



BExcellent Group Holdings Limited
精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1775



2019 中期報告

INTERIM REPORT 2019

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Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	For six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
Revenue	217,546	243,710
Profit for the period	26,531	41,072
Adjusted net profit (<i>Note 1</i>)	27,445	47,370
Adjusted net profit margin	12.6%	19.4%
Profit attributable to the owners of the Company	27,250	42,089
Earnings per share		
Basic (HK cents)	5.45	11.22
Diluted (HK cents)	5.42	11.22

Note 1:

Adjusted net profit was derived from the profit for the period after adjusting for those items which are not indicative of the Group's operating performances such as listing expenses and share-based payments.

OPERATIONAL HIGHLIGHTS

The summary below lists out the number of unique private supplementary secondary school education students enrolling in at least one of our private supplementary secondary school education sessions for the six months ended 31 January 2018 and 2019.

	For six months ended 31 January	
	2019	2018
Number of unique student enrollments ('000)	41	44
Total number of session enrollments ('000)	336	405
Average number of sessions enrolled per student	8.2	9.2
Maximum classroom capacity (<i>Note 2</i>)	3,790	3,691
Revenue per average classroom capacity (HK\$'000)	50	59
Occupancy rate (<i>Note 3</i>)	41.8	46.5

Note 2:

Being the average of the maximum number of students permitted in our classrooms as at beginning and closing of the period 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.

Note 3:

The occupancy rate is calculated as being (a) the total session enrollments for the respective financial period multiplied by four (assuming one session consists of four lessons), divided by (b) the maximum classroom capacity approved by the Education Bureau of the Government of Hong Kong ("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).

Corporate Information

EXECUTIVE DIRECTORS

Ms. Leung Ho Ki, June
(*Chairman of the Board*)
Mr. Tam Wai Lung (*Chief Executive Officer*)
Mr. Chan Tsz Ying, Wister
Mr. Li Man Wai

NON-EXECUTIVE DIRECTOR

Dr. Shen Xu Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Chi Hong
Mr. Li Kai Sing
Professor Wong Roderick Sue Cheun

COMPANY SECRETARY

Mr. Choi Shing Wai, *FCPA*

AUDIT COMMITTEE

Mr. Li Kai Sing (*Chairman*)
Mr. Kwan Chi Hong
Professor Wong Roderick Sue Cheun

REMUNERATION COMMITTEE

Mr. Kwan Chi Hong (*Chairman*)
Professor Wong Roderick Sue Cheun
Mr. Li Kai Sing
Mr. Tam Wai Lung
Mr. Li Man Wai

NOMINATION COMMITTEE

Ms. Leung Ho Ki, June (*Chairman*)
Professor Wong Roderick Sue Cheun
Mr. Kwan Chi Hong
Mr. Li Kai Sing
Mr. Tam Wai Lung

AUTHORISED REPRESENTATIVES

Ms. Leung Ho Ki, June
Mr. Choi Shing Wai, *FCPA*

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central,
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COMPLIANCE ADVISER

VMS Securities Limited

LEGAL ADVISORS

Adrian Lau & Yim Lawyers

PRINCIPAL BANKER

The Hongkong and
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HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
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Hong Kong

COMPANY'S WEBSITE

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STOCK CODE

1775

Management Discussion and Analysis

Unless otherwise specified, (i) capitalised terms used in this interim reports shall have the same meanings as those used in the immediately preceding annual report of the Company; and (ii) where appropriate, numerical figures for percentages presented herein shall be approximate figures and/or percentages (as the case may be).

BUSINESS REVIEW

During the six months ended 31 January 2019, the Group's principal business remained unchanged which include the provision of private supplementary secondary school education services and the operation of private secondary day school in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development.

We provide all of our private supplementary education services from teaching centres in Hong Kong Island, Kowloon and the New Territories. As at 31 January 2019, we operated 19 teaching centres, with a total of 131 classrooms, which, in accordance with the EDB guidelines, allow a maximum classroom capacity of 3,918 students to attend class at any one time.

Set out below is a summary of revenue and session enrollments for each category of services which we provided and the number of unique students for private supplementary secondary school education services and private secondary day school services for the six months ended 31 January 2019 and 2018:

	For the six months ended 31 January	
	2019	2018
Private supplementary secondary school education services		
– Revenue (HK\$'000)	189,353	218,753
– Unique student enrollment ('000)	41	44
– Session enrollment ('000)	336	405
Private secondary day school services		
– Revenue (HK\$'000)	6,387	6,300
– Unique student enrollment ('000)	0.4	0.4
– Session enrollment ('000)	1.7	1.7
Ancillary education services and products		
– Revenue (HK\$'000)	21,806	18,657
– Session enrollment ('000)	17	19

i) Private supplementary secondary school education services

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

	For the six months ended 31 January 2019		2018	
	Session enrollment '000	Revenue HK\$'000	Session enrollment '000	Revenue HK\$'000
Regular courses	247	150,641	291	173,154
Intensive courses	38	14,245	44	17,611
Summer courses	51	24,467	70	27,988
Total	336	189,353	405	218,753
Average course fees per session enrollment (HK\$)		564		540

Mainly due to the decline in session enrollments as experienced in the private supplementary secondary school industry, revenue declined by 13.4% when compared with the same period in the previous financial year.

ii) Private secondary day school services

Due to the slight increase in the number of private secondary day school unique student enrollments, revenue increased by approximately 1% when compared with the same period in the previous financial year. We will continue to integrate resources across different brands within the Group such as Beacon CAPE, GES, Beacon BExcellent and Beacon College to create more values and opportunities to our day school students who, for example, are interested to study abroad.

iii) Ancillary education services and products

The table below shows the components of the ancillary education services and products for each of the six months ended 31 January 2019 and 2018:

	For the six months ended 31 January	
	2019 HK\$'000	2018 HK\$'000
Mock examination services	4,476	6,068
Beacon Childhood	6,759	4,285
Video Induced Pedagogy self-study services	3,533	3,886
Beacon BExcellent	1,388	970
Others	5,650	3,448
Total	21,806	18,657

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

Beacon Childhood is one of the growth momentums for revenue in recent few years and achieved 57.7% (2018: 85.7%) revenue growth for the six months ended 31 January 2019. We have been strengthening our teaching team and the team composition together with network optimisation and our continuous efforts in widening course variety. A new teaching centre, namely Diverse Learning Centre, was established under Beacon Childhood brand and in progress of obtaining the necessary school license and certificate. In view of the market potential in childhood education industry experienced in the past few years, the Group will continue to capture such market growth by (i) expanding our network through opening new centres or acquisition of existing ones; (ii) engaging highly qualified tutors to enhance the credibility of our child education services; and (iii) collaborating with reputable education brands in launching various educational programs.

OUTLOOK AND FUTURE DEVELOPMENTS

The Group has initiated new moves to pursue its growth strategies of (i) further expanding and optimizing its network of teaching centres and offering of education services and (ii) further expanding the Beacon Childhood network and products offering.

In March 2019, the Group is in the preparation of the launch of its 20th teaching centre, which is a diverse learning centre under the Beacon Childhood brand, offering various child education activities and training in relation to academic achievement, emotional intelligence, STEAM and global vision. The Group also seeks to maintain close-knit collaboration with reputable education institutions to provide more offerings of academic assessment and language education services to its students and clients.

At the same time, the Group continues to invest in the enhancement of the Group's information technology infrastructure to strengthen the Group's education services and expand its offering of education services with the goal to maintain and further strengthen its position as a leading private supplementary secondary school education services provider in Hong Kong. Subsequent to the acquisition of an information technology company, Vioo Company Limited, and the engagement of a chief information officer in the Group's management team in January 2019, the Group continues its effort in upgrading the information technology infrastructure in the Group's management and student enrollment systems. In mid-March, the Group launched an Online to Offline (O2O) platform, www.BOnLine.com.hk ("**BOnLine**") with the aim to extend its offline classroom teaching to an online, anytime, self-tracking study platform for the benefit of its students. It enhances students' learning experience by encouraging academic interaction between tutors and learners on the internet and at the same time provides knowledge assessment referencing learners' performance statistics. The Directors believe that the launch of BOnLine will not only lead the Group into the new market of online learning and further enhance tutors' market exposure, but also kick-start a new era of education in combination with big data.

In line with the development of digital learning and assessment offerings, in March 2019, the Group has signed a strategic memorandum of understanding with China Mobile Hong Kong Limited, a wholly-owned subsidiary of China Mobile Limited (Stock Code: 941), to jointly develop high-value-added supplementary education services and solutions in the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**"), in particular digital education product(s) and/or platform(s) integrated with big data to facilitate learning assessment and progress-tracking, via multi-media communications and technological solutions. The Directors are optimistic that the Group will benefit from the potential expansion of its influences over its targeted customers from Hong Kong to the whole of the Greater Bay Area. For details of the strategic memorandum of understanding, please refer to the Company's announcement dated 14 March 2019.

In the near future, the Group aspires to further leverage on the abovementioned synergistic resources and platforms, engage and join hands with different experts, and endeavor to utilize technologies in the collection, application and analysis of multi-perspective information to develop and provide even more effective learning and assessment tools to local students and even students and education institutions in the Greater Bay Area.

The directors maintain a positive view on the future development of the Group's business and believe that such prospect may possibly be immense.

FINANCIAL REVIEW

Revenue

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

The Group's total revenue decreased by HK\$26.2 million, or 10.7%, from HK\$243.7 million for the six months ended 31 January 2018 to HK\$217.5 million for the six months ended 31 January 2019. This was mainly due to the revenue decline from provision of private supplementary secondary school education services by HK\$29.4 million partially offset by the continuous growth in revenue from ancillary education services and products.

Revenue from provision of private supplementary secondary school education services decreased by HK\$29.4 million, or 13.4% from HK\$218.8 million for the six months ended 31 January 2018 to HK\$189.4 million for the six months ended 31 January 2019, which was largely due to the decrease in number of the Group's session enrollments by approximately 69,000 or 17.0% from approximately 405,000 for the six months ended 31 January 2018 to approximately 336,000 for the six months ended 31 January 2019.

Revenue from the provision of the ancillary education services and products increased by HK\$3.1 million, or 16.9% from HK\$18.7 million for the six months ended 31 January 2018 to HK\$21.8 million for the six months ended 31 January 2019.

This is due to the growth in revenue from Beacon Childhood by HK\$2.5 million or 57.7% from HK\$4.3 million for the six months ended 31 January 2018 to HK\$6.8 million for the six months ended 31 January 2019 and the increase was mainly attributable to the increase in number of course types offered as well as the number of student enrollments. Mock examination services is the second largest revenue contributor of our ancillary education services. Such revenue dropped by HK\$1.6 million from HK\$6.1 million for the six months ended 31 January 2018 to HK\$4.5 million for the corresponding period in 2019. The decrease was mainly caused by the timing difference which the relevant services were rendered during the two periods respectively. Other services including online retail business, overseas consultation services as well as other educational services recorded growth in the current period.

Other income

Other income consists primarily of advertising income, interest income from bank deposit and dividend income from unlisted investment.

Other income significantly increased by 643.7% from HK\$0.4 million for the six months ended 31 January 2018 to HK\$2.9 million for the six months ended 31 January 2019. This increase was primarily attributable to the increase in advertising income and interest income from bank deposits of the unutilized listing proceeds.

Major costs component

The summary below shows the major costs components of the Group among which 57.8% (2018:57.0%) is related to labor costs followed by operating lease payment, advertising and promotion expenses, and printing and other operating expenses.

	For the six months ended 31 January			
	2019 HK\$'000	% of revenue	2018 HK\$'000	% of Revenue
Staff costs	52,919	24.3	53,197	21.8
Tutor service fee	52,973	24.4	54,740	22.5
Operating lease payment	27,057	12.4	26,851	11.0
Advertising and promotion expenses	9,125	4.2	8,996	3.7
Printing and other operating expenses	41,042	18.9	45,601	18.7

Staff costs

As at 31 January 2019, the Group has 390 full time employees and 674 part-time employees in Hong Kong.

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

The staff costs slightly decreased by HK\$0.3 million or 0.5% from HK\$53.2 million for the six months ended 31 January 2018 to HK\$52.9 million for the six months ended 31 January 2019. Such decrease was mainly attributable to the net effect of (i) a number of tutors with service fees remunerated having their contracts renewed and switched from employment contracts to service agreements; and (ii) the increase in general staff benefit as well as recruitment of more staff to cope with our business expansion and development.

Tutor service fees

Tutor service fees include service agreements and share-based payments.

Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to the growth of the Group's revenue. Such expense decreased from approximately HK\$54.7 million for the six months ended 31 January 2018 to approximately HK\$53.0 million for the six months ended 31 January 2019.

The decrease was mainly attributable to the decrease in revenue from provision of private supplementary secondary school education services partially offset by the increase in the number of the existing tutors being engaged under employment contracts switching to service agreements after the expiration of their respective employment contracts.

Operating lease payments

Operating lease payments are one of the largest components of the Group's operating costs, accounting for 12.4% (2018: 11.0%) of the Group's total revenue. Such payments slightly increased by approximately HK\$0.2 million or 0.8% from HK\$26.9 million for the six months ended 31 January 2018 to HK\$27.1 million for the six months ended 31 January 2019. Such increase was mainly attributable to the newly leased centres in Tsuen Wan and Prince Edward which was partially offset by the closing of another teaching centre in Causeway Bay.

Advertising and promotion expenses

Advertising and promotion expenses consist of media advertising costs including but not limited to advertising on newspapers and magazines, outdoor billboards, public transit vehicles, mobile apps and third party websites. The Group incurred HK\$0.9 million as part of the usage of listing proceeds for advertising and promotion expenses during the six months ended 31 January 2019.

Printing and other operating expenses

Printing and other operating expenses primarily consist of the printing expenses, listing expenses, legal and professional fees, building management fees, utilities and other administrative expenses. These expenses decreased by HK\$4.6 million or 10.0% from HK\$45.6 million for the six months ended 31 January 2018 to HK\$41.0 million for the six months ended 31 January 2019.

The decrease was mainly attributable to the decrease of (i) legal and professional fees in relation to the listing of the Company on the Main Board of the Stock Exchange on 13 July 2018 ("Listing") and (ii) printing expenses in relation to the decline of revenue from private supplementary secondary school education services, offset by the increase in directors' fees and service fees paid in relation to school operation, function and events.

Income tax expenses

Income tax expense decreased from HK\$9.2 million for the six months ended 31 January 2018 to HK\$5.3 million for the six months ended 31 January 2019, mainly due to the decrease in assessable profits of certain subsidiaries of the Company. The effective tax rates of the Group for the six months ended 31 January 2019 and 2018 were 16.7% and 18.3% respectively.

Profit for the period

Profit for the period of the Group decreased by 35.4% from HK\$41.1 million for the six months ended 31 January 2018 to HK\$26.5 million for the six months ended 31 January 2019.

Liquidity, financial resources and capital structure

As at 31 January 2019, the Group's net current asset value was HK\$160.0 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents and short-term bank deposits less other payables and accruals.

As at 31 January 2019, the Group's current assets increased from HK\$204.6 million as at 31 July 2018 to HK\$229.3 million. Such increase in the current assets was primarily due to the increase in cash and cash equivalents and short-term deposits from HK\$167.6 million as at 31 January 2018 to HK\$191.3 million as at 31 January 2019.

As at 31 January 2019, the current ratio of the Group (expressed as current assets divided by current liabilities) was 3.31, compared with 3.98 as at 31 July 2018.

Adjusted net profit for the period

Adjusted net profit was derived from the profit for the period after adjusting for the items which are not indicative of the Group's operating performances. The following table reconciles profit to adjusted net profit for both financial periods:

	For the six months ended 31 January	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	26,531	41,072
Add:		
– Listing expenses	–	5,180
– Share-based payments	914	1,118
Adjusted net profit	<u>27,445</u>	<u>47,370</u>
Adjusted net profit margin	<u>12.6%</u>	<u>19.4%</u>

Contingent liabilities

The Group did not have any material contingent liability during the six months ended 31 January 2019 other than the on-going litigation disclosed in the section headed "Other Information – Litigation" in this interim report.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2019 (2018: HK\$20,000,000).

Acquisition and disposal of subsidiaries, associates and joint ventures

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

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of the Company in July 2018 amounted to approximately HK\$92.0 million, after deducting the underwriting fees, the Stock Exchange trading fee, SFC transaction levy and the Listing expense in connection with the Share Offer as defined in the prospectus of the Company dated 30 June 2018 (“Prospectus”).

During the six months ended 31 January 2019, approximately HK\$4.6 million has been utilized. The Group has been striving to achieve the milestone events as stated in the Prospectus and now provides an analysis comparing the business objectives set out in the Prospectus with the Group’s actual business progress from 13 July 2018 (the “Listing Date”) to the date of this interim report as set out below:

	Amount of net proceeds allocated approximately HK\$ million	Balance as at 1 August 2018 approximately HK\$ million	Amount of net proceeds utilized for the six months ended 31 January 2019 approximately HK\$ million	Balance as at 31 January 2019 approximately HK\$ million	Progress up to the date of this interim report
i) Acquisition of premise(s) to be used as teaching centre(s)	31.1	31.1	0	31.1	The Group is in progress of locating appropriate premise(s).
ii) Optimization/ establishment of teaching centres	23.3	23.3	0	23.3	The Group is in progress of locating appropriate premise(s).
iii) Acquisition of established teaching centres or opening new teaching centres for Beacon Childhood	12.8	12.8	0	12.8	The Group is still in progress of locating appropriate premise(s) and seeking potential partners.
iv) Upgrades of teaching centres facilities, IT infrastructure and recruitment of non-teaching staff	16.9	16.6	3.2	13.4	I.T. infrastructure remains in development. The Group has hired certain additional non-teaching staff members for various positions in marketing, course management, I.T. and business development divisions. The Group has started to upgrade centre facilities in various centres such as Kowloon East and Yuen Long centres.
v) Enhancing brand awareness	5.8	4.8	0.9	3.9	The Group has launched a series of brand building activities since the end of 2018.
vi) General working capital	2.1	2.0	0.5	1.5	N/A
Total	92.0	90.6	4.6	86.0	

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 January 2019

	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	217,546	243,710
Other income	4	2,881	387
Other losses		(8)	(329)
Staff costs	5	(52,919)	(53,197)
Tutor service fees		(52,973)	(54,740)
Operating lease payments		(27,057)	(26,851)
Advertising and promotion expenses		(9,125)	(8,996)
Printing and other operating expenses		(41,042)	(45,601)
Depreciation and amortisation		(5,464)	(4,085)
Profit before taxation	6	31,839	50,298
Taxation	7	(5,308)	(9,226)
Profit for the period		26,531	41,072
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Fair value (loss)/gain on available-for-sale financial asset		–	–
Total comprehensive income for the period		26,531	41,072
Profit/(loss) attributable to			
– Owners of the Company		27,250	42,089
– Non-controlling interests		(719)	(1,017)
		26,531	41,072
Total comprehensive income/(loss) attributable to			
– Owners of the Company		27,250	42,089
– Non-controlling interests		(719)	(1,017)
		26,531	41,072
Earnings per share for profit attributable to the owners of the Company (expressed in HK cents per share):			
Basic earnings per share	8	5.45	11.22
Diluted earnings per share	8	5.42	11.22

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 January 2019

	Note	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	10	25,373	28,928
Intangible assets		2,531	–
Prepayments	12	11,969	9,809
Deferred tax assets		4,364	3,589
Other investment		2,000	2,000
		<u>46,237</u>	<u>44,326</u>
Current assets			
Accounts receivables	11	1,115	1,328
Deposits, prepayments and other receivables	12	36,857	35,621
Income tax recoverable		–	53
Cash and cash equivalents	13	68,413	166,700
Short-term deposits	13	122,914	914
		<u>229,299</u>	<u>204,616</u>
		<u>275,536</u>	<u>248,942</u>
Equity			
Equity attributable to owners of the Company			
Share capital	17	120,956	120,956
Other reserves		11,555	10,640
Retained earnings		70,863	63,613
		<u>203,374</u>	<u>195,209</u>
Non-controlling interests		<u>(1,029)</u>	<u>(310)</u>
Total equity		<u>202,345</u>	<u>194,899</u>
Liabilities			
Current liabilities			
Amounts due to related companies		2,000	–
Receipts in advance	14	30,681	15,880
Other payables	15	27,522	26,086
Current income tax payable		9,067	9,412
		<u>69,270</u>	<u>51,378</u>
Non-current liabilities			
Other non-current liabilities	16	3,885	2,637
Deferred tax liabilities		36	28
		<u>3,921</u>	<u>2,665</u>
Total liabilities		<u>73,191</u>	<u>54,043</u>
Total equity and liabilities		<u>275,536</u>	<u>248,942</u>

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2019

	Attributable to owners of the Company						
	Note	Share capital and share premium HK\$'000	Other Reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 August 2017(audited)		–	8,799	57,730	66,529	1,408	67,937
Profit/(loss) for the period		–	–	42,089	42,089	(1,017)	41,072
Other comprehensive income							
Fair value gain on available-for-sale financial asset		–	–	–	–	–	–
Total comprehensive income/(loss)			–	42,089	42,089	(1,017)	41,072
Transactions with owners in their capacity as owners							
Dividend	9.1	–	–	(20,000)	(20,000)	–	(20,000)
Share-based compensation-value of employee services	9.2	–	1,119	–	1,119	–	1,119
Total transactions with owners in their capacity as owners		–	1,119	(20,000)	(18,881)	–	(18,881)
Balance at 31 January 2018 (unaudited)		–	9,918	79,819	89,737	391	90,128
Balance at 1 August 2018 (audited)		120,956	10,640	63,613	195,209	(310)	194,899
Profit/(loss) for the period		–	–	27,250	27,250	(719)	26,531
Other comprehensive income							
Fair value loss on available-for-sale financial asset	12	–	–	–	–	–	–
Total comprehensive income/(loss)		–	–	27,250	27,250	(719)	26,531
Transactions with owners in their capacity as owners							
Dividends approved in respect of the previous year	9.1	–	–	(20,000)	(20,000)	–	(20,000)
Share-based compensation-value of employee services	9.2	–	915	–	915	–	915
Total transactions with owners in their capacity as owners		–	915	–	(19,085)	–	(19,085)
Balance at 31 January 2019(unaudited)		120,956	11,555	70,863	203,374	(1,029)	202,345

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2019

	Note	For the six months ended 31 January	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cash flows from operating activities			
Cash generated from operations	20	52,103	66,885
Income tax paid		(6,355)	(9,695)
Net cash from operating activities		45,748	57,190
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,830)	(8,659)
Purchases of intangible assets		(149)	–
Acquisition of a subsidiary		(771)	–
Increase in bank deposits with maturities over three months		(122,000)	–
Interest received		719	1
Net cash used in investing activities		(124,031)	(8,658)
Cash flows from financing activities			
Listing expenses paid in connection with the share offer		–	(5,180)
Dividend paid	9.1	(20,000)	(20,000)
Net cash used in financing activities		(20,000)	(25,180)
Net (decrease)/increase in cash and cash equivalents		(98,283)	23,352
Cash and cash equivalents beginning of the period		166,700	52,990
Exchange (losses)/gains on cash and cash equivalents		(4)	4
Cash and cash equivalents at end of the period		68,413	76,346

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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

2.2 Principal Accounting Policies

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 July 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation issued by the HKICPA as noted below.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 28	Investments in Associates and Joint Venture
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than HKFRS 9 and HKFRS 15, the adoption of these new and revised HKFRSs and interpretation has had no material impact on the condensed consolidated financial statements. The impact of the adoption of these standards are disclosed in note 2.3 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from contracts with customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) HKFRS 9 "Financial Instruments"

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 August 2018 in accordance with the transition requirements.

The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 August 2018. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

- (i) Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- (ii) Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 August 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 August 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies (continued)

(i) *HKFRS 9 “Financial Instruments” (continued)*

(i) Classification and measurement (continued)

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group’s business model.

The Group’s unlisted equity investments of HK\$2,000,000 included within other investment were previously classified as available-for-sale investments and measured at FVOCI under HKAS 39. Under HKFRS 9, they have been classified and measured as financial assets at FVPL.

(ii) Impairment of financial assets

HKFRS 9 requires an impairment on trades receivables, amounts due from associates, and deposits and other receivables that are not accounted for at FVPL under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(ii) *HKFRS 15 “Revenue from Contracts with Customers”*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which means that the cumulative impact of the adoption will be recognized in the opening retained earnings at 1 August 2018 and did not restate the comparative information. Based on the Group’s assessment, the adoption of HKFRS 15 has no significant impact on the amounts reported in the consolidated financial statements.

The Group has not early adopted the new and revised standards and amendments to HKFRSs that have been issued but not yet effective. The Group is in the process of making an assessment of their impact on the Group’s results of operations and financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

3 REVENUE AND SEGMENT INFORMATION

The Executive Directors are the Group's chief operating decision-maker ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM 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. The CODM consider that the Group is operated and managed as a single operating segment.

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Private supplementary secondary school education services	189,353	218,753
Private secondary day school services	6,387	6,300
Ancillary education services and products	21,806	18,657
	<u>217,546</u>	<u>243,710</u>

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong. 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 and general interest under "Beacon BExcellent" brand, mock examination services, VIP self-study services and online course scheduling and management services.

Our revenues and operating results fluctuate 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). We recorded greater revenue during the period from November to January because of the greater number of course enrollment in regular and intensive courses, which are held in tandem with the Hong Kong academic year and in preparation for the HKDSE Examinations.

We anticipate the effect of seasonality may change over time as a result of an increased variety of education programmes and services we offer, including expansion of our ancillary education services and products.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

4 OTHER INCOME

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
– Advertising income	1,433	367
– Interest income	927	1
– Sundry income	521	19
	<u>2,881</u>	<u>387</u>

5 STAFF COSTS

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and bonus	50,874	51,075
Pension costs-defined contribution retirement plans (<i>note a</i>)	2,033	2,122
Share-based payments	12	–
	<u>52,919</u>	<u>53,197</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.

6 PROFIT BEFORE TAXATION

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Auditor’s remuneration	781	258
Listing expenses	–	5,180
Rental expenses under operating leases	25,898	25,717
Printing and stationary	17,921	19,259
Depreciation of property, plant and equipment	<u>5,393</u>	<u>4,085</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

7 TAXATION

The amounts of taxation charged to the profit or loss represent:

	Six months ended 31 January	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong profits tax	6,075	9,775
– Deferred income tax	(767)	(549)
	<u>5,308</u>	<u>9,226</u>

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for both periods.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares, the followings have been accounted for:

	Six months ended 31 January	
	2019	2018
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	27,250	42,089
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>375,000</u>
Basic earnings per share for profit attributable to the shareholders of the Company during the period (HK cents)	<u>5.45</u>	<u>11.22</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

8 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Six months ended 31 January	
	2019	2018
From continuing operations attributable to the ordinary equity holders of the company (HK\$'000)	27,250	42,089
Total diluted earnings per share attributable to the ordinary equity holders of the company (HK cents)	5.42	11.22

Weighted average number of shares used as the denominator

	Six months ended 31 January	
	2018	2017
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (thousand shares)	500,000	375,000
Adjustments for calculation of diluted earnings per share:		
Options (thousand shares)	2,439	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousand shares)	502,439	375,000

9 CAPITAL, RESERVES AND DIVIDENDS

9.1 Dividend

During the current interim period, a final dividend of HK3.0 cents per share (total final dividend of HK\$15,000,000), and a special dividend of HK1.0 cents per share (total special dividend of HK\$5,000,000) in respect of the year ended 31 July 2018 were paid to shareholders.

The Directors do not recommend the payment of interim dividend for the six months ended 31 January 2019 (2018: HK\$20,000,000).

9 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

9.2 Share option scheme

9.2.1 Pre-IPO Option Scheme

The Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted and effective on 21 June 2018, and expired on 12 July 2018. Save for the options which have been granted, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Option Scheme.

The following table discloses movement of outstanding options granted under the Pre-IPO Share Option Scheme:

Grantee	Exercise price	Outstanding at 1 August 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 January 2019
Max Wisdom Development Ltd.	HK\$0.54	25,000,000	-	-	-	25,000,000

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.

9.2.2 Post-IPO Share Option Scheme

The Company's post-IPO share option scheme (the "Post-IPO Share Option Scheme") was approved and adopted by the Company on 21 June 2018 for the purpose of enabling the Company to grant options to the selected participants as incentives or rewards for their contributions to the Group.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company from time to time.

On 23 January 2019, the Company granted the following share options to the directors and selected employees of the Company under the Post-IPO Share Option Scheme, the grant to the directors has been approved by the independent non-executive directors of the Company. For details of the Post-IPO Share Option granted during the period, please refer to the Company's announcements dated 23 January 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

9 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

9.2 Share option scheme (continued)

9.2.2 Post-IPO Share Option Scheme (continued)

Tranche	Date of grant	Date of expiration (a)	Option granted	Vesting and exercisable period	Exercise price (HK\$)
Post-IPO-1st	23 Jan 2019	22 Jan 2029	15,000,000	<ul style="list-style-type: none">- 30% shall vest on and be exercisable from the first anniversary of the date of grant;- 30% shall vest on and be exercisable from the second anniversary of the date of grant;- 40% shall vest on and be exercisable from the third anniversary of the date of grant;	0.493

The validity period shall be ten (10) years from the date of grant ("Validity Period") and the options shall lapse at the expiry of the Validity Period or earlier if the service relationship between the Company and the respective Grantee of the options has terminated prior to the expiry of the Validity Period, subject to the terms and conditions of the Post-IPO Share Option Scheme

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	1.816%-1.845%
Volatility	35%
Dividend yield	8%

No share options have been exercised, cancelled or lapsed during the current interim period.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2019, the Group acquired property, plant and equipment of HK\$1,830,000 (six months ended 31 January 2018: HK\$8,659,000)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

11 ACCOUNTS RECEIVABLES

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Accounts receivables	1,302	1,468
Less: Provision for impairment	(187)	(140)
Accounts receivables – net	<u>1,115</u>	<u>1,328</u>

There is no credit period granted as the income from private supplementary secondary school education services, private secondary day school services and other ancillary education services and products are normally received by means of cash, credit card or other electronic payments in advance. As at 31 January 2019 and 31 July 2018, the ageing analysis of the accounts receivables based on invoice date were as follows:

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
1-30 days	792	1,175
31-60 days	58	2
Over 60 days	452	291
	<u>1,302</u>	<u>1,468</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

11 ACCOUNTS RECEIVABLES (CONTINUED)

As at 31 January 2019, accounts receivables of HK\$478,000 (31 July 2018: HK\$1,328,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amount can be recovered. As at 31 January 2019 and 31 July 2018, the ageing analysis of these receivables is as follows:

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
1-30 days	175	1,175
31-60 days	40	2
Over 60 days	263	151
	<u>478</u>	<u>1,328</u>

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
At beginning of the period/year	140	–
Provision for impairment recognised during the period/year	47	140
At end of the period/year	<u>187</u>	<u>140</u>

The maximum exposures of the Group to credit risk as at 31 January 2019 are the carrying value of accounts receivables mentioned above.

The majority of the accounts receivables of the Group are denominated in Hong Kong dollar. The Group does not hold any collateral as security for accounts receivables.

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Other receivables	<i>i</i>	9,689	7,440
Deposits and prepayments	<i>ii</i>	39,137	37,990
		<u>48,826</u>	<u>45,430</u>
Less: non-current portion		<u>11,969</u>	<u>9,809</u>
Deposits, prepayments and other receivables – current portion		<u>36,857</u>	<u>35,621</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (i) Other receivables mainly represent amounts due from tutors and a cash collection company.
- (ii) Deposits and prepayments mainly represent deposits for utilities, operating lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.

As at 31 January 2019, no other receivables were past due but not impaired (31 July 2018: nil).

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

13 CASH AND BANK BALANCES

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Cash and cash equivalents	68,413	166,700
Short-term bank deposits	122,914	914
	<u>191,327</u>	<u>167,614</u>

The carrying amounts of cash and bank balances approximate their fair values and are denominated in the following currencies:

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Hong Kong dollar	191,074	167,486
Renminbi	30	30
British pound	162	73
Australian dollar	61	25
	<u>191,327</u>	<u>167,614</u>

14 RECEIPTS IN ADVANCE

Receipts in advance represents the tuition fee collected for tutoring services that have not yet been rendered before the end of respective period/year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

15 OTHER PAYABLES

Included in other payables is a current portion of provision of reinstatement cost of HK\$2,014,000 (31 July 2018: HK\$1,984,000). Movement of provision of reinstatement cost is as follows:

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Balance as at beginning of the period/year	4,199	3,604
Additions	42	654
Utilisation	–	(59)
Balance as at closing of the period/year	4,241	4,199
Less: non-current portion	(2,227)	(2,215)
Current portion	<u>2,014</u>	<u>1,984</u>

16 OTHER NON-CURRENT LIABILITIES

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Provision of reinstatement cost	2,227	2,215
Unamortised rent-free expenses	1,658	422
Other non-current liabilities	<u>3,885</u>	<u>2,637</u>

17 SHARE CAPITAL

Notes	31 January 2019		31 July 2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
At beginning of the period/year	(a) 10,000,000,000	100,000	38,000,000	380
Increase in authorised share capital	(b) –	–	9,962,000,000	99,620
At end of the period/year	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the period/year	(a) 500,000,000	120,956	10	–
Issue of shares pursuant to the Listing	(c) –	–	125,000,000	135,000
Issue of shares pursuant to the Capitalisation	(d) –	–	374,999,990	–
Listing expenses charged to share premium	–	–	–	(14,044)
At end of the period/year	<u>500,000,000</u>	<u>120,956</u>	<u>500,000,000</u>	<u>120,956</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

17 SHARE CAPITAL (CONTINUED)

- (a) On 15 April 2015, the Company was incorporated in the Cayman Islands as an exempted company under the laws of the Cayman Islands with authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On the same day, 1 share was allotted and issued to the initial subscriber, and was subsequently transferred to Beacon Enterprise Limited at par. On 2 October 2015, every issued and unissued share of par value of HK\$0.10 in the share capital of the Company was subdivided into 10 shares of HK\$0.01. Upon completion of the subdivision of the shares, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and the issued share capital of the Company increased from 1 share to 10 shares.
- (b) On 21 June 2018, the authorised share capital of the company was increased from 38,000,000 shares of HK\$0.01 each to 500,000,000 shares of HK\$0.01 each, by the creation of an additional 462,000,000 shares, ranking pari passu in all respects with the existing shares.
- (c) On 13 July 2018, the Company issued 125,000,000 ordinary shares of HK\$0.01 each at a price of HK\$1.08 per share pursuant to the initial public offering and Listing of the Company's shares in Main Board.
- (d) Pursuant to the written resolution passed by the shareholders on 21 June 2018 and conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 374,999,990 Shares, credited as fully-paid, at par by way of capitalisation for the sum of HK\$3,749,999.90 standing to the credit of the share premium account of the Company. (the "Capitalisation").

18 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	31,839	50,298
Adjustments for:		
– Depreciation of property, plant and equipment	5,392	4,085
– Amortisation of intangible assets	71	–
– Loss on disposal of property, plant and equipment	–	334
– Share-based compensation expenses	915	1,119
– Interest income	(927)	(1)
– Exchange differences	8	(5)
Change in working capital		
– Accounts receivables	412	(357)
– Deposits, prepayments and other receivables	(4,383)	(11,647)
– Amounts due from related companies	–	45
– Amounts due to related companies	2,000	(42)
– Receipts in advance	14,630	14,247
– Other payables	2,146	8,809
Cash generated from operations	<u>52,103</u>	<u>66,885</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

19 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 periods ended 31 January 2019 and 2018:

Name of the related party	Relationship with the Group
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 related party transactions during the periods ended 31 January 2019 and 2018 carried out by the Group in the normal course of its business:

	Six months ended 31 January	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Service fees to Hong Kong International Affairs Consultancy Company Limited (<i>note i</i>)	–	60
Licence income from Jiangxi Dragonway Bliss (<i>note ii</i>)	(37)	(10)
	<u>(37)</u>	<u>59</u>

Note i: Service fees are paid with reference to market rates of similar projects.

Note ii: Licence income are recognised with reference to market rates of similar projects.

- (b) Compensation of key management personnel of the Group:

	Six months ended 31 January	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Salaries, allowances and benefits in kind	3,736	3,271
Equity-settled share option expense	5	–
Pension scheme contributions	59	47
	<u>3,800</u>	<u>3,318</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 January 2019

20 COMMITMENTS

(a) Capital commitments – Office and laboratory equipment

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Contracted but not provided for	245	289

(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:

	31 January 2019 HK\$'000 (unaudited)	31 July 2018 HK\$'000 (audited)
Within one year	40,759	46,903
Later than one year but within five years	34,003	41,057
	74,762	87,960

21 ACQUISITION OF A SUBSIDIARY

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

22 CONTINGENT LIABILITIES

Reference is made to the Company’s announcements dated 1 August 2018 and 22 October 2018 respectively and the Company’s 2018 annual report. Capitalised terms used in this section of this interim report shall have the meanings as ascribed therein. A defence against the alleged claims under the legal proceedings with case number HCA 546 of 2018 has been filed by Beacon College, an indirect wholly-owned subsidiary of the Company, with the High Court of Hong Kong on 22 October 2018. The Group obtained legal advice and considers that it has solid grounds to defend against the claims and will continue to uphold its rights in the said action. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group. The Company will provide an update as and when there is any material development in relation to this case.

Other Information

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2019 (2018: HK\$20,000,000).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 January 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares or underlying shares of the Group

Name of company	Name of Director	Nature of interest	Number of shares held	Interest in underlying shares	Total interest in shares and underlying shares	Approximate percentage of shareholding (%)
The Company	Ms. Leung Ho Ki, June <i>Note 1</i>	Deemed interests held jointly with another person; interest in a controlled corporation	375,000,000	-	375,000,000	75%
		Beneficial owner	-	1,000,000 <i>Note 2</i>	1,000,000	0.2%
		Interest of spouse	-	3,500,000 <i>Note 3</i>	3,500,000	0.7%
	Mr. Tam Wai Lung <i>Note 1</i>	Deemed interests held jointly with another person; interest in a controlled corporation	375,000,000	-	375,000,000	75%
		Beneficial owner	-	3,500,000 <i>Note 2</i>	3,500,000	0.7%
		Interest of spouse	-	1,000,000 <i>Note 3</i>	1,000,000	0.2%
	Mr. Chan Tsz Ying, Wister	Beneficial owner	-	1,000,000 <i>Note 2</i>	1,000,000	0.2%
	Mr. Li Man Wai	Beneficial owner	-	1,000,000 <i>Note 2</i>	1,000,000	0.2%
	Beacon Enterprise Limited <i>Note 4</i>	Ms. Leung Ho Ki, June	Beneficial owner	3,600	-	3,600
Mr. Tam Wai Lung		Beneficial owner	1,560	-	1,560	26%
Mr. Chan Tsz Ying, Wister		Beneficial owner	180	-	180	3%
Mr. Li Man Wai		Beneficial owner	180	-	180	3%
Glocal Development Group Limited <i>Note 5</i>	Dr. Shen Xu Hui	Beneficial owner	3,000	-	3,000	30%

Note:

1. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai. Pursuant to the Deed of Acting in Concert, each of Ms. Leung Ho Ki, June, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang and Mr. Tam Wai Lung (the "Core Shareholders") has agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all Core Shareholders. Each of the Core Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Core Shareholders is deemed to be interested in all the Shares held by the Core Shareholders in aggregate by virtue of the SFO.
2. These interests in underlying Shares represent the interests in outstanding options granted by the Company on 23 January 2019 pursuant to the Post-IPO Share Option Scheme approved and adopted by the Company on 21 June 2018 and effective from 13 July 2018 to subscribe for the relevant number of Shares.
3. Ms. Leung Ho Ki, June and Mr. Tam Wai Lung are spouses of each other, they are deemed to be interested in all the Shares and underlying Shares in which one another is interested by virtue of the SFO.
4. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai.
5. Glocal Development Group Limited is an indirect non-wholly-owned subsidiary of the Company and is owned as to 70% by Beacon Group Limited, a wholly-owned subsidiary of the Company, and 30% by Dr. Shen Xu Hui.

Save as disclosed above, as at 31 January 2019, neither the chief executives nor any of the Directors of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 January 2019, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Share held	Position	Percentage of shareholding (%)
Beacon Enterprise Limited	Beneficial Owner	375,000,000	Long	75%
Ms. Leung Ho Yan, Irene <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Mr. Ng King Hang <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	Long	75%
Max Wisdom Development Limited <i>Note 2</i>	Beneficial owner	25,000,000	Long	5%
Mr. Lam Yat Yan <i>Note 2</i>	Interest in controlled corporation	25,000,000	Long	5%

Note:

1. The Company is held as to approximately 75% by Beacon Enterprise Limited upon Listing. Beacon Enterprise Limited is beneficially owned as to 60%, 26%, 4%, 4%, 3% and 3%, respectively, by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, Ms. Leung Ho Yan, Irene, Mr. Ng King Hang, Mr. Chan Tsz Ying, Wister and Mr. Li Man Wai. Pursuant to the Deed of Acting in Concert, each of such Core Shareholders has agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all the Core Shareholders. Each of the Core Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Core Shareholders is deemed to be interested in all the Shares held by the 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 the Company as at 31 January 2019. As at 31 January 2019 and the date of this interim report, the options granted under the Pre-IPO Share Option Scheme 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 the 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.

Saved as disclosed above, as at 31 January 2019, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Option Schemes" below, at no time during the six months ended 31 January 2019 were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate granted to any of the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules), or were any such rights exercised by any of them; or was the Company or any of its subsidiaries a party to any arrangement enabling the Directors or chief executives of the Company or their respective associates to acquire such rights.

SHARE OPTION SCHEMES

To recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, contractors, service providers, representatives and sales partners of the Group who has contributed or will contribute to the Group; and to enable the Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group, we adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme on 21 June 2018 and they were effective from 13 July 2018.

For details of the terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, please refer to the section headed "Share Option Schemes" in the Directors' Report included in our 2018 annual report.

Pre-IPO Option Scheme

The following options with the rights for the subscription of in aggregate 25,000,000 Shares were granted on 13 July 2018. The validity period of the Options shall be 72 months from the date on which the grant of an option pursuant to the such Share Option Scheme was made to a participant (the "Grant Date") and the options granted shall lapse on, whichever earlier, (i) at the expiry of the validity period; or (ii) the date on which the grantee ceases to be an employee, officer, agent, consultant, contractor, service provider or representative of any member of the 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 the Group or mutual consent between the grantee and any member of the Group. A grantee may exercise options by stages during the applicable option periods as follows:

- 30% of the options shall vest on and be exercisable from the expiration of 12 months after the Grant Date until the expiration of 48 months after the Grant Date;
- 30% of the options shall vest on and be exercisable from the expiration of 24 months after the Grant Date until the expiration of 60 months after the Grant Date; and
- 40% of the options shall vest on and be exercisable from the expiration of 36 months after the Grant Date until the expiration of 72 months after the Grant Date.

Other Information

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme during the six months ended 31 January 2019.

Grantee	Exercise price per share option	Number of options held at 1 August 2018	Options granted during the period (number of underlying Shares)	Options exercised, lapsed or cancelled during the period	Number of options held as at 31 January 2019 (number of underlying Shares)
Max Wisdom Development Limited <i>Note</i>	HK\$0.54	25,000,000	–	–	25,000,000

Note: The ultimate beneficial owner of Max Wisdom Development Limited is Mr. Lam Yat Yan, who is a tutor of the Group.

All the options under the Pre-IPO Share Option Scheme will not be exercisable within first 12 months after the Grant Date. The exercise price per share option of HK\$0.54 was determined by the Board as at 13 July 2018, being a 50% discount to the offer price of the final initial public offering of the Company on the same date.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Option Scheme.

Post-IPO Option Scheme

The following options with the rights for the subscription of in aggregate 15,000,000 Shares were granted on 23 January 2019. The validity period of the options granted shall be ten years from the Grant Date and the options shall lapse at the expiry of the validity period or earlier if the service relationship between the Company and the respective grantee of the options has terminated prior to the expiry of the validity period, subject to the terms and conditions of the Post-IPO Share Option Scheme. The options granted to each grantee shall vest on and be exercisable by such grantee as follows:

- 30% of the options shall vest on and be exercisable from the first anniversary of the Grant Date;
- 30% of the options shall vest on and be exercisable from the second anniversary of the Grant Date; and
- 40% of the options shall vest on and be exercisable from the third anniversary of the Grant Date.

The following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme during the six months ended 31 January 2019.

Grantee	Exercise price per share option	Number of options held at 1 August 2018	Options granted during the period (number of underlying Shares)	Options exercised, lapsed or cancelled during the period	Number of options held as at 31 January 2019 (number of underlying Shares)
Directors					
Ms. Leung Ho Ki, June	HK\$0.493	-	1,000,000	-	1,000,000
Mr. Tam Wai Lung	HK\$0.493	-	3,500,000	-	3,500,000
Mr. Li Man Wai	HK\$0.493	-	1,000,000	-	1,000,000
Mr. Chan Tsz Ying, Wister	HK\$0.493	-	1,000,000	-	1,000,000
Employees	HK\$0.493	-	8,500,000	-	8,500,000

All the options under the Post-IPO Share Option Scheme will not be exercisable within first 12 months after the Grant Date. The options granted under the Post-IPO Share Option Scheme would have a dilutive effect on the earnings per share for the six months ended 31 January 2019. The exercise price per share option of HK\$0.493 represents the average closing price of the Shares in the Company for the five consecutive business days immediately preceding the Grant Date. The closing price of the Shares immediately before the Grant Date was HK\$0.49.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Post-IPO Option Scheme as at the date of this interim report.

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any listed securities of the Company during the period of the six months ended 31 January 2019 and up to the date of this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. Since the listing of the Company's shares on the Main Board of the Stock Exchange and up to 31 January 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules as amended from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period of the six months ended 31 January 2019 and up to the date of this interim report.

LITIGATION

Reference is made to the Company's announcements dated 1 August 2018 and 22 October 2018 respectively and the Company's 2018 annual report. Capitalised terms used in this section of this interim report shall have the meanings as ascribed therein. A defence against the alleged claims under the legal proceedings with case number HCA 546 of 2018 has been filed by Beacon College, an indirect wholly-owned subsidiary of the Company, with the High Court of Hong Kong on 22 October 2018. The Group obtained legal advice and considers that it has solid grounds to defend against the claims and will continue to uphold its rights in the said action. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group. The Company will provide an update as and when there is any material development in relation to this case.

AUDIT COMMITTEE

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

The Audit Committee consists of three members: Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun, all of whom are independent non-executive Directors. Mr. Li Kai Sing is the chairman of the Audit Committee. The Audit Committee has reviewed with the management this interim report including the unaudited financial statements of the Group for the six months ended 31 January 2019 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules for the six months ended 31 January 2019 and up to the date of this interim report, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above, there is no significant subsequent event undertaken by the Company or by the Group after 31 January 2019 and up to the date of this interim report.

On behalf of the Board

Leung Ho Ki, June
Chairman

Hong Kong, 29 March 2019



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