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BExcellent Group Holdings Limited

精英匯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1775)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2022

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the six months ended 31 January 2022 comparing to that of the same period ended 31 January 2021 is as follows:

- The Group's revenue decreased by 10.6% from HK\$93.3 million to approximately HK\$83.3 million.
- Total number of session enrollments of private supplementary secondary school education services decreased by approximately 1.7% from 118,000 to 116,000.
- The revenue per average classroom capacity of private supplementary secondary school education services increased by approximately 10.5% from HK\$22,900 to HK\$25,300.
- Loss attributable to owners of the Company for the six months ended 31 January 2022 was HK\$7.5 million. (For the six months ended 31 January 2021, loss attributable to owners of the Company was HK\$5.1 million).
- Bank balances and cash were recorded as HK\$71.6 million as at 31 January 2022.
- The Board does not recommend the payment of interim dividend for the six months ended 31 January 2022 (For the six months ended 31 January 2021: nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of BExcellent Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 January 2022 together with the comparative unaudited figures for the comparable period in 2021, which have been reviewed by the Company's Audit Committee. Unless specified otherwise, (i) capitalised terms used herein shall have the same meanings as used in the immediately preceding annual report of the Company; and (ii) where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2022

		2022	2021
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Revenue	3	83,342	93,260
Other income	4	2,126	16,121
Other (losses)/gains	4	(261)	97
Staff costs	5	(33,038)	(44,606)
Tutor service fees		(15,480)	(23,576)
Short-term lease and low-value lease payments		(6,151)	(2,738)
Advertising and promotion expenses		(1,917)	(3,287)
Printing and other operating expenses		(21,071)	(23,035)
Depreciation and amortisation		(13,646)	(18,907)
Change in fair value of investment property		445	56
Operating loss		(5,651)	(6,615)
Finance costs	6	(539)	(838)
Share of profit/(loss) of an associate		56	(126)
Loss on deemed disposal of an associate		—	(78)
Loss before taxation	7	(6,134)	(7,657)
Taxation	8	(1,987)	2,074
Loss for the period		(8,121)	(5,583)
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Change in the fair value of equity investment at fair value through other comprehensive income		(29)	(214)
Other comprehensive loss for the period		(29)	(214)
Total comprehensive loss for the period		(8,150)	(5,797)
Loss attributable to			
– Owners of the Company		(7,543)	(5,117)
– Non-controlling interests		(578)	(466)
		(8,121)	(5,583)
Total comprehensive loss for the period attributable to			
– Owners of the Company		(7,572)	(5,331)
– Non-controlling interests		(578)	(466)
		(8,150)	(5,797)
Basic and diluted loss per share for loss attributable to the owners of the Company (expressed in HK cents per share)	9	(1.51)	(1.02)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2022

		31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment		13,394	16,759
Right-of-use assets		34,540	29,444
Investment property		19,845	19,400
Intangible assets		4,415	4,659
Financial assets at fair value through other comprehensive income		256	285
Deferred income tax assets		4,821	6,668
Interest in an associate		456	—
Deposits and prepayments		1,388	2,463
		<u>79,115</u>	<u>79,678</u>
Current assets			
Accounts receivables	11	4,990	3,398
Deposits, prepayments and other receivables	12	16,904	18,033
Income tax recoverable		116	1,064
Cash and cash equivalents		71,610	81,148
		<u>93,620</u>	<u>103,643</u>
Total assets		<u><u>172,735</u></u>	<u><u>183,321</u></u>
Equity			
Share capital	15	120,956	120,956
Other reserves		8,829	16,676
Accumulated losses		(10,115)	(10,737)
Equity attributable to owners of the Company		<u>119,670</u>	126,895
Non-controlling interests		(1,479)	(901)
Total equity		<u>118,191</u>	<u>125,994</u>
Liabilities			
Current liabilities			
Other payables	13	9,774	16,371
Contract liabilities		14,856	15,352
Current income tax payable		459	345
Borrowings		7,331	7,585
Lease liabilities		8,445	11,264
		<u>40,865</u>	<u>50,917</u>

		31 January	31 July
		2022	2021
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Audited)
Non-current liabilities			
Other non-current liabilities	<i>14</i>	289	579
Deferred income tax liabilities		47	10
Lease liabilities		13,343	5,821
		<u>13,679</u>	<u>6,410</u>
Total liabilities		<u>54,544</u>	<u>57,327</u>
Total equity and liabilities		<u>172,735</u>	<u>183,321</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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

2.2 Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 July 2021, except for the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that have been adopted by the Group for the first time for the current period’s unaudited interim financial information:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform —
Phase 2

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

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

4 OTHER INCOME AND OTHER (LOSSES)/GAINS

	Six months ended 31 January	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
– Government subsidies (<i>Note (a)</i>)	—	13,885
– Interest income	76	166
– Advertising income	—	67
– IT service income	1,605	1,609
– Rental income from investment property	324	296
– Sundry income	121	98
	<u>2,126</u>	<u>16,121</u>
Other (losses)/gains		
Loss on disposal of property, plant and equipment	(226)	—
Exchange differences - net	(35)	97
	<u>(261)</u>	<u>97</u>

Note:

- (a) During the six months ended 31 January 2021, the Group applied for the second tranche of the “Hong Kong SAR Government’s Employment Support Scheme” and the one-off relief grant for private schools offering non-formal curriculum registered under the Education Ordinance (Cap 279). A total of HK\$13,885,000 was recognised as other income in the condensed consolidated statement of comprehensive income.

5 STAFF COSTS

	Six months ended 31 January	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and bonus	31,309	41,039
Pension costs-defined contribution retirement plans (<i>Note (a)</i>)	1,382	1,812
Share-based compensation expenses	347	1,755
	<u>33,038</u>	<u>44,606</u>

Note:

(a) Pension costs-defined contribution retirement plans

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

6 FINANCE COSTS

	Six months ended 31 January	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	458	752
Interest on bank loan	81	86
	<u>539</u>	<u>838</u>

7 LOSS BEFORE TAXATION

Six months ended 31 January

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Short-term lease expenses	6,151	2,738
Depreciation of right-of-use assets	8,589	14,381
Depreciation of property, plant and equipment	4,813	4,317
Printing and stationery	4,623	5,563
Amortisation of intangible assets	244	209
	<u>244</u>	<u>209</u>

8 TAXATION

The amounts of taxation charged/(credited) to the profit or loss represent:

Six months ended 31 January

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	103	176
– Deferred income tax	1,884	(2,250)
	<u>1,987</u>	<u>(2,074)</u>

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

9 LOSS PER SHARE

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

	Six months ended 31 January	
	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(7,543)	(5,117)
Weighted average number of shares in issue (thousand shares)	<u>500,000</u>	<u>500,000</u>
Basic loss per share for loss attributable to owners of the Company during the period (HK cents)	<u>(1.51)</u>	<u>(1.02)</u>

Diluted loss per share is the same as the basic loss per share since the Company did not have any dilutive equity instruments throughout the six months ended 31 January 2022 and 31 January 2021.

10 DIVIDEND

During the six months ended 31 January 2021, a final dividend of HK1.0 cent per share, totalling HK\$5,000,000 was declared and paid to its shareholders in respect of the retained earnings for the year ended 31 July 2020.

The Board does not recommend the payment of interim dividend for the six months ended 31 January 2022 (2021: nil).

11 ACCOUNTS RECEIVABLES

	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
Accounts receivables	<u>4,990</u>	<u>3,398</u>

There is no credit period granted as the income from private supplementary secondary school education services and private secondary day school services are normally received in advance through settlement in cash, PayPal or credit cards. As at 31 January 2022 and 31 July 2021, the ageing analysis of the accounts receivables based on invoice date was as follows:

	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
1-30 days	4,708	3,025
31-60 days	58	37
Over 60 days	<u>224</u>	<u>336</u>
	<u>4,990</u>	<u>3,398</u>

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

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

For accounts receivables relating to accounts with objective evidence that the Group is unable to recover the debts, they are assessed individually for impairment allowance. Accordingly, no individual provision were made as at 31 January 2022 (31 July 2021: nil).

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

	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
Hong Kong dollar	4,885	3,156
Australian dollar	39	143
British Pound	29	35
United States dollar	25	29
Canadian dollar	9	21
Renminbi	3	14
	<u>4,990</u>	<u>3,398</u>

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
Other receivables	<i>(i)</i>	5,040	5,381
Deposits and prepayments	<i>(ii)</i>	<u>15,632</u>	<u>17,594</u>
		20,672	22,975
Less: Allowance for impairment		<u>(2,380)</u>	<u>(2,479)</u>
		18,292	20,496
Less: non-current portion		<u>(1,388)</u>	<u>(2,463)</u>
Deposits, prepayments and other receivables			
– current portion		<u>16,904</u>	<u>18,033</u>

Notes:

- (i) As at 31 January 2022, other receivables of HK\$4,089,000 (31 July 2021: HK\$3,554,000) represent amounts due from tutors which arose from variable expenses incurred by the Group on behalf of the tutors.
- (ii) Deposits and prepayments mainly represent deposits for utilities, lease payments, building management fees, prepayments for service fees, renovation, license fees, advertising and others.

As at 31 January 2022, deposits of HK\$10,226,000 (31 July 2021: HK\$12,327,000), prepayments of HK\$4,018,000 (31 July 2021: HK\$2,804,000) and other receivables of HK\$2,660,000 (31 July 2021: HK\$2,902,000) are expected to be recovered within one year.

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

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

13 OTHER PAYABLES

		31 January	31 July
		2022	2021
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Audited)
Other payables	<i>(i)</i>	6,669	12,337
Provision of reinstatement cost	<i>(ii)</i>	3,105	4,034
Current portion		9,774	16,371

Note (i)

Other payables mainly represent accrued staff costs, printing expenses, and legal and professional fees, etc.

Note (ii)

Included in other payables is a current portion of provision of reinstatement cost of HK\$3,105,000 (31 July 2021: HK\$4,034,000). The movement of provision of reinstatement cost is as follows:

	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
Balance as at beginning of the period/year	4,613	3,972
Additions	120	1,176
Utilization	<u>(1,339)</u>	<u>(535)</u>
Balance as at closing of the period/year	3,394	4,613
Less: non-current portion	<u>(289)</u>	<u>(579)</u>
Current portion	<u><u>3,105</u></u>	<u><u>4,034</u></u>

14 OTHER NON-CURRENT LIABILITIES

	31 January 2022 HK\$'000 (Unaudited)	31 July 2021 HK\$'000 (Audited)
Provision of reinstatement cost	<u>289</u>	<u>579</u>
Other non-current liabilities	<u><u>289</u></u>	<u><u>579</u></u>

15 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares at 31 July 2021 (audited)		
and at 31 January 2022 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares at 31 July 2021 (audited)		
and at 31 January 2022 (unaudited)	<u><u>500,000,000</u></u>	<u><u>120,956</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education/other interest learning and/or personal development. We provide all of our private supplementary education services from teaching centres on Hong Kong Island, in Kowloon and the New Territories. As at 31 January 2022, we operated 12 teaching centres, with a total of 94 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 2,601 students to attend class at any one time.

The operating environment of private supplementary education in Hong Kong has been unpleasant in the past two academic years, since the novel coronavirus (the "COVID-19") pandemic. The government has been imposing public health measures, such as the suspension of, as well as the restriction on student numbers in face-to-face classes from time to time due to the fluctuating pandemic in the past two academic years, which has adversely affected the operation of our teaching centres seriously. The pandemic situation fluctuated during the period, restrictions to teaching centres and schooling imposed by the EDB and social distancing measures did not stop during the period; and it became worse when it came to the fifth wave of the COVID-19 in late 2021. Adverse impacts on the financial performance of the Group for both the six months ended 31 January 2021 and 2022 were obvious. The pandemic led to a gloomy learning environment for students of all levels and a continuous decrease in students' motivation of obtaining supplementary education services. As a result, there was a decrease in the number of both new and current students' enrollments, though the provision of online classes helped to partly offset the adverse impacts. Accordingly, the Group recorded a decrease in revenue from HK\$93.3 million for the six months ended 31 January 2021, to HK\$83.3 million for the six months ended 31 January 2022, representing a decrease of 10.6%. Nevertheless, the increase in revenue per classroom capacity of 10.5% from HK\$22,900 for the six months ended 31 January 2021 to HK\$25,300 for the six months ended 31 January 2022 has proved management efforts in optimizing the teaching centre network and utilization.

Below is a summary of the revenue and session enrollments for each category of services that we have provided, 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 2022 and 2021:

	For the six months ended	
	31 January	
	2022	2021
Private supplementary secondary school education services		
– Revenue (HK\$'000)	68,126	74,259
– Unique student enrollment ('000)	16	17
– Session enrollment ('000)	116	118
Private secondary day school services		
– Revenue (HK\$'000)	4,802	4,319
– Unique student enrollment ('000)	0.3	0.3
– Session enrollment ('000)	1.3	1.2
Ancillary education services and products		
– Revenue (HK\$'000)	10,414	14,682
– Session enrollment ('000)	9	12

i) Private supplementary secondary school education services

The following table sets forth the revenue, the number of session enrollments of each course category, and the average course fee of private supplementary secondary school education services for each of the six months ended 31 January 2022 and 2021:

	For the six months ended 31 January			
	2022		2021	
	Session enrollment	Revenue	Session enrollment	Revenue
	'000	HK\$'000	'000	HK\$'000
Regular courses	62	43,102	76	50,084
Intensive courses	16	6,741	16	6,623
Summer courses	38	18,283	26	17,552
Total	<u>116</u>	<u>68,126</u>	<u>118</u>	<u>74,259</u>
Average course fee per session enrollment (HK\$)		<u>587</u>		<u>629</u>

The Group's revenue derived from private supplementary secondary school education services declined by 8.3% when compared with that in the same period in the previous financial year. This was mainly attributable to the decrease in the overall number of session enrollments during the period due to the worsening of the COVID-19 pandemic in late 2021. Moreover, the Group offered various allowances and bursaries during the pandemic, which resulted in a lower average course fee per session enrollment.

With the pandemic prompting a shift in the learning mode towards online education, the Group continued to put more effort and IT resources into enhancing online learning experience in order to lessen the impact of face-to-face class suspensions.

ii) Private secondary day school services

We operated two private secondary day schools located in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. Due to the increase in the number of private secondary day school unique student enrollments from 270 to 290, accordingly, the revenue increased by 11.2% when compared with that in the same period in the previous financial year.

iii) Ancillary education services and products

The table below shows the revenue components of the ancillary education services and products for each of the six months ended 31 January 2022 and 2021:

	For the six months ended	
	31 January	
	2022	2021
	HK\$'000	HK\$'000
Beacon BExcellent	3,949	4,816
Mock examination services	1,511	4,276
Childhood education services	1,561	2,539
VIP self-study services	809	877
Others	2,584	2,174
Total	<u>10,414</u>	<u>14,682</u>

Beacon BExcellent is the largest revenue contributor of our ancillary education services and products during the period. The demand for overseas study, migration, continuing education and training provided strong momentum for the demand of IELTS courses. Nevertheless, the COVID-19 pandemic across the globe has resulted in the suspension of academic exchanges and uncertainty in overseas studies and has hence affected the demand for IELTS tests preparation for these purposes. Since the major part of the revenue is contributed by IELTS courses, the revenue of Beacon BExcellent decreased by HK\$0.9 million or 18.0% from HK\$4.8 million for the six months ended 31 January 2021 to HK\$3.9 million for the six months ended 31 January 2022.

The continuous tight social distancing measures imposed by the government have been discouraging students from attending sizeable activities like our mock examinations. Moreover, compared to the last period, more mock examinations were scheduled in February this year in response to the pandemic. Notwithstanding, the revenue from such services decreased by HK\$2.8 million or 64.7% from HK\$4.3 million for the six months ended 31 January 2021 to HK\$1.5 million for the six months ended 31 January 2022.

Revenue from childhood education services decreased by HK\$1.0 million, or 38.5% from HK\$2.5 million for the six months ended 31 January 2021 to HK\$1.6 million for the six months ended 31 January 2022. The fluctuating pandemic situation in the past two years has heavily affected the demand for childhood education services since parents were reluctant to let their children attend face-to-face classes. However, our childhood education services relied much on face-to-face delivery. The Group was in the process of restructuring the childhood education services and streamlining the operation of our childhood education teaching centres in order to alleviate the impact of business decline during the pandemic.

OUTLOOK AND FUTURE DEVELOPMENTS

As at the date of this announcement, the fifth wave of the COVID-19 pandemic rages on and evolves rapidly in Hong Kong. With the uncertainty arising from the resurgence of COVID-19 and its substantial negative impacts to the general economic and market conditions in Hong Kong, our Group expects that volatility and uncertainty will remain dominant in the second half of the financial year, or they will even persist for a longer period of time in the yet-to-come post-pandemic era.

Although the Group has made an effort to expand the Group's revenue source by developing international education services for schools in the Greater Bay Area and has successfully commenced an education programme in a school in Shenzhen recently, the management of our Group expects that the core business of our Group, which remains in the Hong Kong education market, will face much more unknown challenges, such as the maintenance of students' motivation for obtaining supplementary education services under continuous unstable schooling and the potential drop of the student population caused by the emigration wave.

Looking ahead, our Group will (i) on one hand, adopt a more cautious and conservative business strategy by maintaining adequate financial resources and enhancing capital management, in order to strengthen our Group's ability to respond to any market fluctuations, regulatory changes to the education industry and business and operating needs; (ii) on the other hand, constantly maintain a significant market share in the private supplementary education services industry and preserve high market responsiveness in the frequent shift between offline and online teaching modes while the pandemic situation fluctuates, via our online-offline education service dual delivery mode, of which these is a growing maturity; and (iii) strive for potential growth in (a) the provision of education services via our Group's online education platforms and (b) the newly developing business of the provision of international education services to schools in mainland China.

FINANCIAL REVIEW

Revenue

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

The Group’s total revenue decreased by HK\$10.0 million, or 10.6%, from HK\$93.3 million for the six months ended 31 January 2021 to HK\$83.3 million for the six months ended 31 January 2022. This was mainly due to the revenue decline from our Group’s private supplementary education services and the ancillary education services and products.

Revenue from the provision of private supplementary secondary school education services decreased by HK\$6.2 million, or 8.3% from HK\$74.3 million for the six months ended 31 January 2021 to HK\$68.1 million for the six months ended 31 January 2022, which was due to the decrease in both the number of the Group’s session enrollments and the average course fee per session enrollment. The number of the Group’s session enrollments decreased by 2,000 or 1.7% from 118,000 for the six months ended 31 January 2021 to 116,000 for the six months ended 31 January 2022. The average course fee per session enrollment also decreased by HK\$42 or 6.7% from HK\$629 for the six months ended 31 January 2021 to HK\$587 for the six months ended 31 January 2022.

Revenue from the provision of the ancillary education services and products decreased by HK\$4.3 million, or 29.1% from HK\$14.7 million for the six months ended 31 January 2021 to HK\$10.4 million for the six months ended 31 January 2022. This was mainly due to the decrease in revenue from mock examination services by HK\$2.8 million or 64.7% from HK\$4.3 million for the six months ended 31 January 2021 to HK\$1.5 million for the six months ended 31 January 2022, and the decrease in revenue from childhood education services by HK\$1.0 million or 38.5% from HK\$2.5 million for the six months ended 31 January 2021 to HK\$1.6 million for the six months ended 31 January 2022.

Other income

Other income for the six months ended 31 January 2022 primarily consists of IT service income, rental income from an investment property and interest income from bank deposits.

Other income decreased by 86.8% from HK\$16.1 million for the six months ended 31 January 2021 to HK\$2.1 million for the six months ended 31 January 2022. This decrease was primarily attributable to the absence of “Anti-epidemic Fund” received from the government of HK\$13.9 million in prior year.

Major costs components

The summary below shows the major costs components of the Group among which 56.3% (2021: 61.1%) is related to labor costs (staff costs and tutor service fees), followed by printing and other operating expenses, depreciation of right-of-use (“ROU”) assets, short-term lease and low-value lease payments, and advertising and promotion expenses.

	For the six months ended 31 January			
	2022	% of	2021	% of
	HK\$'000	revenue	HK\$'000	revenue
Staff costs	33,038	39.6	44,606	47.8
Tutor service fees	15,480	18.6	23,576	25.3
Printing and other operating expenses	21,071	25.3	23,035	24.7
Depreciation of ROU assets	8,589	10.3	14,381	15.4
Short-term lease and low-value lease payments	6,151	7.4	2,738	2.9
Advertising and promotion expenses	1,917	2.3	3,287	3.5

Staff costs

As at 31 January 2022, the Group had 182 full time employees and maintained an accumulated pool of part-time employees for seasonal and cyclical business needs, in which 189 are active ones.

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

The staff costs decreased by HK\$11.6 million or 25.9% from HK\$44.6 million for the six months ended 31 January 2021 to HK\$33.0 million for the six months ended 31 January 2022. Such a decrease was mainly attributable to the decrease in staff headcount because of the reduced scale of business operations during the pandemic.

Tutor service fees

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

Typically we offer a revenue sharing scheme to our tutors and thus the tutor service fee is in general positively correlated to the Group's revenue. Such an expense decreased by HK\$8.1 million or 34.3% from HK\$23.6 million for the six months ended 31 January 2021 to HK\$15.5 million for the six months ended 31 January 2022.

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

Printing and other operating expenses

Printing and other operating expenses primarily consist of printing expenses, building management fees, service fees to freelancers, legal and professional fees, utilities and other administrative expenses. These expenses decreased by HK\$1.9 million or 8.5% from HK\$23.0 million for the six months ended 31 January 2021 to HK\$21.1 million for the six months ended 31 January 2022.

The decrease was mainly attributable to the decrease in printing expenses in relation to the private supplementary secondary school education services. Such expenses dropped by 17.9% from HK\$5.6 million for the six months ended 31 January 2021 to HK\$4.6 million for the six months ended 31 January 2022.

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

Depreciation of ROU assets and short-term leases and low-value lease payments are part of the largest components of the Group's operating costs, accounting for 10.3% and 7.4% respectively (2021: 15.4% and 2.9%) of the Group's total revenue. During the period, the Group continued its negotiations with landlords for more favorable lease terms in respect of the renewal of lease contracts. The Group has taken steps to continuously review the utilization and efficiency of the classroom resources with factors including but not limited to the occupancy rate, the rent and the lease terms. During the six months ended 31 January 2022, the Group had optimized our teaching centres for the private supplementary secondary school services in Tuen Mun, Yau Tsim Mong district and on Hong Kong Island. The newly rented teaching centre in North Point is about to commence operations in the second quarter of 2022. On the other hand, a childhood education centre in Prince Edward was closed during the period.

Advertising and promotion expenses

In response to the shift in the learning mode towards online education during the COVID-19 pandemic, our Group has provided more and more online courses. Our regular promotion and advertising strategically shifted to focus on online channels and social media platforms such as Facebook, Instagram and Google, which were relatively more effective and efficient. Short videos and live broadcast marketing for promotional purposes were implemented periodically. The spending on traditional marketing channels like placing advertisements on public transit vehicles, outdoor billboards or newspapers, of which costs are high, was reduced. The marketing expenditure for the Group decreased by 41.7% from HK\$3.3 million for the six months ended 31 January 2021 to HK\$1.9 million for the six months ended 31 January 2022.

Income tax credit/expense

The income tax expense for the period ended 31 January 2022 was HK\$2.0 million (income tax credit for the six months ended 31 January 2021: HK\$2.1 million). The effective tax rates of the Group for the six months ended 31 January 2022 and 2021 were 32.4% and 27.1% respectively.

Loss for the period

The Group recorded a loss of HK\$8.1 million for the six months ended 31 January 2022. The loss was mainly due to the significant decrease in the revenue of private supplementary secondary school education services during the pandemic period (loss of the Group for the six months ended 31 January 2021: HK\$5.6 million).

Liquidity, financial resources and capital structure

As at 31 January 2022, the Group's net current asset value was HK\$52.8 million, which mainly consisted of prepayments, deposits and other receivables and cash and cash equivalents less other payables, contract liabilities, current income tax payable, borrowings and lease liabilities.

The Group's current assets slightly decreased from HK\$103.6 million as at 31 July 2021 to HK\$93.6 million as at 31 January 2022. Such a decrease in current assets was primarily due to the decrease in cash and cash equivalents from HK\$81.1 million as at 31 July 2021 to HK\$71.6 million as at 31 January 2022.

As at 31 January 2022, the current ratio of the Group (expressed as current assets divided by current liabilities) was 2.29, compared with 2.04 as at 31 July 2021.

Charges on the Group's Assets

The Group has investment property with carrying value of approximately HK\$19.8 million pledged to secure borrowings and general banking facilities granted to the Group. There was no charge on the Group's other assets.

Gearing ratio

As at 31 January 2022, the Group's gearing ratio (calculated based on bank borrowings amounting to HK\$7.3 million and lease liabilities amounting to HK\$21.8 million divided by equity attributable to the owners of the Company as at the period end date amounting to HK\$119.7 million) was 24.3% (31 July 2021: 19.4%).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 January 2022 (2021: nil), other than the on-going litigation disclosed in the section headed "Litigation" in this announcement.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2022 (2021: nil).

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the period of the six months ended 31 January 2022.

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 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code") as amended from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period of the six months ended 31 January 2022 and up to the date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee consists of three members: Mr. Li Kai Sing, Mr. Kwan Chi Hong and Professor Wong Roderick Sue Cheun, all of whom are independent non-executive Directors. Mr. Li Kai Sing is the chairman of the Audit Committee. The Audit Committee has reviewed with the management this announcement including the unaudited financial statements of the Group for the six months ended 31 January 2022 and the accounting principles and practices adopted by the Group, and has discussed auditing, internal controls and financial reporting matters.

LITIGATION

Reference is made to the Prospectus, the Annual Reports 2018, 2019, 2020 and 2021, and the Company's announcements dated 1 August 2018 and 22 October 2018 respectively. Capitalised terms used in this section of this announcement shall have the meanings as ascribed therein. The legal action of the alleged claims by the Tutorial Services Provider is in progress and the case is ready to set down for trial. The Board, having obtained legal advice, considers that the Tutorial Services Provider has a very slim chance of success in holding Beacon College liable for the allegations. In view of the indemnities provided by the Controlling Shareholders in favour of the Group under the Deed of Indemnity for all damages, reasonable costs (including legal costs), expenses or other liabilities resulting from any litigation, the Company considers that the outcome of the litigation is unlikely to have any material adverse financial impact on the Group.

SIGNIFICANT EVENTS AFTER THE SIX MONTHS ENDED 31 JANUARY 2022

No significant events affecting the Group have occurred after 31 January 2022 and up to the date of this announcement.

PUBLICATION OF PRELIMINARY ANNOUNCEMENT AND INTERIM REPORT

This preliminary announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bexcellentgroup.com). The interim report of the Company for the six months ended 31 January 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the same websites in due course.

By order of the Board

BExcellent Group Holdings Limited

Leung Ho Ki, June

Chairman

Hong Kong, 29 March 2022

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