)	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 (HK\$'000)	Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup> HK\$
Based on an Offer Price of HK\$0.90 per Share	80,567	92,430	172,997	0.35
Based on an Offer Price of HK\$1.10 per Share	80,567	116,055	196,622	0.39

#### Notes

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited net assets of the Group attributable to the owners of the Company as at 31 December 2017 of HK\$80,567,000.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (2) The estimated net proceeds to be received by the Company from the Share Offer are based on the indicative Offer Price of HK\$0.90 and HK\$1.10 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$18,538,000 which have been accounted for prior to 31 December 2017) payable by the Company, and takes no account of any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed “Share Capital” in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2017, but takes no account of any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed “Share Capital” in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### TO THE DIRECTORS OF BEXCELLENT GROUP HOLDINGS LIMITED (FORMERLY KNOWN AS BEACON GROUP HOLDINGS LIMITED)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BExcellent Group Holdings Limited (formerly known as Beacon Group Holdings Limited) (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 June 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2017 as if the proposed initial public offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 December 2017, on which an accountant's report has been published.

#### *Directors' Responsibility for the Unaudited Pro Forma Financial Information*

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Reporting Accountant's Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 June 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 21 June 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary

quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors***(i) Appointment, retirement and removal*

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every

Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of our Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate

allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors

or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be,

the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so

redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 5 May, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Register of Beneficial Ownership**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2015. Our Company has established its principal place of business in Hong Kong at Units 01-03 & 05-06, 12/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company pursuant to section 776 of Part 16 of the Companies Ordinance on 22 October 2015. Ms. June Leung and Mr. Choi Shing Wai have been appointed as our authorised representatives for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands as well as its constitution which comprises the Memorandum of Association and Articles of Association (“**Memorandum and Articles of Association**”). A summary of the relevant provisions of the Memorandum and Articles of Association and the relevant laws and regulations of the Cayman Islands is set out in Appendix III to this prospectus.

**2. Changes in the share capital of our Company**

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 3,800,000 shares of par value HK\$0.10 each.

The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

- (a) as at the date of incorporation of our Company on 15 April 2015, the initial authorised share capital of our Company was HK\$380,000 divided into 3,800,000 shares of nominal value of HK\$0.10 each. On the same day, one subscriber share was allotted and issued to Sharon Pierson, an initial subscriber;
- (b) on 15 April 2015, Sharon Pierson transferred the one subscriber share, credited as fully paid, to Beacon Enterprise;
- (c) on 2 October 2015, our Company underwent a subdivision of shares whereby one share of par value of HK\$0.10 was subdivided into 10 Shares of par value of HK\$0.01 each. As a result of the subdivision of the shares, our authorised share capital changed to HK\$ 380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each, and the number of shares held by Beacon Enterprise in our Company increased from 1 Share to 10 Shares; and
- (d) on 21 June 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 new Shares under a resolution in writing passed by our Shareholders as referred to in the paragraph headed “3. Written resolutions of the Sole Shareholder passed on 21 June 2018” in this Appendix.

Immediately following the completion of the Capitalisation Issue and the Share Offer but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Schemes, 500,000,000 Shares will be issued fully paid or credited as fully paid, and 500,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Schemes, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the section headed “3. Written resolutions of the Sole Shareholder passed on 21 June 2018” below, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Written resolutions of the Sole Shareholder passed on 21 June 2018**

Pursuant to the written resolutions of the Sole Shareholder passed on 21 June 2018:

- (a) our Company conditionally approved and adopted its Articles of Association to take effect on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 new Shares, such additional Shares to rank pari passu in all respects with the existing Shares;
- (c) our Company adopted the Memorandum of Association with immediate effect reflecting the above increase of the authorised share capital of our Company;
- (d) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (2) the Offer Price being fixed on the Price Determination Date; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Share Offer on the terms and subject to the conditions set out in this prospectus was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the terms and conditions set out in this prospectus;
  - (ii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise the amount of HK\$3,749,999.90 from the amount standing to the credit of the share premium account of our Company to pay up in full at par a total of 374,999,990 Shares for allotment

and issue, credited as fully paid at par, to the holders of Shares whose name(s) appear(s) on the register of members of our Company at the close of business on 21 June 2018 or as each of them may direct in writing, in proportion, to its/their then existing shareholdings in our Company;

- (iii) each of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme was approved and adopted with such additions, amendments, modifications thereto as may be approved by our Directors or any committee of our Board in their absolute discretion, as may be acceptable or not objected to by the Stock Exchange and our Directors or any committee of our Board were authorised, at its absolute discretion, to implement the Share Option Schemes, to grant options thereunder to subscribe for Shares and to allot, issue and deal with the Shares thereunder pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Schemes and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Schemes;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with unissued Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue; (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; (c) the exercise of any options which have been or may be granted pursuant to the Share Option Schemes; or (d) the Capitalisation Issue; or (e) any issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Share; or (f) Share Offer, shall not exceed the aggregate of (1) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and (2) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (v) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of:
  - 1. the conclusion of the next annual general meeting of our Company;
  - 2. the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held; or
  - 3. the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate;

- (v) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), with an aggregate number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be allotted and issued pursuant to the exercise of options that have been or may be granted under the Share Option Schemes), such mandate to remain in effect until whichever is the earliest of:
1. the conclusion of the next annual general meeting of our Company;
  2. the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held; or
  3. the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate.
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (iv) above.

#### **4. Reorganisation**

In preparation of the Share Offer, the companies comprising our Group underwent the Reorganisation, as set out in the section headed “History, development and corporate structure” in this prospectus.

#### **5. Changes in the share capital of the subsidiaries**

Save as disclosed in the section headed “History, development and corporate structure” in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this prospectus.

## 6. Repurchases of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Relevant legal and regulatory requirements*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchase of securities (which must be fully-paid up in the case of Shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Sole Shareholder of our Company on 21 June 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of options which have been or may be granted under the Share Option Schemes), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by applicable law(s) or the Articles of Association to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders of our Company in general meeting, whichever is the earliest.

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made either out of our profits, our share premium account, the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of our capital. Any amount of premium

payable on the purchase over the par value of the shares to be repurchased may be made out of our profits, our share premium or, subject to the Companies Law, out of our capital.

*(iii) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per share. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

*(iv) Funding of repurchases*

In repurchasing the securities of our Company, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of Cayman Islands. It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of Shares made for the purpose of the purchase or from sums standing to the credit of our Company's share premium account, and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital positions of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

*(v) Share capital*

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, (but without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes), could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the period prior to:

1. the conclusion of the next annual general meeting of our Company;
2. the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held; or

3. the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first.

*(vi) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange by 5% or more. The Listing Rules also prohibit a listed company from repurchasing its securities resulting in shares that are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities to disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(vii) Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates of those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

*(viii) Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances (including but not limited to the occurrence of any political or economic events which materially and adversely affect the price of the shares listed on the Stock Exchange).

*(ix) Reporting requirements*

Certain information relating to the repurchases of securities on the Stock Exchange or otherwise must be submitted to the Stock Exchange for publication not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day of such repurchase. In addition, a listed company is required to disclose in its annual report details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

*(x) Core connected person*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) of our Company or any of its subsidiaries or their associates and a core connected person is prohibited from knowingly selling his securities to our Company.

*(xi) General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries (if the Repurchase Mandate is exercised).

No core connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforementioned, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make

a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchase of Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified the Company that he/she/it has a present intention to sell Share(s) to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-competition, brief details of which are set out in the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition” in this prospectus;
- (b) the Deed of Indemnity, brief details of which are set out in the paragraph headed “F. Other information – 1. Indemnities” under this appendix;
- (c) the Public Offer Underwriting Agreement;
- (d) a trademark licence agreement dated 21 June 2018 entered into between Beacon Holdings and Jiangxi Dragonway Bliss, pursuant to which Beacon Holdings granted a licence to Jiangxi Dragonway Bliss for the use of certain trademarks of Beacon Holdings in the PRC for a licence fee per annum equal to 2% of the annual turnover of Jiangxi Dragonway Bliss for a term of three years commencing from the Listing Date; and
- (e) the Call Option Deed, brief details of which are set out in the sections headed “Connected transactions – Exempt connected transaction – Call Option Deed” and “Relationship with our Controlling Shareholders – Call Option Deed” in this prospectus.

## 2. Intellectual property rights

## (a) Trademarks

## (i) Registered Trademarks

As at the Latest Practicable Date, our Group has registered and has the right to use the following trademarks which we consider are material to our business:

No.	Trade Mark	Place of registration	Class	Registration date	Registration no.	Name of registrant	Expiry date
1.		PRC	41	14 June 2016	16621763	Beacon Holdings	13 June 2026
2.	A.	Hong Kong	41	20 January 2015	303274461	Beacon Holdings	19 January 2025
	B.						
3.	A.	Hong Kong	41	20 January 2015	303274470	Beacon Holdings	19 January 2025
	B.						
4.	A.	Hong Kong	41	20 January 2015	303274489	Beacon Holdings	19 January 2025
	B.						
5.	A.	Hong Kong	41	20 January 2015	303274498	Beacon Holdings	19 January 2025
	B.						
6.	A.	Hong Kong	41	20 January 2015	303274506	Beacon Holdings	19 January 2025
	B.						
7.	A.	Hong Kong	41	20 January 2015	303274515	Beacon Holdings	19 January 2025
	B.						
8.	A.	Hong Kong	41	20 January 2015	303274524	Beacon Holdings	19 January 2025
	B.						
9.	A.	Hong Kong	41	20 January 2015	303274533	Beacon Holdings	19 January 2025
	B.						

No.	Trade Mark	Place of registration	Class	Registration date	Registration no.	Name of registrant	Expiry date
10.	A.  GROUP BEACON 匯理 B.  GROUP BEACON 匯理	Hong Kong	41	20 January 2015	303274542	Beacon Holdings	19 January 2025
11.	A.  Fund BEACON 匯理教育基金 B.  Fund BEACON 匯理教育基金	Hong Kong	36, 41	20 January 2015	303274551	Beacon Holdings	19 January 2025
12.	A.  BEExcellent BEACON 匯理精英匯 B.  BEExcellent BEACON 匯理精英匯	Hong Kong	35, 41	20 January 2015	303274560	Beacon Holdings	19 January 2025
13.	A.  Fund BEACON 匯理教育基金 B.  Fund BEACON 匯理教育基金	Hong Kong	36, 41	20 January 2015	303274579	Beacon Holdings	19 January 2025
14.	A.  BEExcellent BEACON 匯理精英匯 B.  BEExcellent BEACON 匯理精英匯	Hong Kong	35, 41	20 January 2015	303274597	Beacon Holdings	19 January 2025
15.	A.  Pop Index BEACON 匯理潮語匯 B.  Pop Index BEACON 匯理潮語匯	Hong Kong	35, 41	20 January 2015	303274605	Beacon Holdings	19 January 2025
16.	A.  Pop Index BEACON 匯理潮語匯 B.  Pop Index BEACON 匯理潮語匯	Hong Kong	35, 41	20 January 2015	303274614	Beacon Holdings	19 January 2025
17.	A.  Living BEACON 匯理生活 B.  Living BEACON 匯理生活	Hong Kong	16, 18, 25, 35, 41	20 January 2015	303274632	Beacon Holdings	19 January 2025
18.	A.  Living BEACON 匯理生活 B.  Living BEACON 匯理生活	Hong Kong	16, 18, 25, 35, 41	20 January 2015	303274641	Beacon Holdings	19 January 2025
19.	A.  xcelLent LEARNING KNOWS NO BOUNDARIES B.  xcelLent LEARNING KNOWS NO BOUNDARIES	Hong Kong	41	15 August 2014	303102632	Beacon Holdings	14 August 2024

No.	Trade Mark	Place of registration	Class	Registration date	Registration no.	Name of registrant	Expiry date
20.	A.  B. 	Hong Kong	41	15 August 2014	303102623	Beacon Holdings	14 August 2024
21.	A.  B. 	Hong Kong	41	15 August 2014	303102614	Beacon Holdings	14 August 2024
22.		Hong Kong	16, 25	27 May 2014	303009528	Beacon Holdings, Yuugen Kaisha Mastermind Japan (mastermind JAPAN Co., Ltd.) (Note 1)	26 May 2024
23.		Hong Kong	14, 16, 25	24 April 2014	302974122	Beacon Holdings, Macneel Corporation (Note 2)	23 April 2024
24.	A.  B. 	Hong Kong	9, 14, 16, 18, 21, 25	24 April 2014	302974131	Beacon Holdings, Macneel Corporation (Note 2)	23 April 2024
25.		Hong Kong	41	10 January 2004	300141128	Beacon Holdings	9 January 2024
26.		PRC	41	28 April 2003	3079695	Beacon Holdings	27 April 2023
27.		Hong Kong	41	24 October 2012	302412990	Beacon Holdings	23 October 2022

No.	Trade Mark	Place of registration	Class	Registration date	Registration no.	Name of registrant	Expiry date
28.	A  B 	Hong Kong	9, 16, 41	30 June 2008	301150424	Beacon Continuing and Professional Education Limited	29 June 2028
29.	A  B 	Hong Kong	41	29 November 2016	303977272	Glocal Development Group Limited	28 November 2026
30.	A  B 	Hong Kong	41	29 November 2016	303977281	Glocal Development Group Limited	28 November 2026
31.	A  B 	Hong Kong	41	29 November 2016	303977290	Glocal Development Group Limited	28 November 2026
32.	A  B 	Hong Kong	16	30 September 2016	303918105	Beacon Holdings	29 September 2026
33.	A  B 	Hong Kong	16	30 September 2016	303918114	Beacon Holdings	29 September 2026
34.	A  B 	Hong Kong	16	30 September 2016	303918123	Beacon Holdings	29 September 2026

No.	Trade Mark	Place of registration	Class	Registration date	Registration no.	Name of registrant	Expiry date
35.	A  B 	Hong Kong	16	30 September 2016	303918132	Beacon Holdings	29 September 2026
36.		PRC	41	21 February 2017	16621767	Beacon Holdings	20 February 2027
37.	ZUN LI	PRC	41	14 June 2016	16621762	Beacon Holdings	13 June 2026
38.	A.  B. 	Hong Kong	41	15 August 2014	303102605	Beacon Holdings	14 August 2024
39.	BEACON	PRC	41	21 December 2017	16621764	Beacon Holdings	20 December 2027
40.	A  B 	Hong Kong	16	8 November 2017	304327443	Beacon Holdings	7 November 2027

*Notes:*

1. Yuugen Kaisha Mastermind Japan (mastermind JAPAN Co., Ltd.) is an Independent Third Party.
2. Macneel Corporation is an Independent Third Party.

## (ii) Trademarks under application

As at the Latest Practicable Date, our Group has also applied for the registration of the following trademarks which we consider are material to our business:

No.	Trade Mark	Place of registration	Class	Application date	Application no.	Name of applicant
1.	<p>A </p> <p>B </p> <p>C </p>	Hong Kong	41	27 September 2017	304286520	Ascent Prep International Education Limited
2.	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	16, 41	22 March 2018	304468861	BeConfident Alliance Limited
3.	<p>A </p> <p>B </p>	Hong Kong	14, 16, 18, 25, 41	11 May 2018	304524282	Beacon Holdings
4.	<p>A </p> <p>B </p>	Hong Kong	14, 16, 18, 25, 41	11 May 2018	304524291	Beacon Holdings
5.	<p>A </p> <p>B </p>	Hong Kong	14, 16, 18, 25, 41	25 May 2018	304539808	Beacon Holdings

*(b) Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names:

No.	Domain name	Name of registrant	Date of registration	Expiry date
1.	bexcellent.com.hk	Advance Bestway Limited	4 March 2014	4 March 2019
2.	bexcellent.hk	Advance Bestway Limited	4 March 2014	4 March 2019
3.	beaconchildhood.com	Beacon Childhood Education Centre Company Limited	12 May 2014	12 May 2019
4.	gcdc.com.hk	Beacon Childhood Education Centre Company Limited	11 September 2013	11 September 2019
5.	geniuschildhood.com.hk	Beacon Childhood Education Centre Company Limited	13 April 2011	13 April 2020
6.	stem.edu.hk	Beacon Childhood Education Centre Company Limited	2 September 2014	2 September 2020
7.	beaongroup.com.hk	Beacon College Limited	3 July 2014	4 July 2020
8.	beagazine.com	Beacon College Limited	10 October 2017	10 October 2018
9.	beagazine.com.hk	Beacon College Limited	10 October 2017	12 October 2018
10.	beaconcape.com	Beacon Continuing and Professional Education Limited	22 December 2011	22 December 2019
11.	beaconcape.com.hk	Beacon Continuing and Professional Education Limited	16 December 2011	16 December 2019
12.	amberbeacon.com	Beacon Education Limited	30 November 2011	30 November 2019
13.	beacon.com.hk	Beacon Education Limited	1 June 1998	9 May 2023
14.	glocalgroup.cc	Glocal Development Group Limited	31 July 2015	31 July 2020
15.	ascentprep.com.hk	Ascent Prep International Education Limited	27 April 2017	28 April 2019
16.	ascent-prep.com.hk	Ascent Prep International Education Limited	27 April 2017	28 April 2019
17.	ascent-prep.com	Ascent Prep International Education Limited	28 April 2017	28 April 2019
18.	bee2beeasia.com.hk	BEE-2-BEE Limited	5 June 2017	5 June 2019
19.	bee2beeasia.com	BBE-2-BEE Limited	5 June 2017	5 June 2019
20.	bexcellentgroup.com.hk	Beacon College Limited	27 November 2017	29 November 2018
21.	bexcellentgroup.com	Beacon College Limited	27 November 2017	27 November 2019
22.	bexcellentgroup.hk	Beacon College Limited	27 November 2017	27 November 2018
23.	bexcellentgroup.com.cn	Beacon College Limited	27 November 2017	27 November 2019
24.	bexgroup.com.hk	Beacon College Limited	27 November 2017	27 November 2018
25.	bexgroup.hk	Beacon College Limited	27 November 2017	27 November 2018
26.	bexgroup.com.cn	Beacon College Limited	27 November 2017	27 November 2019
27.	bealearning.com.hk	Beacon College Limited	4 December 2017	20 December 2018
28.	bealearning.com	Beacon College Limited	4 December 2017	4 December 2019
29.	beconfident.hk	BeConfident Alliance Limited	6 February 2018	6 February 2019
30.	beconfident.com.hk	BeConfident Alliance Limited	6 February 2018	6 February 2019

**(c) Copyright**

As at the Latest Practicable Date, our Group has registered the following copyright which we consider is material to our business:

Title of product	Place of registration	Registration date	Registration no.	Name of registrant
棋盤遊戲連棋子和卡 (BeeSmart MATCH FAST)	PRC	3 February 2017	國作登字 -2017-F-00350394 (Guo Zuo Deng Zi-2017-F-00350394*)	Beacon Childhood Education Centre Company Limited

**(d) Design**

As at the Latest Practicable Date, our Group has registered the following design which we consider is material to our business:

Title of design	Place of registration	Locarno classification no.	Registration date	Registration no.	Name of registrant	Expiry Date
棋盤遊戲連棋子和卡 (Chess board game with pieces and cards)	Hong Kong	Cl. 21-01	9 September 2016	1601738.4	Beacon Childhood Education Centre Company Limited	8 September 2021

**(e) Patent**

As at the Latest Practicable Date, our Group has registered the following patent which we consider is material to our business:

Patent	Place of registration	Registration date	Registration no.	Name of registrant	Expiry Date
遊戲棋牌 (Chess board game with pieces and cards)	PRC	14 September 2016	201630471083.2	Beacon Childhood Education Centre Company Limited	13 September 2026

Save as disclosed above, our Directors confirm there are no other trademarks or other intellectual property rights which are material in relation to the business of our Group.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

#### (a) *Interests of our Directors and the chief executive of our Company*

Immediately following completion of the Capitalisation Issue and the Share Offer, and assuming that the options which may be granted under the Share Option Schemes have not been exercised, the interests and/or short positions of our Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to be kept therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, once the Shares are listed on the Stock Exchange are as follows:

Name of Company	Name of Director	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
The Company	Ms. June Leung (Note 2)	Interests held jointly with another person; interest in a controlled corporation	375,000,000 Shares (L) (Note 1)	75%
	Mr. Tam (Note 2)	Interests held jointly with another person; interest in a controlled corporation	375,000,000 Shares (L)	75%
Beacon Enterprise (Note 3)	Ms. June Leung	Beneficial owner	3,600 shares (L)	60%
	Mr. Tam	Beneficial owner	1,560 shares (L)	26%
	Mr. Chan	Beneficial owner	180 shares (L)	3%
	Mr. Li	Beneficial owner	180 shares (L)	3%
Glocal Development Group Limited (Note 4)	Dr. Shen Xu Hui	Beneficial owner	3,000 shares (L)	30%

*Notes:*

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.

- (2) Our Company will be held as to approximately 75% by Beacon Enterprise immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued upon exercise of the options which have been or may be granted under the Share Option Schemes). Beacon Enterprise is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li. Pursuant to the Deed of Acting in Concert, each of Ms. June Leung, Ms. Irene Leung, Mr. Ng and Mr. Tam (the “Core Shareholders”) has agreed to jointly control their respective interests in our Company and decisions as to the business and operations of our Group shall be in accordance with the unanimous consent of all Core Shareholders. Each of our Core Shareholders shall exercise their respective voting rights in our Company in the same way. Hence, each of our Core Shareholders is deemed to be interested in all the Shares held by our Core Shareholders in aggregate by virtue of the SFO.
- (3) Our Company will be held as to approximately 75% by Beacon Enterprise immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued upon exercise of the options which have been or may be granted under the Share Option Scheme). Beacon Enterprise is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li.
- (4) Glocal Development Group Limited is an indirect non-wholly-owned subsidiary of our Company and is owned as to 70% by Beacon Group, a wholly-owned subsidiary of our Company, and 30% by Dr. Shen Xu Hui.

**(b) Particulars of service agreements and letters of appointment**

*(i) Executive Directors*

Each of the executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months’ prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Articles or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of the executive Directors shall be entitled to the annual basic salary as follows:

<b>Executive Directors</b>	<b>Annual Basic Salary (HK\$)</b>
Mr. Tam	2,400,000
Mr. Chan	1,200,000
Ms. June Leung	1,680,000
Mr. Li	960,000

Each of the executive Directors will be entitled to a discretionary bonus as may be determined by the Board from time to time by reference to the then prevailing market conditions, the performance and operating results of our Group as well as his/her individual performance.

*(ii) Non-executive Director*

The non-executive Director has entered into a service agreement with our Company for a term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office.

The non-executive Director shall be entitled to the annual basic salary as follows:

<b>Non-executive Director</b>	<b>Annual Basic Salary (HK\$)</b>
Dr. Shen Xu Hui	456,000

The non-executive Director will be entitled to a discretionary bonus as may be determined by the Board from time to time by reference to the then prevailing market conditions, the performance and operating results of our Group as well as his individual performance.

*(iii) Independent non-executive Directors*

Each of the Independent Non-executive Directors has entered into an appointment letter with our Company for a term of three years commencing from the Listing Date which may be terminated by either party by giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Articles of Association or any other applicable laws from time to time whereby he shall vacate his office.

Each of the Independent Non-executive Directors shall be entitled to the annual Director's fee as follows:

<b>Name of Director</b>	<b>Annual Director's Fee (HK\$)</b>
Professor Wong Roderick Sue Cheun	180,000
Mr. Kwan Chi Hong	180,000
Mr. Li Kai Sing	180,000

- (iv) Each of our Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under the relevant service agreement or letter of appointment.
- (v) Save as disclosed in this prospectus, none of our Directors has entered or has proposed to enter into any service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**(c) *Directors' remuneration***

- (i) The aggregate sums of approximately HK\$6.3 million, HK\$6.4 million, HK\$6.3 million and HK\$2.7 million were paid to our Directors as remuneration (including benefits in kind) by our Group for each of the three years ended 31 July 2015, 2016 and 2017 and the five months ended 31 December 2017, respectively. Further information in respect of our Directors' remuneration is set out in the accountant's report in Appendix I to this prospectus.
- (ii) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$6.8 million will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by our Group for the financial year ending 31 July 2018.
- (iii) None of our Directors has been paid any sum of money during the Track Record Period for (a) the loss of office as director or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

## 2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer, the following persons (other than our Directors and chief executives of our Company and such persons as mentioned in item 1) will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

### Long Positions in Shares of our Company

Name	Capacity in which interests are held	Number of Shares	Percentage of shareholding
Beacon Enterprise	Beneficial owner	375,000,000 Shares (L) (Note 1)	75%
Ms. Irene Leung (Note 2)	Interests held jointly with another person; interest in controlled corporation	375,000,000 Shares (L)	75%
Mr. Ng (Note 2)	Interests held jointly with another person; interest in controlled corporation	375,000,000 Shares (L)	75%
Max Wisdom Development Limited (Note 3)	Beneficial owner	25,000,000 Shares (L)	5%
Mr. Lam Yat Yan (Note 3)	Interest in controlled corporation	25,000,000 Shares (L)	5%

*Notes:*

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company will be held as to approximately 75% by Beacon Enterprise immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued upon exercise of the options which have been or may be granted under the Share Option Schemes). Beacon Enterprise is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. June Leung, Mr. Tam, Ms. Irene Leung, Mr. Ng, Mr. Chan and Mr. Li. Pursuant to the Deed of Acting in Concert, each of our Core Shareholders has agreed to jointly control their respective interests in our Company and decisions as to the business and operations of our Group shall be in accordance with the unanimous consent of all our Core Shareholders. Each of our Core Shareholders shall exercise their respective voting rights in our Company in the same way. Hence, each of our Core Shareholders is deemed to be interested in all the Shares held by our Core Shareholders in aggregate by virtue of the SFO.

- (3) The said 25,000,000 Shares represent the number of Shares to be issued upon exercise in full of all the options granted under the Pre-IPO Share Option Scheme which represent 5% of the issued share capital of our Company immediately after the Share Offer and the Capitalisation Issue (assuming the options granted under the Share Option Schemes are not exercised). The ultimate beneficial owner of Max Wisdom Development Limited (“Max Wisdom”) is Mr. Lam Yat Yan (“Mr. Lam”) who is a tutor of our Group. Hence, Mr. Lam is deemed to be interested in all the Shares which may be issued upon the exercise of the Pre-IPO Share Options and held by Max Wisdom by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Share Offer, the following persons are directly or indirectly interested in 10% or more of the issued voting shares of any class of our subsidiaries:

<b>Name of our subsidiary</b>	<b>Name of interested party</b>	<b>Capacity/ Nature of interest</b>	<b>Approximate percentage of shareholding</b>
Ascent Prep International Education Limited	Edutopia Limited ( <i>Note 1</i> )	Beneficial owner	49%
	Britannia Study Link (Asia) Limited ( <i>Note 1</i> )	Interests in controlled corporation	49%
	Chan Sze Ming Samuel ( <i>Note 1</i> )	Interests in controlled corporation	49%
BEE-2-BEE Limited	Graceful Hands Learning Center Limited ( <i>Note 2</i> )	Beneficial owner	30%
	Kwok Tsui Ping Heide ( <i>Note 2</i> )	Interests in controlled corporation	30%
Glocal Development Group Limited	Dr. Shen Xu Hui ( <i>Note 3</i> )	Beneficial owner	30%

*Notes:*

- Edutopia Limited is wholly-owned by Britannia Study Link (Asia) Limited which is owned as to approximately 70.3% by Chan Sze Ming Samuel. Hence, Chan Sze Ming Samuel and Britannia Study Link (Asia) Limited are deemed to be interested in the shares held by Edutopia Limited.
- Graceful Hands Learning Center Limited is owned as to 90% by Kwok Tsui Ping Heide. As such, Kwok Tsui Ping Heide is deemed to be interested in the shares held by Graceful Hands Learning Center Limited.
- Dr. Shen Xu Hui is our non-executive Director.

**3. Agency fees or commission**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

**4. Sole Sponsor's fees**

The total amount of fees payable to the Sole Sponsor by our Company for sponsoring the listing of the Shares on the Stock Exchange is HK\$3.8 million.

**5. Related party transactions**

Save as disclosed herein and in note 28 under the heading "Related party transactions" in the section headed "Notes to the historical financial information" of the accountant's report set out in Appendix I to this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

**6. Disclaimers**

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) immediately following the completion of the Capitalisation Issue and the Share Offer and assuming that the options which may be granted under the Share Option Schemes are not exercised, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO (including interests and/or short positions which they are taken or deemed to have taken under such provisions of the SFO), to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules once the Shares are listed on the Stock Exchange;
- (b) none of our Directors or experts referred to in the paragraph headed "10. Qualifications and consents of experts" under the section headed "F. Other information" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets, which have within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;

- (c) none of our Directors or experts referred to in the paragraph headed “10. Qualifications and consents of experts” under the section headed “F. Other information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, none of our Directors are aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (e) none of our Directors or the experts referred to in the paragraph headed “10. Qualifications and consents of experts” under the section headed “F. Other information” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors or the experts referred to in the paragraph headed “10. Qualifications and consent of experts” under the section headed “F. Other information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;
- (g) none of our Controlling Shareholders and Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group; and
- (h) none of our Controlling Shareholders or Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers (which are corporations) of our Group.

#### **D. PRE-IPO SHARE OPTION SCHEME**

##### **1. Summary of the terms of the Pre-IPO Share Option Scheme**

Our Company has adopted the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, contractors, service providers, representatives and sales partners of our Group who has contributed or will contribute to the

Group. The principal terms of the Pre-IPO Share Option Scheme, approved and adopted by a written resolution of the Sole Shareholder of our Company dated 21 June 2018, are set out as below:

- (a) the Pre-IPO Share Option Scheme expired on the date immediately prior to the Listing Date and save for the options which have been conditionally granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date;
- (b) the subscription price per Share has been determined by the Board at 50% discount to the Offer Price and the consideration payable for the grant of an option is HK\$1.00;
- (c) the total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall be 5.0% of the total issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue;
- (d) the option period of each option granted is: (a) in relation to 30% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 12 months after the Grant Date and ending on the expiration of 48 months after the Grant Date; (b) in relation to another 30% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 24 months after the Grant Date and ending on the expiration of 60 months after the Grant Date; (c) in relation to another 40% of the Shares comprised in the relevant Pre-IPO Share Options, the period commencing on the expiration of 36 months after the Grant Date and ending on the expiration of 72 months after the Grant Date (the “**Option Period**”);
- (e) the Pre-IPO Share Option Scheme and the grant of Pre-IPO Share Options are conditional upon the Listing Committee of the Stock Exchange approving the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the Pre-IPO Share Options and the commencement of dealing in the Shares on the Stock Exchange;
- (f) an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant grantee’s outstanding options in whole or in part; and
- (g) subject to the terms of the Pre-IPO Share Option Scheme, an option granted thereunder shall lapse automatically (to the extent not already exercised) on: (a) the expiry of the Option Period; or (b) the date on which the grantee ceases to be an employee, officer, agent, consultant, contractor, service provider or representative of any member of our Group by reason of the termination of his/her/its employment, office, agency, consultancy, service agreement or

representation for the reasons of the grantee's unilateral material breach of the agreement between the grantee and any member of our Group or mutual consent between the grantee and any member of our Group (whichever earlier).

The Pre-IPO Share Options were conditionally granted to a grantee on 27 June 2018. An application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

## 2. Outstanding options granted

As at the date of this prospectus, options to subscribe for in aggregate 5.0% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue at an exercise price equivalent to 50% of the Offer Price, have been conditionally granted by the Company under the Pre-IPO Share Option Scheme on 27 June 2018. Our Directors consider that a discount of 50% to the Offer Price is necessary in order to give incentives to the grantee. Commencing from the first anniversary of the Grant Date, the grantee may exercise options by stages during the applicable option periods as set out in paragraph (e) of the sub-section headed "Summary of terms of the Pre-IPO Share Option Scheme" above.

Below is information of grantee under the Pre-IPO Share Option Scheme:

Name	Relationship with the Group	Address of registered office	Number of Shares to be issued upon exercise of all options	Approximate percentage of Shares in issue immediately after the Share Offer and Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any option which may be granted under the Post-IPO Share Option Scheme) and upon exercise of all options in full
Max Wisdom Development Limited	Service provider	Flat B, 12/F., Fuk On Factory Building, 1123 Canton Road, Mongkok, Kowloon, Hong Kong	25,000,000	4.76%

*Note:* The ultimate beneficial owner of Max Wisdom Development Limited is Mr. Lam Yat Yan, who is a tutor of our Group.

The exercise of the options granted under the Pre-IPO Share Option Scheme, would have a dilutive effect on the earnings per Share for each of the three years ended 31 July 2015, 2016 and 2017.

Assuming that all outstanding options offered under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interests of the public would be increased from approximately 25% to approximately 28.57% of the issued share capital of the Company (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme). All the options under the Pre-IPO Share Option Scheme will not be exercisable within first 12 months after the Grant Date. Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Option Scheme.

## **E. POST-IPO SHARE OPTION SCHEME**

### **1. Summary of the terms of the Post-IPO Share Option Scheme**

The following is a summary of the principle terms of the Post-IPO Share Option Scheme conditionally approved and adopted by a written resolution passed by our Shareholders on 21 June 2018. The summary does not form part of, nor was it intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Post-IPO Share Option Scheme.

#### ***(a) Purpose***

The purpose of the Post-IPO Share Option Scheme is to provide incentives to the Participants (as defined in paragraph (d) below) to contribute to our Group and to enable our Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to our Group.

#### ***(b) Conditions***

The Post-IPO Share Option Scheme is conditional upon: (a) the passing by the shareholders of our Company of an ordinary resolution to approve the adoption of the Post-IPO Share Option Scheme; (b) the Stock Exchange granting the listing of and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of options under the Post-IPO Share Option Scheme; and (c) the commencement of the listing and trading of the Shares on the Main Board.

As at the Latest Practicable Date, no options have been granted or agreed to be granted by the Company under the Post-IPO Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme.

#### ***(c) Period of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the Post-IPO Share Option Scheme becomes unconditional after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options

granted and accepted pursuant thereto prior to the expiration of the said ten-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

*(d) Who may join*

The Board may grant (subject to acceptance in accordance with the terms of the Post-IPO Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (e) below to any individual being an employee, officer, tutor, agent, consultant or representative of any member of our Group (including any executive or non-executive director of any member of our Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of our Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of our Group based on his/her working experience, knowledge in the industry and other relevant factors (a “**Participant**”), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that our Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by our Company or its directors of any applicable securities laws and regulations or in any filing or other requirements arising.

*(e) Subscription price for the Shares under the Post-IPO Share Option Scheme*

The subscription price for the Shares on the exercise of options under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options (subject to any adjustments made pursuant to paragraph (r) below) is made to (subject to acceptance by) the Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

*(f) Maximum number of the Shares available for subscription*

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the said 30% limit. In addition, subject to below as provided in this paragraph (f), the total number of the Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, together with all options to be granted under any other share option scheme(s) of our Company, must not in aggregate exceed 50,000,000 shares, being 10% of the total number of the

Shares in issue as at the date of commencement of the listing of the Shares on the Stock Exchange (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the Scheme Mandate Limit. Our Company may seek separate approval from our Shareholders in general meeting to renew the Scheme Mandate Limit but in any event the total number of the Shares in respect of which options may be granted by the Board under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the renewed Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company (including those outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating such renewed Scheme Mandate Limit. Our Company may also seek separate approval of our Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options to specified Participants beyond the Scheme Mandate Limit (or the renewed Scheme Mandate Limit) in respect of such number of the Shares and on such terms as may be specified in such approval.

**(g) *Maximum number of options to each Participant***

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of our Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the shareholders’ approval of our Company with such Participant and his/her close associates (or his/her associates if such Participant is a connected person) abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the shareholders’ approval of the grant of such options.

**(h) *Grant of options to connected persons***

Where any grant of options is proposed to be made to a Participant who is a director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of our Company or any of their respective associates, such grant must first be approved by the Independent Non-executive Directors of our Company (excluding Independent Non-executive Director who is the Participant). Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive director of our Company or any of their respective associates and such option which would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company in the 12-month period up to and including the proposed date of grant for such options: (i) representing in aggregate more than 0.1% of the number of the Shares

then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on each relevant date of the grant (subject to acceptance) of the options, in excess of HK\$5,000,000, then such grant of options must first be approved by our Shareholders in general meeting at which such person, his/her associates and all core connected persons of our Company shall abstain from voting on the relevant resolution. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll.

*(i) Restrictions on the time of grant of options*

No option shall be granted after an inside information event in relation to the securities of our Company has occurred or an inside information matter in relation to the securities of our Company has been the subject of a decision, until an announcement of such inside information has been published in accordance with the Listing Rules. Further, no option shall be granted within the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's quarter, interim or annual results for any Financial Period; and (b) the deadline for our Company to publish its quarter, interim or annual results announcement for any Financial Period under the Listing Rules, and ending on the date of such results announcement. No Option may be granted during any period of delay in publishing a result announcement.

No option shall be granted to a Participant who is a Director of our Company during the periods or times in which our Directors of our Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

*(j) Offers and acceptance*

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Post-IPO Share Option Scheme and shall remain open for acceptance by the Participant for a period of twenty-eight (28) days from the date of grant provided that no such grant shall be open for acceptance after the expiry of the ten-year period during which the Post-IPO Share Option Scheme is valid and effective or after the Post-IPO Share Option Scheme has been terminated.

An option shall be regarded to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the Participant who accepts the grant of any option to subscribe for Shares in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) a person entitled under the Post-IPO Share Option Scheme to exercise any option in consequence of the

death of the original Grantee (the “**Grantee**”), together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company.

***(k) Transferability of options***

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle our Company to cancel the relevant Grantee’s outstanding options in whole or in part.

***(l) Performance target***

No performance target needs to be achieved by the Grantee before the options can be exercised, unless otherwise stated in the grant letter referred to in paragraph (j) above.

***(m) Time of exercise of options***

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than ten (10) years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

***(n) Rights on ceasing employment***

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group for any reason other than on death, ill health, disability or insanity or the termination of employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the option period or the date falling one (1) month from the date of such cessation, and such cessation date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of our Group whether payment in lieu of notice is made or not (if applicable). For the purposes of this paragraph (n), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group if he/she ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of our Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of our Group.

*(o) Rights on death, ill health, disability or insanity*

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his/her employment, office, agency, consultancy or representation specified in the Post-IPO Share Option Scheme arises, the Grantee or his/her legal personal representative(s) shall be entitled after commencement of the option period until whichever is the earlier of the date of expiry of the option period or the date falling twelve (12) months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) up to his/her entitlement.

*(p) Rights on takeover*

If a general offer to acquire the Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between our Company and our Shareholders or otherwise in like manner) is made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved (if required) in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his/her legal personal representative(s)) shall, even though the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the date falling fourteen (14) days from the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

*(q) Rights on winding-up*

If a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than five (5) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

*(r) Effect on reorganisation of capital structure*

In the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of the Shares as consideration in respect of a transaction), corresponding adjustments (if any) shall be made in:

- (i) the number or nominal amount of the Shares subject to options so far as unexercised;
- (ii) the subscription price in relation to each outstanding option; and/or
- (iii) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of our Company to which an option entitles the Grantee to subscribe after such adjustment must be the same as that to which the option entitled the Grantee to subscribe immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value. In respect of any adjustment required by the foregoing provisions, other than any adjustment made on a capitalisation issue, an independent financial adviser or the auditor for the time being of our Company must also confirm to the Board in writing that the adjustments satisfy the foregoing provisions and fairly and reasonably satisfy the requirement that any such adjustment shall be made in compliance with the provisions stipulated under the Listing Rules or such other guidelines and supplementary guidance on the interpretation of the Listing Rules issued or as may be issued by the Stock Exchange from time to time.

*(s) Ranking of shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment. A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

*(t) Cancellation of options*

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels any options granted

but not exercised and grants new option to the same Grantee, the grant of such new options may only be made under the Post-IPO Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10% limits as referred to in paragraph (f) above and there is available options (excluding the cancelled options) under the 1% limit for each Participant as referred to in paragraph (g) above.

**(u) *Lapse of options***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the other periods referred to in paragraphs (m), (n) or (o);
- (iii) subject to paragraph (q) above, the earliest of the close of business on the 5th business day prior to the general meeting referred to in paragraph (p) above or the date of commencement of the winding-up of our Company;
- (iv) save as otherwise provided in paragraph (p) above or by the Court in relation to the Post-IPO Share Option Scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between our Company and our Shareholders or creditors for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies;
- (v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of any relevant member of our Group by reason of the termination of his/her employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme including but not limited to, guilty of misconduct, bankruptcy or insolvency, having made any arrangement or composition with his creditors generally, or conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his/her employment, office, agency, consultancy or representation at common law or pursuant to any applicable laws or under the Grantee's service contract, terms of office, or agency, consultancy, or representation agreement or arrangement with the relevant member of our Group; or
- (vi) the date on which the Board exercises our Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (k).

*(v) Alteration of the Post-IPO Share Option Scheme*

The terms of the Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme relating to matters contained in Chapter 17 of the Listing Rules shall not be altered to the advantage of Participants or the prospective Participants without the prior approval of our Shareholders in general meeting with the Grantees, the Participants and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The amended terms of the Post-IPO Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

*(w) Termination of the Post-IPO Share Option Scheme*

Our Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be granted but in all other respects the provisions of the Post-IPO Share Option Scheme in relation to any outstanding options shall remain in full force and effect. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

*(x) Disclosure in annual and interim reports*

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise period, vesting period in accordance with the Listing Rules in force from time to time.

**2. Present status of the Post-IPO Share Option Scheme**

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Post-IPO Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the approval of the Post-IPO Share Option Scheme and the subsequent granting of Options under the Post-IPO Share Option Scheme and for the listing of and permission to deal in the Shares which may fall to be allotted and issued pursuant to the exercise of the Options under the Post-IPO Share Option Scheme.

## F. OTHER INFORMATION

### 1. Indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its Subsidiaries) (being the material contract (c) referred to under the paragraph headed “1. Summary of material contracts” in the section headed “B. Further information about the business of our Group” in this Appendix) to provide indemnities on a joint and several basis in respect of, amongst others:

- (a) any liability for any duty which might be incurred by any member of our Group and/ or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the date upon which the Share Offer becomes unconditional as specified under the paragraph headed “Conditions of the Public Offer” under the section headed “Structure and conditions of the Share Offer” of this prospectus (the “**Effective Date**”);
- (b) any amount recovered against our Group or any member of our Group under section 43(7) of the Estate Duty Ordinance in respect of any duty payable under section 43(1)(c) or 43(6) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death or any person and by reason of the assets of our Group or any member of our Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to our Group on or prior to the Effective Date;
- (c) all or any *inter alia*, damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses, actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property and any other liabilities of whatever nature (collectively, “**Damages**”) together with all reasonable costs (including all legal costs), expenses or other liabilities that may arise and be payable under or in connection with any legal action or proceedings of whatever nature and irrespective of where instituted and whether on going or otherwise of which any member of our Group is involved or is a party of whatever capacity (whether claimant or defendant or otherwise) thereto (a) to the extent that such liabilities are not covered by the relevant insurance policies taken out by our Group or any member of our Group; or (b) to the full extent of such liabilities where neither our Group nor any member of our Group has taken out any insurance policy to cover such liabilities, provided that such legal action or proceedings are commenced, or the cause of action for any subsequent legal action or proceedings that are commenced before or after the Effective Date occurs, before the Effective Date;

- (d) all or any Damages together with all reasonable costs (including all legal costs), expenses or other liabilities which,
- (i) our Company and/or any of our Subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong, the PRC or any applicable jurisdiction directly or indirectly as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction on all matters subsisting on or prior to the Effective Date, whether or not disclosed in this prospectus;
  - (ii) our Company and/or any of our Subsidiaries may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, fines, enforcement proceeding or process by any governmental, statutory body, administrative or regulatory body which (1) any member of our Group, their respective directors and/or representatives or any of them is/are involved on or before the Effective Date; and/or (2) arises due to some act or omission of, or transaction voluntarily effected by, any member of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date;
  - (iii) our Company and/or any of its subsidiaries may sustain, suffer and incur arising from (1) the title defects of the properties owned by our Group or breaches of any leases entered into by our Group (either due to non-registration of the lease agreements or any other reasons) in any jurisdiction which were occurred on or before the Effective Date; and/or (2) the relocation of the business or assets from any property leased or licenced by our Group pursuant to the leases/licenses entered into by our Group on or before the Effective Date in the event that our Group is evicted from such property before the expiry of the relevant lease/licence agreement as a result of the breach of the relevant existing lease; and
  - (iv) our Company and/or any of its subsidiaries may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, fines, enforcement proceeding or process by the HKEAA which our Group, their respective directors and/or representatives or any of them is/are involved relating to any licence with the HKEAA applied for and/or obtained by our Group prior to the Effective Date due to some act or omission of, or transaction voluntarily effected by, any member of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction) before or after the Effective Date; and

- (e) the amount of any taxation and taxation claim (the “**Taxation Claim**”), together with all reasonable costs (including all legal costs), fines, penalties, charges, expenses or other liabilities which any member of our Group may incur in connection with (i) the investigation, assessment, contesting or settlement of any Taxation Claim; (ii) the settlement of any claim under the Deed of Indemnity; (iii) any legal proceeding in relation to the Taxation Claim in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iv) the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or transactions, events, acts, omissions, matters or things entered into or occurring on or before the Effective Date.

The Indemnifiers shall be under no liability under the Deed of Indemnity, amongst others, in respect of taxation:

- (a) to the extent that allowance provision or reserve has been made for such taxation in the audited accounts of our Group as set forth in the financial information section of the accountant’s reports set forth in Appendix I to this prospectus and for each of the three years ended 31 July 2015, 2016 and 2017, and the five months ended 31 December 2017;
- (b) to the extent that such taxation or liability would not have arisen but for any act, transaction or omission by any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected by any member of our Group without the prior written consent of the Indemnifiers;
- (c) to the extent that the relevant taxation claim arises or is incurred as a result of imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in laws, rules and regulations or the interpretation or practice by the Inland Revenue Department or relevant tax authority coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in the rates of taxation after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands or the BVI or Hong Kong.

## **2. Litigation**

As at the Latest Practicable Date, save as disclosed in the paragraphs headed “Business – Legal and regulatory – Litigation” and “Business – Third party intellectual property – Intellectual property claims against our Group” in this prospectus, our Company was not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against our Company.

**3. Sole Sponsor**

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of and permission to deal in all the Shares in issue and to be issued as mentioned herein, including any Shares failing to be issued pursuant to the exercise of options which may be granted under the Share Option Schemes.

**4. Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

**5. Preliminary expenses**

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$40,000 and were paid by our Company.

**6. Material adverse change**

Saved as disclosed in the sections headed “Summary – Recent Developments” and “Summary – Listing Expenses” of this prospectus, our Directors confirm that there has been no material adverse change in our Group’s financial or trading position since 31 December 2017 (being the date on which our latest financial statements were made up) and up to the date of this prospectus.

**7. Compliance adviser**

Our Company has appointed VMS as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

**8. Registration procedures**

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share register in Hong Kong and may not be lodged in the Cayman Islands.

**9. Taxation of holder of Shares***(a) The Cayman Islands*

Under the present laws of the Cayman Islands, transfers and other disposals of Shares are exempted from the Cayman Islands stamp duty.

*(b) Hong Kong*

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and the seller is 0.1%. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(c) Generally*

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Underwriters and all of their respective directors, agents or advisers or any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, holding, purchase or disposal of or dealing in the Shares or exercising any rights attaching to them.

**10. Qualifications and consents of experts**

Each of the parties as set out in the table below has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<b>Name</b>	<b>Qualification</b>
Bernard Mak	Barrister-at-law in Hong Kong
Anson Wong SC	Senior Counsel, barrister-at-law in Hong Kong
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
VMS Securities Limited	a corporation licenced under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Julian C.P. Yeung	Barrister-at-law in Hong Kong
P. C. Woo & Co.	legal advisers as to Hong Kong law

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants
Euromonitor International Limited	Independent industry consultant
Corporate Risk Advisory Services Limited	Independent internal control consultant

### **11. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

### **12. Miscellaneous**

- (a) Save as disclosed in this Prospectus:
- (i) within the two years preceding the date of this prospectus, none of our Company's or the subsidiaries of our Company's share or loan capital has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any of our Company's or the subsidiaries of our Company's share or loan capital;
  - (iii) within the two years preceding the date of this prospectus, none of our Company's or the subsidiaries of our Company's share or loan capital is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iv) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any of our Company's shares.
- (b) Our Company has no founder Shares, management Shares or deferred Shares.
- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

- (d) None of Mr. Bernard Mak, Mr. Anson Wong SC, Conyers Dill & Pearman, Mr. Julian C.P. Yeung, P. C. Woo & Co., PricewaterhouseCoopers, Euromonitor, Corporate Risk Advisory Services Limited and the Sole Sponsor:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save as disclosed in this prospectus and in connection with the Underwriting Agreements.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) There has not been any interruption in the business of our Group which may have or has or had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

### **13. Bilingual Prospectuses**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION IN HONG KONG

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “F. Other information – 10. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- (c) a certified copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of P. C. Woo & Co. of 12/F, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date to which is 14 days from the date of this prospectus:

- (1) the Memorandum of Association and Articles of Association;
- (2) the accountant’s report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for each of the financial years ended 31 July 2015, 2016, and 2017, and the five months ended 31 December 2017;
- (4) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the letter of advice prepared by Conyers Dill & Pearman, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (6) the legal opinion prepared by P. C. Woo & Co., our Hong Kong Legal Advisers;
- (7) the legal opinions prepared by Mr. Julian C.P. Yeung, our Legal Counsel;
- (8) the legal opinions prepared by Mr. Bernard Mak, our EO Legal Counsel;
- (9) the legal opinions prepared by Mr. Anson Wong SC, our Litigation Legal Counsel;
- (10) the Companies Law;

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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE FOR INSPECTION IN HONG KONG**

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- (11) the rules of the Pre-IPO Share Option Scheme;
- (12) the rules of the Post-IPO Share Option Scheme;
- (13) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (14) the written consents referred to in the paragraph headed “F. Other information – 10. Qualifications and consents of experts” in Appendix IV to this prospectus;
- (15) the service agreements and letters of appointment entered into between our Company and each of our Directors referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (16) the Euromonitor Report referred to in the section headed “Industry overview” in this prospectus; and
- (17) the internal control report of our Group from Corporate Risk Advisory Services Limited.

**BEXCELLENT GROUP HOLDINGS LIMITED**

**精英匯集團控股有限公司**