



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

2023
年報
ANNUAL REPORT





兩地一心 煥然一新

遵理昂首濶步 邁向35週年

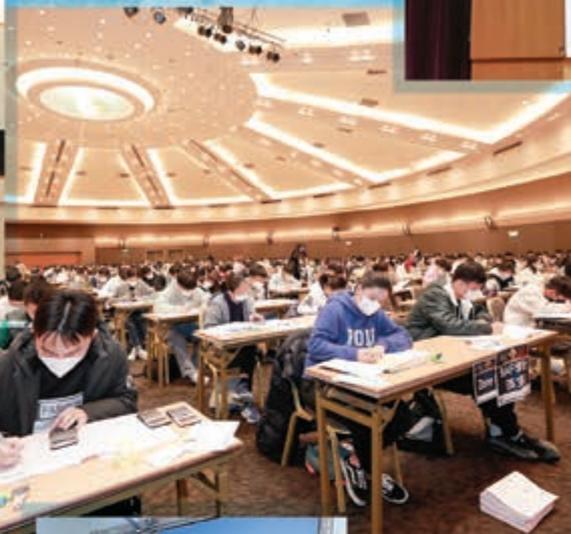
Two places, one heart, a rejuvenated future.

BEACON®

BE YOUR LIGHT

Brightens Your Path

毋忘初衷 砥礪前行





OXFORD
牛津家長天地巡禮
2023免費線上家長講座

4招重點
學好英文讀寫



Be Assertive
BEXCELLENT



大灣區教育融合

連結知識，創造未來



GBA Education Integration

Connecting Knowledge, Pioneering the Future.



CHAIRMAN'S STATEMENT

With the pandemic being on the wane, offline physical classes have resumed normal operations, and our frontline educators who have received proactive training during the pandemic have come into sight one by one. They got off to a good start in terms of student enrollment for the new academic year and some of their courses have reached maximum enrollment limit in the early stage of enrollment, thanks to their well-established reputation on the market. I have reiterated that the direction of tutoring in Hong Kong is no longer focusing on "star tutors". Beacon is a well-known brand and its brand value is based on its ceaseless diligence for the past 30-odd years. Education must be people-oriented; it is not about idolatry, but about helping students to find the most suitable teachers on an extensive platform. In the future, Beacon will offer more diversified courses and continue to expand its teaching team, so that more choices can be provided to students. Also, we teach students to achieve their best results according to their abilities and ensure that they have the right for selection. Subsequently, the Group will also attain a healthy long-term development along with our students.



As the market is volatile, we have not only provided students with different education services to cover every stage of their learning process, but have also strengthened the training of our frontline staff to help students and parents in gaining a better understanding of students' own learning needs, as well as selecting the most suitable learning methods and courses for them through consultation with our staff. Our education services are provided via one-on-one sessions, small groups and large classes with the combination of live, live broadcast, video and joint broadcast classes and courses using English, Cantonese and Putonghua as the media of instruction.

Moreover, the Group has successfully completed a number of mergers and acquisitions and investment projects during the year ended 31 July 2023. To cope with the Hong Kong SAR Government's talent development, retention and attraction initiatives, as well as the Top Talent Pass Scheme and the Quality Migrant Admission Scheme, the Group has launched a variety of high-end services relating to further education and career planning since last year, which not only provide students with the latest professional services of further education consultation, but also add value to the operation of large-scale tutorials. In particular, the Group has achieved remarkable results, by providing advice on subject selection, psychological counseling, background enhancement, pre- and post-tutoring advice and follow-up services, global education information and advice, personal statement preparation and professional service industry shadowing projects. Our expansion of business scope can also be seen in pre-school education and on-site school services sectors.

Furthermore, the international education sector in mainland China is booming. The HKDSE education plays a pivotal role in opening the door for fostering global talents. In September 2022, Beacon established a strategic cooperation in respect of the HKDSE education with Beijing Normal University-Hong Kong Baptist University United International College (UIC), being the first university jointly founded by higher education institutions of mainland China and Hong Kong. Thanks to the efforts of both parties, a teaching and research team has been formed in less than one year and has already started its operation. Besides, Beacon collaborated with a school in mainland China to provide HKDSE-related courses and further education services, and satisfactory results have been achieved in Shenzhen in just two years. To ensure our service quality, and to make sure that every student receives the utmost care, we have prudently selected quality partners and pragmatically maintained limited expansion. On the one hand, we have mobilized our experienced teaching and research staff from Hong Kong; on the other hand, we have actively recruited talents from mainland China and abroad, making Beacon's international education service team stable and highly motivated. With our continuously outstanding services, the Group's international education-related services in mainland China will grow steadily and become one of its signature businesses.

CHAIRMAN'S STATEMENT

With the rapid development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), HKDSE, as an internationalized education curriculum, has attracted more and more attention in mainland China. There are currently over 200,000 students with Hong Kong citizenship living in mainland China. However, this figure has not taken into account school-age children who have moved to mainland China with their family from Hong Kong, not to mention 10 million-plus students who may shift to take international examinations and courses in high school and further education after the Academic Test for the Junior High School Students every year. It is notable that children who grow up in mainland China with Hong Kong citizenship are increasingly in need of support from Hong Kong education talents and complementary resources. The number of overseas Chinese students from Hong Kong, Macao and Taiwan taking the Joint Entrance Examination increased from 5,048 in 2022 to 7,238 in 2023. Of these 7000-odd students, 5,097 candidates had Hong Kong citizenship. These figures show the awareness of the HKDSE among Hong Kong citizens living in mainland China is not sufficient and more promotion is needed. In view of this, I have started uploading around ten videos on social media platforms in Hong Kong and mainland China in my capacity as the chairman of the Group since July this year, and the hit rate has exceeded 5 million within three months. Other experienced educators of the Group from Hong Kong and mainland China have also appeared in the videos with contents covering the latest information of different academic levels in Hong Kong, mainland China and abroad in order to assist parents and students of different backgrounds in making informed decisions on what is the most suitable for them.

Beacon not only nurtures students but also helps our teaching staff and partners to grow with us and achieve their full potential while nurturing the students. All of our educators with different talents and backgrounds can unleash their potential in our Group.

The development of an education enterprise is never a smooth journey, but because of this, we have learnt to cope with changes in society and its policies. We will insist on making our own way step by step.

Thank you for all of your continuous encouragement and support along the way.

Education never fades. I hope BExcellent will leave its mark on more and more people at different stages of their lives.

Never forget why you started, and your goal will ultimately be achieved.

BExcellent, be excellent. We are always there for you.

Leung Ho Ki, June

Hong Kong
27 October 2023

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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

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

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Certified Public Accountants
Registered Public Interest Entity Auditor
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Adrian Lau & Yim Lawyers

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Standard Chartered Bank (Hong Kong) Limited

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STOCK CODE

1775

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

Our Group is a leading provider of private supplementary secondary school education services in Hong Kong. We principally engage in the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong. We also offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individuals pursuing further education, other interest learning or personal development. We provide private supplementary education services in teaching centres located on Hong Kong Island, in Kowloon and the New Territories. During the year, our Group extended our ancillary services to education institutions in mainland China. Certain amounts and percentage figures set out in this section "Management Discussion and Analysis" have been subject to rounding adjustments for ease of presentation. Accordingly, figures presented herein may not be an arithmetic sum of such figures. As at 31 July 2023, we operated 10 teaching centres, with a total of 80 classrooms, which, in accordance with the EDB's guidelines, allow a maximum classroom capacity of 2,273 students to attend class at any one time.

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

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

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

Revenue

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

- i) private supplementary secondary school education services;
- ii) private secondary day school services; and
- iii) ancillary education services and products.

Set out below is a summary of our revenue for each category of services which we provided for each of the years ended 31 July 2023 and 2022:

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

MANAGEMENT DISCUSSION AND ANALYSIS

i) Private supplementary secondary school education services

Our Group provides private supplementary secondary school education services for students from Secondary 1 to Secondary 6 under our “Beacon College” (遵理學校) brand. The following table sets forth the gross revenue, the number of session enrollments of each category and the average course fee of private supplementary secondary school education services for each of the years ended 31 July 2023 and 2022:

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

The Group experienced a decline in revenue from private supplementary secondary school education services, amounting to a decrease of 23.6% or HK\$26.9 million compared to that of the previous financial year. Such decline was attributed to various factors. Firstly, the COVID-19 pandemic led to the local schools' summer break being brought forward to early 2022, resulting in a substantial decrease in session enrollment for summer courses, specifically a decline of 62.9% or 22,000. The learning momentum among students did not show a noticeable improvement in regular courses immediately after the resumption of normal school hours, leading to a further decline of 20.5% or 24,000 in session enrollment for regular courses. Secondly, the changes in the HKDSE curriculum affected students' intention to seek private supplementary secondary school education services for exam preparation. Specifically, the replacement of Liberal Studies with Citizenship and Social Development, as well as the cancellation of papers in the Chinese Language subject, affected students' demand for these services. However, it is worth noting that these changes may enhance the learning momentum in English Language and other subjects, as students are able to reallocate their learning time to critical subjects to better suit their study plans or plans of further studies. The Group offered less allowances and bursaries after the COVID-19 pandemic, which resulted in a higher average course fee per session enrollment.

ii) Private secondary day school services

We operated two private secondary day schools located respectively in Yuen Long and Mong Kok under our “Beacon Day School” (遵理日校) brand. Due to the increase in the number of student enrollments in our private secondary day school during the year ended 31 July 2023, the revenue increased by 31.7% when compared with that in the previous financial year. There was no change of school fee during the year.

iii) Ancillary education services and products

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

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

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

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

The revenue of Beacon BExcellent decreased by HK\$0.9 million or 16.4% from HK\$5.5 million for the year ended 31 July 2022 to HK\$4.6 million for the year ended 31 July 2023. The decrease was mainly due to the revenue decline in IELTS courses which were attributable to, amongst others, the rising popularity of alternative language proficiency tests like Duolingo, the increasing availability of free online resources and self-study materials, and the economic downturn in Hong Kong.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND FUTURE DEVELOPMENTS

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Other income

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

Major costs component

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

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

Staff costs

As at 31 July 2023, the Group had 189 full-time employees and maintained an accumulated pool of 86 part-time employees for seasonal and cyclical business needs.

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

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

Tutor service fees

Tutor service fees include service agreements and share-based payments. Typically, we offer a revenue sharing scheme to our tutors and thus the tutor service fees are in general positively correlated to our Group's revenue. Such expenses decreased from approximately HK\$33.0 million or 20.7% for the year ended 31 July 2022 to approximately HK\$26.2 million for the year ended 31 July 2023. The decrease was mainly attributable to the decrease in revenue from the provision of private supplementary secondary school education services.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Depreciation of ROU assets and short-term lease, variable lease and low-value lease payments are part of the largest components of the Group's operating costs, accounting for 9.3% and 9.3% respectively (2022: 10.3% and 7.8%) of the Group's total revenue. During the financial year, the Group continued its negotiations with landlords for rental concessions and more favorable lease terms in respect of the renewal of lease contracts. The Group has taken steps to continuously review the utilisation and efficiency of the classroom resources by taking into account factors including but not limited to the occupancy rate, the rent and the lease terms. During the year ended 31 July 2023, there was no material change in classroom capacity within our teaching centre network except for the commencement of our new teaching centre in Causeway Bay in September 2022. The overall lease payment for the year ended 31 July 2023 decreased as a result of the continuous teaching centre network optimization conducted in recent years.

Advertising and promotion expenses

In recent years, our regular promotion and advertisement strategically shifted to online channels and social media platforms such as Google, Instagram and Facebook, which were relatively more effective and efficient than traditional offline channels such as billboard, advertisement on transportation, foamboard and banners. Short videos and live broadcast marketing for promotional purpose were made periodically. With the gradual resumption of normal schooling, the Group has put more resources in both traditional and digital marketing channels and campaigns, which resulted in an increase in advertising and promotion expenses by HK\$1.4 million or 32.1% from HK\$4.3 million for the year ended 31 July 2022 to HK\$5.7 million for the year ended 31 July 2023.

Printing and other operating expenses

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

Income tax expense

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

Loss for the year

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

Liquidity, financial resources and capital structure

As at 31 July 2023, the Group's net current asset value was HK\$10.5 million, which mainly consisted of accounts receivables, deposits, prepayments and other receivables and cash and cash equivalents less other payables, contract liabilities, current income tax payable, borrowings and lease liabilities. The Group's current assets decreased from HK\$126.7 million as at 31 July 2022 to HK\$111.4 million as at 31 July 2023. Such a decrease in current assets was primarily due to the decrease in cash and cash equivalents from HK\$103.9 million as at 31 July 2022 to HK\$75.3 million as at 31 July 2023. As at 31 July 2023, the current ratio of the Group (expressed as current assets divided by current liabilities) was 1.10, compared with 1.44 as at 31 July 2022. Such a decrease in current ratio was mainly attributed to the increase in borrowing from HK\$55.1 million as at 31 July 2022 to HK\$63.6 million as at 31 July 2023.

Material acquisition and disposal of subsidiaries, associates and joint ventures

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

On 25 October 2022, Beacon Holdings Limited ("BHL", being an indirect wholly-owned subsidiary of the Company), entered into a subscription and sale and purchase agreement with Mr. Cheng Hong Fu and Ms. Ng Mei Yee ("Mr. Cheng and Ms. Ng") and OCIL (a company incorporated in Hong Kong with limited liability) ("OCIL Agreement"), pursuant to which, (i) BHL conditionally agreed to subscribe for 25,500 new target shares to be allotted and issued by the OCIL at the subscription consideration of HK\$3,187,500 payable in cash at completion; and (ii) BHL conditionally agreed to purchase, and Mr. Cheng and Ms. Ng conditionally agreed to sell, a total of 25,500 issued shares in OCIL held by Mr. Cheng and Ms. Ng at the acquisition consideration of HK\$3,187,200 to be settled by the allotment and issue of 3,984,000 consideration Shares at the issue price of HK\$0.80 per consideration Share under the general mandate (which was granted to the Directors by the Shareholders at the Annual General Meeting held on 8 December 2021 to allot, issue and deal with up to 100,000,000 Shares) by the Company to Mr. Cheng and Ms. Ng. The 3,984,000 consideration Shares represent: (i) approximately 0.80% of the number of issued Shares as at the date of the OCIL Agreement; and (ii) approximately 0.79% of the number of issued Shares as enlarged by the allotment and issue of the consideration Shares upon completion.

All of the conditions precedent under the OCIL Agreement have been fulfilled and the completion took place on 30 November 2022. Upon completion, OCIL is held as to 51% by BHL and becomes an indirect non-wholly-owned subsidiary of the Company. Details of this transaction were disclosed in the announcements of the Company dated 25 October 2022 and 30 November 2022 respectively.

ii) Investment in Linkedu Overseas Education Limited ("Linkedu")

On 30 March 2023, Glocal Development Group Limited ("GDGL"), the Company's indirect wholly-owned subsidiary, entered into the agreement for sale and purchase of and subscription for shares in Linkedu with Linkedu, Mr. Ng Yu Ting and Mr. Lau Chun Tat ("Mr. Ng and Mr. Lau") ("Linkedu Agreement"), pursuant to which (i) GDGL conditionally agreed to purchase, and Mr. Ng and Mr. Lau conditionally agreed to sell, a total of 210,000 issued shares in Linkedu at the consideration of HK\$3,968,400 to be settled by (i) cash consideration of HK\$1,050,000; and (ii) the allotment and issue of 3,648,000 consideration Shares under the general mandate (which was granted to the Directors by an ordinary resolution of the Shareholders passed at the Annual General Meeting of the Company held on 14 December 2022 to allot, issue and deal with up to 100,796,800 Shares) by the Company at the issue price of HK\$0.80 per consideration Share to Mr. Ng and Mr. Lau at 90:10 ratio upon completion of the said sale and purchase; and (iii) GDGL conditionally agreed to subscribe for 90,000 new shares to be allotted and issued by Linkedu at the subscription price of HK\$5,211,600, which is to be regarded as satisfied in whole by the transfer of all the ordinary shares in Academic Advisers Limited ("AA") and Glocal Education Services Limited ("GES"), both the Company's indirect wholly-owned subsidiaries immediately before completion of the said subscription, such that GDGL shall hold 30% of the total shares in issue in Linkedu immediately after completion of the said sale and purchase and subscription.

All of the conditions precedent under the Linkedu Agreement have been fulfilled and the completion took place on 31 May 2023. Upon completion, GES and AA were no longer subsidiaries of the Group and GDGL holds 30% of Linkedu and the investment is accounted for under "Interests in Associates" as set out in note 20 to the consolidated financial statements on page 94 of this Annual Report. Details of this transaction were disclosed in the announcements of the Company dated 30 March 2023 and 31 May 2023 respectively.

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

Charges on the Group's Assets

The Group has an investment property with carrying value of approximately HK\$18.0 million pledged to secure borrowings and general banking facilities granted to the Group. There was no charge on the Group's other assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

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

Contingent liabilities

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

Dividends

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. LEUNG Ho Ki, June (梁賀琪), aged 58, is a co-founder of our Group, the Chairman of our Company and was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Ms. June Leung is a director of Beacon Enterprise Limited which, as at the date of this Annual Report, is a controlling shareholder (as defined under the Listing Rules) of the Company and whose interest is further disclosed in the Directors' Report in this Annual Report. Ms. June Leung is also a director of 3 subsidiaries of our Group. During her 34 years with our Group, she has been responsible for the overall management of our private supplementary education services as well as strategic planning and development of our Group. Ms. June Leung performs a leadership role in monitoring and evaluating our business, strategic planning and major decision making for our Group. In particular, she has developed our Group's overall business model and product portfolio as well as formulated our advertising and marketing strategy. Prior to assuming her role as Chairman, Ms. June Leung held the position of a teacher and a manager of our Group. Ms. June Leung graduated from The University of Hong Kong with a degree in Bachelor of Arts (Honours) in December 1989 and obtained a Doctorate of Business Administration from the European University in May 2011 through distance learning. She was registered as a teacher under the Education Ordinance section 45(1) in February 1999. Ms. June Leung is the spouse of Mr. Tam Wai Lung, Chief Executive Officer of our Company and executive Director and aunt of Mr. Li Man Wai, executive Director.

Ms. June Leung is currently the chairperson of the board of Plan International Hong Kong, which strives for a just world that advances children's rights and equality for girls. She also serves as the executive vice president in the Merchants Support for Rehabilitated Offenders Committee. In 2019, Ms. June Leung was awarded as an Honorary Fellow of The Professional Validation Centre of Hong Kong Business Sector. Ms. June Leung was also honoured with "Golden Bauhinia Women Entrepreneur Award 2017", which was conferred by the Golden Bauhinia Women Entrepreneur Association for recognising her outstanding business achievements and entrepreneurship in 2017; the Greater Bay Area Outstanding Women Entrepreneur Award presented by Hong Kong Small and Medium Enterprises Association and FM104 Metro Finance in 2018; Junzi Entrepreneur Award presented by The Hang Seng University of Hong Kong in 2019 for her devotion in sustainable entrepreneurship; and "CEO Marketer of the Year" in the "Market Leadership Award" presented by Hong Kong Institute of Marketing in 2021.

Mr. TAM Wai Lung (談惠龍), aged 58, the Chief Executive Officer of our Company, was appointed as a Director on 15 April 2015 and designated as an executive Director on 21 June 2018. Mr. Tam is a director of Beacon Enterprise Limited which, as at the date of this Annual Report, is a controlling shareholder (as defined under the Listing Rules) of the Company and whose interest is further disclosed in the Directors' Report in this Annual Report. Mr. Tam is also a director of 15 subsidiaries of our Group. Throughout the past 23 years, Mr. Tam has focused on private supplementary tutorial services, executive management and the strategic development of our Group. During his 25 years of service in our Group, he has been responsible for the overall operations, finances and administration of our education services, as well as strategic planning and development. Mr. Tam is the spouse of Ms. Leung Ho Ki, June, Chairman of our Company and executive Director and uncle of Mr. Li Man Wai, executive Director.

Mr. CHAN Tsz Ying, Wister (陳子瑛), aged 62, is the head principal of day school for our Group and was appointed as a Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Chan is also a director of 4 subsidiaries of our Group. Mr. Chan has been a teacher for over 30 years and is focused primarily on secondary day school education services. During his 33 years with our Group, he has been responsible for the establishment and management of our private secondary day school operations. Prior to his role as head principal of our private secondary day school, Mr. Chan held the position of a teacher at Wellwisher Foundation Primary School from 1986 to 1987 and at A.D. & F.D. of Pok Oi Hospital Mrs. Cheng Yam On Primary School from 1987 to 1990. Mr. Chan was awarded a Teachers Certificate from the Northcote College of Education (now known as The Education University of Hong Kong) in July 1986 and graduated from University of Wolverhampton, the United Kingdom with a Bachelor of Education in June 1997. Mr. Chan was registered as a teacher under the Education Ordinance section 45(1) in November 1986.

Mr. LI Man Wai (李文偉), aged 51, is our Deputy Chief Executive Officer of our Company and was appointed as a Director on 9 September 2015 and designated as an executive Director on 21 June 2018. Mr. Li is also a director of 28 subsidiaries of our Group. He has, since the establishment of our Group, acquired experience in the education business, focusing on operation, administration and marketing of tutorial services and secondary school education services. Mr. Li joined our Group in 1989 and was appointed as Deputy Chief Executive Officer of our Group in 2000. During his 34 years with our Group, he has been responsible for the marketing of our Group's education services, as well as tutorial and course management and leasing arrangements. Mr. Li is a nephew of Mr. Tam Wai Lung, Chief Executive Officer of our Company and executive Director, and Ms. Leung Ho Ki, June, Chairman of our Company and executive Director.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Chi Hong (關志康), aged 51, was appointed as an independent non-executive Director on 17 November 2017, having served the Company for approximately 6 years. Mr. Kwan has over 20 years of managerial and senior management experience in the commercial and public sector. Mr. Kwan is currently the chairman of Zebra Wellness Group Limited. He served as an executive director of Bamboos Health Care Holdings Limited (stock code: 2293) since the group's establishment from 2009 to 2019. During his managerial stint in the public sector, from February 1995 to December 2007, he worked as an executive officer in various government departments including Registration and Electoral Office, Urban Services Department, Home Affairs Department, Hong Kong Police Force and Chief Secretary for Administration's Office Government Secretariat. Mr. Kwan was a part-time teacher of certain bachelor/diploma courses in Chinese Medicine conducted by HKU School of Professional and Continuing Education from 2013 to 2016. Mr. Kwan was awarded the Young Entrepreneur of the Year 2012 from the Hong Kong Business Awards hosted by DHL Express and South China Morning Post and the EY Entrepreneur of the Year 2013 China – Emerging Entrepreneur hosted by EY.

Mr. Kwan obtained a bachelor's degree in Economics and a master's degree in Economics from The University of Hong Kong in January 1995 and December 2005 respectively. Mr. Kwan has completed a programme in Executive MBA and obtained a master's degree in Business Administration from The Chinese University of Hong Kong in December 2007. Mr. Kwan is currently an independent non-executive director of Stream Ideas Group Limited (stock code: 8401) whose shares are listed on the GEM of the Stock Exchange. Mr. Kwan was an independent non-executive director of China Brilliant Global Limited (stock code: 8026) from February 2018 to November 2021, and Janco Holdings Limited (stock code: 8035) from May 2021 to October 2022, whose shares are listed on the GEM of the Stock Exchange.

Mr. Li Kai Sing (李啟承), aged 61, was appointed as an independent non-executive Director on 21 June 2018, having served the Company for approximately 5 years. He is currently an executive director of Focus Films Limited and has working experience in various fields including accounting, film and entertainment business. From July 1985 to January 1989, he worked at Coopers & Lybrand (now known as PricewaterhouseCoopers), an accounting firm, with the last position held as a Supervisor II. From January 1989 to June 1992, he then worked at Management Investment & Technology Company Limited with the last position held as a senior accounting manager where he was responsible for planning and managing the daily accounting and financial operation of the company. From July 1992 to December 1993, he was the vice-president, finance of Leading Spirit (Holdings) Company Limited (now known as Leading Spirit High-Tech (Holdings) Company Limited). Mr. Li was the financial controller of China Star Entertainment Limited (stock code: 326), whose shares are listed on the Main Board of the Stock Exchange, between June 1999 and July 2000. From August 2000 to September 2003, he was the chief financial officer of Team Work Corporation Limited and was responsible for developing and implementing the strategic plans and monitoring the internal control system of the company.

Mr. Li was an independent non-executive director of Brightstar Technology Group Co., Ltd (formerly known as In Technical Productions Holdings Limited) (stock code:8446) from May 2017 to May 2022, its shares are listed on the GEM of the Stock Exchange.

Mr. Li has been a member of the Hong Kong Institute of Certified Public Accountants since 1988, an associate of the Chartered Association of Certified Accountants in 1988 and a member of the Institute of Financial Planners of Hong Kong since 2004. Mr. Li graduated from The Chinese University of Hong Kong in 1985 with a bachelor degree of social science and from The Hong Kong University of Science and Technology with an executive master degree of business administration in 2007.

Professor WONG Roderick Sue Cheun (王世全), aged 79, was appointed as an independent non-executive Director on 21 June 2018, having served the Company for approximately 5 years. Professor Wong obtained a degree of Bachelor of Arts from San Diego State College (now known as San Diego State University) in the United States in November 1965 and a degree of Doctor of Philosophy in mathematics from the University of Alberta in Canada in November 1969. Professor Wong is currently an Emeritus Professor of Mathematics at City University of Hong Kong, and he was the Chair Professor of Mathematics at City University of Hong Kong before his retirement in 2019. He is a fellow of the Royal Society of Canada and Chevalier dans l'Ordre National de la Légion d'Honneur of France, and a member of the European Academy of Sciences.

Professor Wong is currently an independent non-executive director of Sam Woo Construction Group Limited (stock code: 3822) and G&M Holdings Limited (stock code: 6038) whose shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. CHOI Shing Wai (蔡誠偉), *FCPA*, aged 41, is the Deputy Chief Executive Officer, the Chief Financial Officer and company secretary of our Group. Mr. Choi joined our Company in December 2014, having served the Group for approximately 9 years, and is primarily responsible for the overall operations, financial management of our Group as well as strategic planning, overseeing accounting, company secretarial and internal control matters of our Group. Mr. Choi has over 18 years of experience in professional accounting and auditing practice. Prior to joining our Group, Mr. Choi worked as an auditor in the assurance division of Grant Thornton, a certified public accountants firm, from September 2004 to November 2006. Mr. Choi then worked as a senior associate and was promoted to manager of the assurance division of PricewaterhouseCoopers in October 2009. Mr. Choi was then transferred to the Capital Market Accounting Advisory Service Group of PricewaterhouseCoopers in December 2011 and was later promoted to senior manager in October 2012 and up to his joining our Group in December 2014.

Mr. Choi obtained a degree of Bachelor of Business Administration (Honours) in Accountancy and Management Information Systems from City University of Hong Kong in November 2004. Mr. Choi has become an associate member and a fellow of the Hong Kong Institute of Certified Public Accountants since April 2008 and March 2019 respectively.

Mr. TAM Lin Bong (譚練邦), aged 45, is the Chief Operating Officer of our Group and is responsible for human resources management, recruitment and employment policies, internal control matters and external liaison of our Group. Mr. Tam joined our Group as a teaching assistant in September 2002, having served the Group for approximately 21 years since then, and became the human resources manager of Beacon College in April 2012. Mr. Tam was appointed as the Deputy Chief Executive Officer of our Group in June 2013 and the Chief Operating Officer in August 2018. Prior to joining our Group, Mr. Tam worked as a teaching assistant in Kwun Tong Government Secondary School (觀塘官立中學) from February 2002 to July 2002.

Mr. Tam obtained a degree of Bachelor of Business Administration (Honours) from Hong Kong Baptist University in December 2001 and graduated with a Master of Business Administration degree with distinction from University of Iowa, the United States in August 2015. Mr. Tam also obtained a diploma in teaching English as a second language from the School of Continuing Studies of The Chinese University of Hong Kong in January 2005. Mr. Tam was awarded the Certificate in Employment Ordinance by the Hong Kong Management Association in April 2013. Mr. Tam has also completed several training workshops organised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications in 2014.

Mr. CHEUNG Chi Keung (張智強), aged 44, was appointed as the Chief Information Officer of the Group in January 2019, having served the Group for approximately 4 years. Mr. Cheung graduated from The Hong Kong University of Science and Technology with a bachelor's degree of Engineering in Computer Science in 2002. Mr. Cheung has over 19 years of solid experience in IT and system design. He has been the director of Vioo Company Limited prior to joining the Group and handled a variety of IT projects in insurance, finance and education industry, and helped companies to digitalize their business. Mr. Cheung was awarded The 24th Innovative Entrepreneur Award presented by the Junior Chamber International Hong Kong in 2020.

Mr. NG Wai Lun (吳偉倫), aged 35, is the Deputy Chief Operating Officer of our Group and is responsible for course management, overseeing marketing and design plans and public relations of our Group. Mr. Ng joined our Group in June 2010 as the administration assistant of Beacon College, having served the Group for approximately 13 years since then. Mr. Ng was appointed as the Deputy Chief Executive Officer of our Group in July 2013. Mr. Ng obtained a degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 2010.

Dr. LUO Guanzhong (羅冠中), aged 68, was appointed as the Chief Assessment Scientist of the Group in March 2019, having served the Group for over 4 years. Dr. Luo held a doctorate degree of philosophy in Mathematical Psychology obtained from Murdoch University in 1995. Prior to joining the Group, Dr. Luo was the Director – Assessment Technology and Research (D-ATR) at the HKEAA and had been serving the authority for almost 15 years. Before his stint at the HKEAA, Dr. Luo had held various academic positions as professor and adjunct professor at a number of universities in mainland China, Singapore and Australia. Currently Dr. Luo holds professorship in Jiangxi Normal University of the People's Republic of China. Dr. Luo's major areas of research include development of various psychometric models and parameter estimation algorithms for achievement and attitude measurements. His publications are internationally recognized, in particular the computer programmes for test data analysis and processing developed/co-developed by him are widely used by numerous major examination organisations and academic researchers in the education industry globally.

COMPANY SECRETARY

Mr. Choi Shing Wai (蔡誠偉), *FCPA*, was appointed as our company secretary with effect from 9 September 2015. Further information on Mr. Choi is set forth in the section headed "Senior Management" above.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 July 2023.

INCORPORATION AND LISTING

The Company was incorporated in the Cayman Islands on 15 April 2015 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a leading provider of private supplementary secondary school education services in Hong Kong and principally engages in the provision of private supplementary secondary school education services, the operation of private secondary day schools and offer ancillary education services and products targeted at pre-school, kindergarten, primary and secondary school students and individual pursuing further education offer interest learning and/or personal development. The Company and a majority of its subsidiaries operate principally in Hong Kong. A list of the Company's principal subsidiaries, together with their places of incorporation and principal activities, is set out in note 19 to the consolidated financial statements on page 93.

BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 July 2023, including discussion and analysis of the Group's financial performance and future business developments, as required by Schedule 5 to the Companies Ordinance, is set out in the section headed "Chairman's Statement" on pages 1 to 2 and "Management Discussion and Analysis" on pages 5 to 12. Discussion of the particulars of important events affecting the Company that have occurred since the end of the year ended 31 July 2023 up to the date of this Annual Report (if any) is set out on page 31 of this Annual Report. These discussions form part of this Annual Report.

Principal Risks and Uncertainties

The principal risks and uncertainties related to the business of the Group are as below:

- Our Group has substantial reliance on our Top Five Tutors, in particular, a significant proportion of our revenue, profitability and business is generated from courses and products provided by our Top Five Tutors during the year ended 31 July 2023. Our operations and profits may be materially and adversely affected if we cannot retain or maintain a good relationship with our tutors or our tutors fail to deliver high-quality teaching. Moreover, if our Group is not able to enforce the restrictive covenants of the employment contracts or services agreements against our tutors to prevent them from immediately and directly competing with our Group within and/or after the restrained period, our business, operating and financial results may be materially and adversely affected.
- Our Group's business is dependent on the market recognition of our brand and reputation; any negative publicity to our teaching team could cause damage to our brand and reputation and would materially and adversely affect our business.
- Protection of intellectual property rests a prioritized responsibility of the Group's teaching team and the business. Any infringement claims against our Group could expose us to litigation risk or could adversely affect our reputation.
- Our business is subject to the regulation of the Education Ordinance and its subsidiary legislations, in particular, valid relevant registrations or exemptions are substantial to our business operation. In the event of failure in obtaining or maintaining such registrations or exemptions or other non-compliances with the aforesaid legislations, our operation may be suspended and our business, operating and financial results may be materially and adversely affected.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 July 2023 by business activities is set out in note 5 to the consolidated financial statements on page 81.

RESULTS

The Group's results for the year ended 31 July 2023 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 57 to 108.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM to be held on Tuesday, 19 December 2023 (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 14 December 2023 to Tuesday, 19 December 2023, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 13 December 2023.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's results, assets and liabilities for the last five financial years, and the published audited financial statements, is set out on pages 109 to 110 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS HELD

The Group held investment property and financial assets at fair value through other comprehensive income during the year ended 31 July 2023. Details of investment property and financial assets at fair value through other comprehensive income of the Group as at 31 July 2023 are set out in note 17 and note 21 to the consolidated financial statements.

BANK BORROWINGS

As at 31 July 2023, the Group had approximately HK\$63.6 million bank borrowings (as at 31 July 2022: HK\$55.1 million). Details of bank borrowings of the Group as at 31 July 2023 are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 32 to the consolidated financial statements on page 101 of this Annual Report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 July 2023 are set out in notes 39 and 34 to the consolidated financial statements on pages 107 to 108 and page 101 respectively and in the consolidated statement of changes in equity on page 60. As at 31 July 2023, the Company had no reserve available for distribution to shareholders (2022: approximately HK\$11.2 million).

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 July 2023 and up to the date of this Annual Report.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of students and individuals enrolling in our courses. Given the nature of our business, we had no customer who contributed, or any five customers who collectively contributed, to 30% or more of our total revenue during the year ended 31 July 2023.

During the year ended 31 July 2023, the aggregate remuneration payable to our Top Five Tutors accounted for approximately 14.8% of our total staff costs and service fees; and the aggregate remuneration payable to our Top One Tutor accounted for approximately 4.6% of our total staff costs and service fees. None of our Directors, their respective close associates, or any of the existing Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of the Company) had any interest in any of our Top Five Tutors (including without limitation the Top One Tutor) during the year ended 31 July 2023 and up to the date of this Annual Report.

DIRECTORS

The Directors of the Company during the year ended 31 July 2023 and as at the date of this Annual Report were as follows:

Executive Directors

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

Independent Non-executive Directors

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

Biographical details of the Directors and senior management as at the date of this Annual Report are set out in the section "Directors and Senior Management" on pages 13 to 15 of this Annual Report.

Pursuant to Article 84 of the Articles of Association, Mr. Tam Wai Lung, Mr. Chan Tsz Ying, Wister and Mr. Li Kai Sing shall retire by rotation at the forthcoming AGM and, being eligible, would offer themselves for re-election at the forthcoming AGM and notwithstanding the aforesaid, may continue to act as executive Directors and independent non-executive Director throughout the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company with effect for a term commencing from the date of his/her appointment/redesignation as an executive Director for an initial term of three years commencing from the Listing Date which shall continue thereafter unless and until terminated in accordance with the terms and conditions of the service contract, including without limitation by either party giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has/had entered into an appointment letter with the Company for a period of three years commencing from 13 July 2021, which may be terminated earlier in accordance with the terms and conditions of the appointment letter, including without limitation by either party serving on the other party a prior written notice of not less than three months.

Save as aforesaid, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

CONNECTED AND RELATED PARTY TRANSACTIONS

The transactions disclosed in note 38 to the consolidated financial statements fall under the definition of “connected transactions” or “continuing connected transaction” (as the case may be) and are exempted from annual reporting requirement in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 38 to the consolidated financial statements and in the section “Connected and Related Party Transactions” above, no contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the year ended 31 July 2023 or at the end of the year, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted during the year ended 31 July 2023 or at the end of the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the consolidated financial statement and in the section “Connected and Related Party Transactions” above, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any of the Directors or an entity connected with a Director had, whether directly or indirectly, a material interest, subsisted at the end of the year ended 31 July 2023 or at any time during the financial year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company had any interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the Group, subsisting during or at the end of the year ended 31 July 2023.

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

As at 31 July 2023, 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:

DIRECTORS' REPORT

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	73.9%
		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	73.9%
		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	—	2,000,000 <i>Note 4</i>	2,000,000	0.4%	
Mr. Li Man Wai	Beneficial owner	—	1,000,000 <i>Note 2</i>	1,000,000	0.2%	
Beacon Enterprise Limited <i>Note 5</i>	Ms. Leung Ho Ki, June	Beneficial owner	3,600	—	3,600	60%
	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%

Notes:

- The Company is held as to 73.9% 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.
- 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.
- 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. These interests in underlying shares represent the interests in outstanding options granted by the Company on 23 January 2019 and 1 April 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.
5. The Company is held as to 73.9% 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.
6. Save as otherwise specified, the shares and underlying shares mentioned above refer to ordinary class of shares and underlying shares.

Save as disclosed above, as at 31 July 2023, 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 July 2023, so far as is known to any Directors or chief executives 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 Divisions 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 Shares held	Interest in underlying Shares	Position	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Beacon Enterprise Limited	Beneficial owner	375,000,000	—	Long	375,000,000	73.9%
Ms. Leung Ho Yan, Irene <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	—	Long	375,000,000	73.9%
Mr. Ng King Hang <i>Note 1</i>	Interests held jointly with another person; interest in controlled corporation	375,000,000	—	Long	375,000,000	73.9%

Note:

1. The Company is held as to 73.9% 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.

DIRECTORS' REPORT

Save as disclosed above, as at 31 July 2023, the Directors and the chief executives 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 Divisions 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 year ended 31 July 2023 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director or any person engaged in the full-time employment of the Company) were entered into or existed for the year ended 31 July 2023 and up to the date of this Annual Report.

SHARE 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 have 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, the Group adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme on 21 June 2018 and both schemes were effective from 13 July 2018.

For details of the terms of the Pre-IPO Share Option Scheme, please refer to the section headed "Share Option Schemes" in the Directors' Report included in our 2022 Annual Report.

After the lapse of all the options granted under the Pre-IPO Share Option Scheme during the year ended 31 July 2022, no share schemes other than the Post-IPO Share Option Scheme were in effect during the year ended 31 July 2023.

POST-IPO SHARE OPTION SCHEME

1. Summary of the terms of the Post-IPO Share Option Scheme

The following is a summary of the principle terms of the Post-IPO Share Option Scheme adopted by a written resolution passed by our Shareholders on 21 June 2018 which became unconditional and effective on 13 July 2018.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentives to the Participants (as defined in paragraph (c) below) to contribute to our Group and to enable our Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to our Group.

(b) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme becomes unconditional after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(c) Who may join

The Board may grant (subject to acceptance in accordance with the terms of the Post-IPO Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (d) below to any individual being an employee, officer, tutor, agent, consultant or representative of any member of our Group (including any executive or non-executive director of any member of our Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of our Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of our Group based on his/her working experience, knowledge in the industry and other relevant factors (the "Participant"), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that our Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by our Company or its Directors of any applicable securities laws and regulations or in any filing or other requirements arising.

(d) Subscription price for the Shares under the Post-IPO Share Option Scheme

The subscription price for the Shares on the exercise of options under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options (subject to any adjustments made pursuant to paragraph (q) below) is made to (subject to acceptance by) the Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

(e) Maximum number of the Shares available for subscription

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the said 30% limit. In addition, subject to below as provided in this paragraph, the total number of the Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, together with all options to be granted under any other share option scheme(s) of our Company, must not in aggregate exceed 50,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option scheme(s) of our Company shall not be counted for the purpose of calculating the Scheme Mandate Limit. Our Company may seek separate approval from our Shareholders in general meeting to renew the Scheme Mandate Limit but in any event the total number of the Shares in respect of which options may be granted by the Board under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the renewed Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company (including those outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating such renewed Scheme Mandate Limit. On 28 September 2020, the Shareholders approved the refreshment of the Scheme Mandate Limit. Accordingly, the Scheme Mandate Limit has been refreshed to be 50,000,000 Shares, being 10% and approximately 9.85% of the total number of Shares in issue as at the date of such Shareholders' approval and as at the date of this Annual Report respectively. Our Company may also seek separate approval from our Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options to specified Participants beyond the Scheme Mandate Limit (or the renewed Scheme Mandate Limit) in respect of such number of the Shares and on such terms as may be specified in such approval.

(f) Maximum number of options to each Participant

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of our Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the Shareholders' approval of our Company with such Participant and his/her close associates (or his/her associates if such Participant is a connected person) abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the Shareholders' approval of the grant of such options.

(g) Grant of options to connected persons

Where any grant of options is proposed to be made to a Participant who is a Director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of our Company or any of their respective associates, such grant must first be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is the Participant). Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates and such option would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company in the 12-month period up to and including the proposed date of grant for such options: (i) representing in aggregate more than 0.1% of the number of the Shares then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on each relevant date of the grant (subject to acceptance) of the options, in excess of HK\$5,000,000, then such grant of options must first be approved by our Shareholders in general meeting at which such person, his/her associates and all core connected persons of our Company shall abstain from voting on the relevant resolution. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll.

(h) Restrictions on the time of grant of options

No option shall be granted after an inside information event in relation to the securities of our Company has occurred or an inside information matter in relation to the securities of our Company has been the subject of a decision, until an announcement of such inside information has been published in accordance with the Listing Rules. Further, no option shall be granted within the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's quarter, interim or annual results for any financial period; and (b) the deadline for our Company to publish its quarter, interim or annual results announcement for any financial period under the Listing Rules, and ending on the date of such results announcement. No option may be granted during any period of delay in publishing a result announcement.

No option shall be granted to a Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code or any corresponding code or securities dealing restrictions adopted by our Company.

(i) Offers and acceptance

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Post-IPO Share Option Scheme and shall remain open for acceptance by the Participant for a period of 28 days from the date of grant provided that no such grant shall be open for acceptance after the expiry of the ten-year period during which the Post-IPO Share Option Scheme is valid and effective or after the Post-IPO Share Option Scheme has been terminated.

An option shall be regarded to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the Participant who accepts the grant of any option to subscribe for Shares in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) a person entitled under the Post-IPO Share Option Scheme to exercise any option in consequence of the death of the original grantee (the "Grantee"), together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company.

(j) Transferability of options

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle our Company to cancel the relevant Grantee's outstanding options in whole or in part.

(k) Performance target

No performance target needs to be achieved by the Grantee before the options can be exercised, unless otherwise stated in the grant letter referred to in the paragraph (i) above.

(l) Time of exercise of options

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

DIRECTORS' REPORT

(m) Rights on ceasing employment

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group for any reason other than on death, ill health, disability or insanity or the termination of employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the option period or the date falling 1 month from the date of such cessation, and such cessation date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of our Group whether payment in lieu of notice is made or not (if applicable). For the purposes of this paragraph (m), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group if he/she ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of our Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of our Group.

(n) Rights on death, ill health, disability or insanity

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of our Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his/her employment, office, agency, consultancy or representation specified in the Post-IPO Share Option Scheme arises, the Grantee or his/her legal personal representative(s) shall be entitled after commencement of the option period until whichever is the earlier of the date of expiry of the option period or the date falling 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) up to his/her entitlement.

(o) Rights on takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between our Company and our Shareholders or otherwise in like manner) is made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved (if required) in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his/her legal personal representative(s)) shall, even though the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the date falling 14 days from the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(p) Rights on winding-up

If a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 5 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(q) Effect on reorganisation of capital structure

In the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of the Shares as consideration in respect of a transaction), corresponding adjustments (if any) shall be made in:

- (i) the number or nominal amount of the Shares subject to options so far as unexercised;
- (ii) the subscription price in relation to each outstanding option; and/or
- (iii) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of our Company to which an option entitles the Grantee to subscribe after such adjustment must be the same as that to which the option entitled the Grantee to subscribe immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value. In respect of any adjustment required by the foregoing provisions, other than any adjustment made on a capitalisation issue, an independent financial adviser or the auditor for the time being of our Company must also confirm to the Board in writing that the adjustments satisfy the foregoing provisions and fairly and reasonably satisfy the requirement that any such adjustment shall be made in compliance with the provisions stipulated under the Listing Rules or such other guidelines and supplementary guidance on the interpretation of the Listing Rules issued or as may be issued by the Stock Exchange from time to time.

(r) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment. A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

(s) Cancellation of options

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels any options granted but not exercised and grants new option to the same Grantee, the grant of such new options may only be made under the Post-IPO Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10% limits as referred to in paragraph (e) above and there is available options (excluding the cancelled options) under the 1% limit for each Participant as referred to in paragraph (f) above.

DIRECTORS' REPORT

(t) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the other periods referred to in paragraphs (l), (m) or (n);
- (iii) subject to paragraph (p) above, the earliest of the close of business on the 5th business day prior to the general meeting referred to in paragraph (p) above or the date of commencement of the winding-up of our Company;
- (iv) save as otherwise provided in paragraph (o) above or by the Court in relation to the Post-IPO Share Option Scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between our Company and our Shareholders or creditors for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies;
- (v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of any relevant member of our Group by reason of the termination of his/her employment, office, agency, consultancy or representation on certain grounds specified in the Post-IPO Share Option Scheme including but not limited to, guilty of misconduct, bankruptcy or insolvency, having made any arrangement or composition with his creditors generally, or conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his/her employment, office, agency, consultancy or representation at common law or pursuant to any applicable laws or under the Grantee's service contract, terms of office, or agency, consultancy, or representation agreement or arrangement with the relevant member of our Group; or
- (vi) the date on which the Board exercises our Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (j).

(u) Alteration of the Post-IPO Share Option Scheme

The terms of the Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme relating to matters contained in Chapter 17 of the Listing Rules shall not be altered to the advantage of Participants or the prospective Participants without the prior approval of our Shareholders in general meeting with the Grantees, the Participants and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The amended terms of the Post-IPO Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) Termination of the Post-IPO Share Option Scheme

Our Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be granted but in all other respects the provisions of the Post-IPO Share Option Scheme in relation to any outstanding options shall remain in full force and effect. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

OPTIONS GRANTED UNDER THE POST-IPO SHARE OPTION SCHEME

The validity period of the following options granted shall be 10 years from the grant date and the options shall lapse at the expiry of the validity period or earlier if the service or employment 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 following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme during the year ended 31 July 2023.

Grantee	Grant date	Vesting and exercisable period <i>Note 1</i>	Exercise price per share option	Number of options held at 1 August 2022	Options granted during the period (number of underlying Shares)	Options exercised or cancelled during the period	Options lapsed during the period	Number of options held as at 31 July 2023 (number of underlying Shares)
Directors								
Ms. Leung Ho Ki, June	23.1.2019	23.1.2020 - 22.1.2029	HK\$0.493	1,000,000	—	—	—	1,000,000
Mr. Tam Wai Lung	23.1.2019	23.1.2020 - 22.1.2029	HK\$0.493	3,500,000	—	—	—	3,500,000
Mr. Li Man Wai	23.1.2019	23.1.2020 - 22.1.2029	HK\$0.493	1,000,000	—	—	—	1,000,000
Mr. Chan Tsz Ying, Wister	23.1.2019	23.1.2020 - 22.1.2029	HK\$0.493	1,000,000	—	—	—	1,000,000
	1.4.2019	1.4.2020 - 31.3.2029	HK\$0.730	1,000,000	—	—	—	1,000,000
Employees of the Group <i>(Note 3)</i>	23.1.2019	23.1.2020 - 22.1.2029	HK\$0.493	8,200,000	—	—	(180,000)	8,020,000
	1.4.2019	1.4.2020 - 31.3.2029	HK\$0.730	2,940,000	—	—	(120,000)	2,820,000
Dr. Lam Yat Ming as consultant of the Group <i>(Note 4)</i>	29.7.2020	16.10.2020 - 28.7.2030 <i>(Note 2)</i>	HK\$0.600	20,000,000	—	—	(20,000,000)	—

Notes:

- The options granted to Directors and employees of the Group on 23 January 2019 and 1 April 2019 are vested in and exercisable in the following manner:
 - 30% of the options shall vest in and be exercisable from the first anniversary of the grant date;
 - 30% of the options shall vest in and be exercisable from the second anniversary of the grant date; and
 - 40% of the options shall vest in and be exercisable from the third anniversary of the grant date.

The options granted to Dr. Lam Yat Ming on 29 July 2020 were vested in and exercisable in the following manner:

 - 30% of the options shall vest in and be exercisable from the date on which the grant of the options becomes unconditional on 16 October 2020;
 - 30% of the options shall vest in and be exercisable from the first anniversary of the grant date; and
 - 40% of the options shall vest in and be exercisable from the second anniversary of the grant date.
- The grant of the 20,000,000 options on 29 July 2020 was conditional upon the following: (a) the approval of the Shareholders at the extraordinary general meeting convened and held on 28 September 2020 for the grant of the 20,000,000 options to the grantee; (b) the grantee being a holder of at least 0.7% of the total number of Shares in issue as of the grant date, i.e. at least 3,500,000 Shares (500,000,000 Shares (being the total number of Shares in issue as at the grant date) x 0.7%); and (c) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of 14,400,000 of the total 20,000,000 options (which is in excess of the then existing Scheme Mandate Limit). The grant of the 20,000,000 options to the grantee on 29 July 2020 fulfilled the aforementioned conditions and became unconditional on 16 October 2020. Pursuant to the terms and conditions of the grant of the 20,000,000 options to the grantee, Dr. Lam Yat Ming, the grantee, undertakes, amongst others, not to transfer or otherwise dispose of any Shares allotted to him pursuant to any exercise of the option at a price per Share which is lower than HK\$1.08, being the final price per Share offered under the initial public offering and Listing of the Company on 13 July 2018, during the period of 10 years from the initial grant date.

DIRECTORS' REPORT

- 3: The employees of the Group fall within the meaning of "employee participants" under Chapter 17 of Listing Rules and include employees working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). None of the options granted to any of such employee participants would result in the shares issued and to be issued in respect of all options granted to such person (excluding any options lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in the 12-month period up to and including the date of such grant to represent in aggregate over 1% of the Shares in issue.
- 4: Dr. Lam Yat Ming was appointed by the Company as Strategic Development Consultant on 29 July 2020. The terms of the 20,000,000 options granted to Dr. Lam are detailed in the announcement and circular of the Company dated 29 July 2020 and 7 September 2020 respectively. The rationale for and benefits of making the grant of options to Dr. Lam are set out in the circular of the Company dated 7 September 2020. Pursuant to the Post-IPO Share Option Scheme, the 20,000,000 options lapsed one month after the cessation of Dr. Lam's service at the Company during the year ended 31 July 2023.

The options granted under the Post-IPO Share Option Scheme would not have a dilutive effect on the earnings per Share for the year ended 31 July 2023. For the options granted to the Directors and employees of the Group on 23 January 2019 and 1 April 2019 respectively, the exercise price per option represents the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the relevant grant date; for the options granted on 29 July 2020 to Dr. Lam Yat Ming, the exercise price payable in respect of each Share upon the exercise of the options is determined in accordance with the terms of the Post-IPO Share Option Scheme, which exceeds HK\$0.378, being the average closing price per Share as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the grant date. For the options granted with exercise price per option of HK\$0.493, HK\$0.730 and HK\$0.600 as detailed above, the closing price of the Shares on the relevant grant date was HK\$0.490, HK\$0.700 and HK\$0.360 respectively.

The number of options available for grant under the Scheme Mandate Limit (i.e. the total number of Shares which may be issued in respect of all options to be granted under the Post-IPO Share Option Scheme) refreshed on 28 September 2020 as of 1 August 2022 is 35,600,000 and as of 31 July 2023 is 50,000,000. There is no sublimit on the total number of Shares that may be issued in respect of options to be granted to service providers under the existing Post-IPO Share Option Scheme.

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

For the value of the share options granted by the Company and the relevant accounting policy adopted, please refer to note 9 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 July 2023, the Group has 189 full-time employees (2022: 329) and maintained an accumulated pool of 86 (2022: 167 active) part-time employees for seasonal and cyclical business needs. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage and training.

The emoluments of the Directors of the Company are recommended by the remuneration committee and determined by the Board of the Company, by reference to the prevailing market conditions, the performance and operating results of the Group as well as the Director's individual expertise.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Articles of Association of the Company that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the year ended 31 July 2023 and up to the date of this Annual 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 Annual Report.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 July 2023 amounted to approximately HK\$66,500 (2022: approximately HK\$28,000).

PERMITTED INDEMNITY PROVISION

Under the Articles of Association and subject to the provisions of the Companies Ordinance, the Directors, company secretary, the officers of the Company or every auditor acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their respective offices.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the year ended 31 July 2023.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR ENDED 31 JULY 2023

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

AUDITOR

The consolidated financial statements for the year ended 31 July 2023 were audited by PricewaterhouseCoopers, who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Leung Ho Ki, June
Chairman

Hong Kong, 27 October 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 July 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

During the year ended 31 July 2023 and up to the date of this Annual Report, the Company has applied the principles and complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, which will be further illustrated in this Corporate Governance Report for Shareholders' evaluation.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 July 2023 and up to the date of this Annual Report.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors and three independent non-executive Directors.

The composition of the Board during the year ended 31 July 2023 and as at the date of this Annual Report is as follows:

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

Independent Non-executive Directors

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

The Board consists of a diverse mix of Board members in terms of age, gender and tenure of office. Besides, the Board members come from different backgrounds and have a diverse range of business, academic and professional experiences. Current female Director accounts for about 14.3% of the Board (one female out of 7 Directors). The board considers that gender diversity is currently achieved in the Board and is committed to maintaining gender diversity in the Board.

The biographical information of the current Directors are set out in the section headed "Directors and Senior Management" in this Annual Report.

Ms. Leung Ho Ki, June is the spouse of Mr. Tam Wai Lung and aunt of Mr. Li Man Wai. Ms. Leung Ho Ki, June is an executive Director, the Chairman of the Board and the chairman of the Nomination Committee. Mr. Tam Wai Lung is an executive Director, the Chief Executive Officer of the Company and a member of the Nomination Committee and the Remuneration Committee respectively. Mr. Li Man Wai is an executive Director and a member of the Remuneration Committee.

Save as disclosed in this Annual Report, there is no financial, business, family or other material/relevant relationship among members of the Board to the best knowledge of the Company.

The composition of the Board is reviewed from time to time to ensure that the Board has a balance of skills and experiences suitable for the businesses of the Group and there is a strong independent element on the Board to safeguard the interests of the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman and chief executive officer are held by Ms. Leung Ho Ki, June and Mr. Tam Wai Lung respectively (the "Chairman" and the "Chief Executive Officer", respectively). There is a clear, separate and effective division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The Chairman is responsible for the effective and timely functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations in general.

COMPANY SECRETARY

Mr. Choi Shing Wai, *FCPA*, the company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

The company secretary undertook no less than 15 hours of relevant professional training during the year ended 31 July 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing over one-third of the Board with one of whom possessing appropriate professional qualifications or accounting qualifications or related financial management expertise.

The Company has received from each independent non-executive Director a written confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. As at the date of this Annual Report, the Board still considers that all independent non-executive Directors are independent. The independence of the independent non-executive Directors will be assessed by the Nomination Committee from time to time.

The Company has established mechanisms to ensure that independent views and input are available to the Board, including without limitation to reviewing whether the independent non-executive Directors have appropriate qualifications and expertise from time to time with sufficient time commitment to the Group, that the number of independent non-executive Directors comply with the requirements of the Listing Rules, and that channels are established (including without limitation by questionnaires or by enquiry at Board meetings) to assess and evaluate the independent non-executive Directors' contribution and views. The implementation and effectiveness of such mechanisms will be reviewed by the Board on an annual basis.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors during the year 31 July 2023 and as at the date of this Annual Report including the independent non-executive Directors had/have been appointed for a fixed term of three years. The Articles of Association requires that at every AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is also collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board also makes decisions on matters, such as, approving the annual results and interim results of the Group, notifiable and connected transactions of the Company, appointment and re-appointment of Directors, dividend and adopting accounting policies, etc. Details of the experiences and qualifications of Directors are set out in the section headed "Directors and Senior Management" in this Annual Report. The Board takes decisions objectively in the interests of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experiences, knowledge and professionalism to the Board for its efficient and effective functioning.

CORPORATE GOVERNANCE REPORT

The Group's senior management is responsible for the day-to-day management of the Group's businesses and overseeing the general operation, business development, finance, marketing, and operations as delegated by the Board. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management, in particular, with respect to the circumstances, the senior management maintains regular communications and reports their progress to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties set out in code provision A.2.1 of the Corporate Governance Code, which include (i) developing and reviewing policies and practices of the Company on corporate governance and making recommendation to the board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices of the Company on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual, if any, applicable to employees and Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. Up to the date of this Annual Report, the Board has determined and reviewed (i) the Company's corporate governance functions including without limitation, those areas disclosed in this Corporate Governance Report; (ii) the Company's director nomination policy, board diversity policy, shareholders' communication policy, anti-corruption policy and whistleblowing policy pursuant to the Corporate Governance Code; and (iii) the Company's environmental, social and governance policy to be disclosed in this Annual Report.

CONTROLLING SHAREHOLDERS' COMPLIANCE WITH DEED OF NON-COMPETITION

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of our Shareholders.

The Company has received an annual written confirmation on the compliance with, and enforcement of, the terms of the Deed of Non-competition from each of the controlling shareholders of the Company. Based on such confirmation, the independent non-executive Directors consider that the controlling shareholders have complied with all the undertakings under the Deed of Non-competition during the year ended 31 July 2023.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference approved by the Board. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange respectively.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this Annual Report.

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, in accordance with the model set out in the code provision D.3.3 of the Corporate Governance Code.

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.

In the meetings of the Audit Committee during the year ended 31 July 2023, the Audit Committee reviewed among other matters, (i) the auditor's report for the audit of final results of the Group for the year ended 31 July 2022; (ii) the audited consolidated financial statements of the Group for the year ended 31 July 2022 with a recommendation to the Board for approval; (iii) the preliminary announcement and annual report of the Group for the year ended 31 July 2022 with a recommendation to the Board for publication and approval; (iv) significant issues on the financial reporting and compliance procedures, internal control and risk management systems of the Group; (v) any new continuing connected transaction of the Company for the year ended 31 July 2023 with a recommendation to the Board for approval; (vi) the independence, objectivity and effectiveness, scope of work and appointment of the external auditor with a recommendation to the Board for the re-appointment of the current external auditor at the forthcoming annual general meeting of the Company and the Board endorsed the Audit Committee's recommendation; (vii) the interim report and

the interim results announcement for the six months ended 31 January 2023; and (viii) the anti-corruption policy and whistleblowing policy, with a recommendation to the Board for approval.

Subsequent to the year ended 31 July 2023, the Audit Committee reviewed the draft annual report and the draft annual results announcement, the report on the effectiveness of the Group's risk management and internal control systems, the continuing connected transactions of the Company (if any) and the appointment, independence, objectivity and effectiveness and scope of work of the existing auditor for the year ended 31 July 2023, with recommendations to the Board for approval.

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are, inter alia, to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management in accordance with the model set out in the code provision E.1.2(c)(ii) of the Corporate Governance Code, and the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee comprises two executive Directors, namely Mr. Tam Wai Lung and Mr. Li Man Wai, and three independent non-executive Directors, namely Mr. Kwan Chi Hong, Professor Wong Roderick Sue Cheun and Mr. Li Kai Sing. Mr. Kwan Chi Hong is the chairman of the Remuneration Committee.

During the meeting of the Remuneration Committee held in the year ended 31 July 2023, the Remuneration Committee reviewed, inter alia, (i) the remuneration policy and the current remuneration practice of the Group; (ii) the terms of Directors' service contracts; and (iii) the remuneration packages of and overall benefits payable to the Directors and senior management of the Group, and assessed the performance of executive Directors, and made relevant recommendations to the Board.

Details of the remuneration paid/payable to each Director for the year ended 31 July 2023 are set out in note 8(a) to the consolidated financial statements.

The remuneration of the members of senior management (including all executive Directors) by band for the year ended 31 July 2023 is set out below:

Remuneration Bands	Number of individuals
HK\$1 – HK\$500,000	1
HK\$500,001 – HK\$1,000,000	4
HK\$1,000,001 – HK\$1,500,000	1
HK\$1,500,001 – HK\$2,000,000	2
HK\$3,000,001 – HK\$3,500,000	1
Total	9

Nomination Committee

The Nomination Committee was established in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are, inter alia, (i) to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to make recommendations to the Board on the selection of individuals nominated to be Directors; (iii) to assess the independence of independent non-executive Directors; (iv) to determine the Company's policy for nomination of Directors; and (v) to make recommendations to the Board on the appointment or re-appointment of Directors and the management of Board succession, in accordance with the model set out in the code provision B.3.1 of the Corporate Governance Code.

The Nomination Committee comprises two executive Directors, namely Ms. Leung Ho Ki, June and Mr. Tam Wai Lung; and three independent non-executive Directors, namely Professor Wong Roderick Sue Cheun, Mr. Kwan Chi Hong and Mr. Li Kai Sing. Ms. Leung Ho Ki, June is the chairman of the Nomination Committee.

During the year ended 31 July 2023, the Nomination Committee in its meeting (i) reviewed the structure, size and composition and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the board diversity policy and the director nomination policy of the Company; (iv) consider the proposed re-election of the Directors retiring at the previous Annual General Meeting; and (v) consider the independence of the independent non-executive Directors, with recommendations to the Board for approval.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board meetings were held for the purposes of, among others, considering and approving the results of the Group. Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting. Save as disclosed below, all members of the Board were present in every Board meeting. The Company has convened, and expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the Corporate Governance Code. The company secretary will ensure that the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to compliance with the procedures of the Board meetings. Minutes of the Board meetings (as well as those of Board committees meetings) are kept by the company secretary. Set out below are the attendance records of Directors in general meetings and meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee respectively:

Name of Directors	Number of meetings attended for year ended 31 July 2023				
	General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Ms. Leung Ho Ki, June	1/1	4/4	—	—	1/1
Mr. Tam Wai Lung	1/1	4/4	—	1/1	1/1
Mr. Chan Tsz Ying, Wister	1/1	4/4	—	—	—
Mr. Li Man Wai	1/1	4/4	—	1/1	—
Mr. Kwan Chi Hong	1/1	4/4	2/2	1/1	1/1
Mr. Li Kai Sing	1/1	4/4	2/2	1/1	1/1
Professor Wong Roderick Sue Cheun	1/1	4/4	2/2	1/1	1/1

No Director has attended any of the above meetings by his or her alternate.

DIRECTOR NOMINATION POLICY

The Company adopted a director nomination policy (the “Nomination Policy”) that sets out the considerations and procedures for selecting and nominating directors of the Board, and for succession planning of our Company’s directors. In assessing a candidate’s suitability and the potential contribution to the Board, the Nomination Committee would consider a number of aspects, including the candidate’s personal and professional ethics and integrity, achievement and competence, and skills that are complementary to those of the existing Board. The Nomination Committee will identify, consider and recommend suitable individuals to act as directors in the Board, and make recommendations to the Board on the appointment or re-appointment of directors and their succession planning. Notwithstanding the foregoing, the ultimate responsibility for selecting and appointing directors rests with the entire Board.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “Diversity Policy”), that sets out the Company’s approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company continues to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, culture and educational background, professional qualifications, skills, knowledge and industry and regional experiences.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. The Nomination Committee will review the Diversity Policy annually, to ensure its effectiveness and will discuss annually any measurable objective for implementing the diversity of the Board and recommend them to the Board for adoption.

Workforce Diversity

The gender ratios in the workforce by categories of employees are set out in the section headed “B1: Employment” in the Environment, Social and Governance (ESG) Report in this Annual Report.

The Board considers that gender diversity is currently achieved and is committed to maintain gender diversity in respect of the workforce level.

DIVIDEND POLICY

The Company adopted a dividend policy (the “Dividend Policy”) which is the policy of the Board, in considering the payment of dividends, to strike a balance between maintaining sufficient capital to grow the Group’s business and rewarding the Shareholders. The Company does not have any pre-determined dividend distribution ratio and the Board has the discretion to declare and distribute dividends to the Shareholders, subject to the compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association and the following factors: (i) the Group’s overall results of operation, financial position, capital requirement, cash flows and future prospects; (ii) the amount of distributable reserves of the Company; and (iii) other factors that the Board deems relevant. The Board will continue to review the Dividend Policy from time to time.

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company periodically provides training to the Directors, senior management and staff to develop and refresh their knowledge in areas which are relevant to the performance of their daily duties and the growth of the businesses of the Group under the changing economic environment.

In particular, training on corporate ethics and anti-corruption were delivered to all Directors during the year ended 31 July 2023.

The Directors are committed to complying with the code provision C.1.4 of the Corporate Governance Code on directors’ training. All directors have provided to the Company a record of the training they received during the year ended 31 July 2023. Participation of continuous training of the Directors and the nature of training are set out below:

	Reading journals, publications and/or other materials on various topics <small>(Note 1)</small>
Executive Directors	
Ms. Leung Ho Ki, June	✓
Mr. Tam Wai Lung	✓
Mr. Chan Tsz Ying, Wister	✓
Mr. Li Man Wai	✓
Independent Non-executive Directors	
Mr. Kwan Chi Hong	✓
Mr. Li Kai Sing	✓
Professor Wong Roderick Sue Cheun	✓

Note:

1. Topics include without limitation the Company’s business and corporate governance matters.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 July 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor’s Report on pages 53 to 56 in this Annual Report.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year ended 31 July 2023, the total fees payable, excluding disbursements, in respect of audit and non-audit services provided by PricewaterhouseCoopers are set out below:

Services rendered for the Group	Fees payable HK\$'000
Audit services:	
Annual audit and audit-related services	1,000
Non-audit services:	
Tax advisory services	15
Total	1,015

During the year ended 31 July 2023, the fees paid or payable in respect of audit and non-audit services provided to the Group by other external auditors amounted to approximately HK\$204,000 and HK\$103,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for establishing and maintaining the Group's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decisions that involve material risk exposures are subject to assessment, consideration and approval of the ways to resolve the said risk exposures by the Board.

The Audit Committee is delegated with the responsibility to review the financial controls, risk management and internal control systems of the Group at least annually, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings, in performance of the Company's internal audit function. The Audit Committee also reviews the external independent auditor's management letter, if any, and any material queries raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Group appointed an external consultant to conduct enterprise risk assessment and to perform internal audit function to review the effectiveness of the Group's risk management and internal control systems for the year ended 31 July 2023. As part of the risk management system of the Group, the annual enterprise risk assessment identifies and evaluates the risk level of the Group's operations and business, including the strategic, operational, financial reporting, ESG and compliance risks.

As part of the internal control system of the Group, internal audit was conducted at least annually with the objectives of, amongst others, assessing and identifying significant weaknesses in risk management and internal control systems of the Group. The internal audit for the year ended 31 July 2023 covered the review on (i) the risk management system; (ii) cost of services, expenditures and payments; (iii) human resources and payroll management; (iv) corporate governance practices according to the corporate governance code in Appendix 14 of the Listing Rules; and (v) the follow up on the findings identified in last year's report.

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

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information of the Group. The Board is responsible for monitoring and implementing the procedural requirements under the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties and shall not respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, sufficient notices of the general meetings are given to the shareholders and a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll subject to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange respectively after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING ("EGM") AND PUTTING FORWARD PROPOSALS AT EGM

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any one or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionists held as at the date of deposit of the requisition (in aggregate) not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company which carries the right of voting at general meetings of the Company. Such general meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionist(s), his (their) shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and be signed by the requisitionist(s).

There is no provision allowing Shareholders to put forward proposals at general meeting under the Articles of Association or the Companies Law of the Cayman Islands. If Shareholders wish to do so, they may request to convene an EGM as described above and specify the proposals in such written requisition.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company adopted a shareholders' communication policy (the "Shareholders' Communication Policy"), which sets out the channels for shareholders to communicate their views on matters affecting the Company and for the Company to solicit and understand the views of Shareholders and other stakeholders. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGM and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

The Board will review the Shareholders' Communication Policy at least annually to ensure its effectiveness. Having reviewed the different channels of communication with Shareholders, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented during the year and is effective.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send any comments or enquiries to the Board by email to ir@beacon.com.hk or in writing to the company secretary at the Company's principal office in Hong Kong.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

INTRODUCTION & APPROACH TO ESG AND REPORTING

The Group is a leading provider of private supplementary secondary school education services through a network of 10 teaching centres in Hong Kong.

For the year ended 31 July 2023, the Group had approximately 132,000 enrollments/registrations in our private supplementary secondary school education services. Our teaching delivery is managed by a professional team, comprising of tutors, day school teachers, full-time and part-time teaching assistants.

As a prominent force in the private supplementary education services in Hong Kong, the Group recognizes the significance of potential impacts our business could make on the lives of our students, our staff, and society. We also see the opportunities of being a role model and educating our students and staff by acting responsibly and committing to maintaining the wellness of the environment and the public.

Our Group's subsidiary, Beacon College, has been awarded the "15 Year Plus Caring Company Logo" by The Hong Kong Council of Social Service for inspiring corporate social responsibility through caring for the community, the employees, and the environment for 15 consecutive years (from 2008 to 2023).

ESG Governance Structure

The Group acknowledges the need to have effective and strong ESG governance in place. Good governance ensures accountability and a balance of authority by clearly defining the roles and responsibilities of different parties within the Group. The Board has the overall responsibility for the Group's ESG strategy and reporting. An ESG Committee has been set up and its Terms of Reference was approved by the Board of Directors. The ESG Committee focuses on the sustainability issues at board level and comprises an executive Director and other senior management, including, Deputy Chief Executive Officer/Chief Finance Officer, senior manager, manager and assistant manager. A Board Statement was approved to guide our strategy to achieve a better ESG performance in different areas of works, such as the process used to evaluate, prioritise and manage material ESG-related risks to our business. The Board will continue to review the progress made against the ESG-related goals and the targets related to our business (as explained in the following sections of this ESG Report) in the regular board meetings. In addition, the ESG Committee is required to provide a follow-up action plan to address any shortfall in the ESG-related goals and the targets to the Board. If necessary, an interim report on the progress of the follow-up action plan will also be submitted to the Board.

Reporting Period and Scope

This Environment, Social and Governance Report ("ESG Report") issued by the Group summarises the Group's material policies and practices, as well as compliance status in the areas of environment protection, sustainable development, and social responsibility.

This ESG Report has been prepared by the Company for the financial year ended 31 July 2023 ("Reporting Period") in compliance with the requirements of the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. In particular, the Company has complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide.

This ESG Report focuses primarily on the Group's private supplementary secondary school education services in Hong Kong. The reporting boundary of this ESG Report is set to include the Company and all of its subsidiaries and the Group's operations. During the Reporting Period, the Group offered a wide range of education programmes and services under the following three categories:

- **Private supplementary secondary school education services** (accounting for approximately 66.33% of the total revenue of the Group), which are offered to students from Secondary 1 to Secondary 6;
- **Private secondary day school services** (accounting for approximately 8.82% of the total revenue of the Group), which are provided to Secondary 4, 5 and 6 students in accordance with the HKDSE curriculum; and
- **Ancillary education services and products** (accounting for approximately 24.85% of the total revenue of the Group), which targeted pre-school, kindergarten, primary and secondary school students and individuals pursuing further education, other interest learning or personal development.

Materiality Assessment by Stakeholder Engagement

In order to report the sufficiently important ESG information to our investors and other stakeholders, in 2022, we identified the ESG issues based on the feedback from a series of discussions among the Directors, key management members, employees and external parties. Our Directors believe that it is of paramount importance to keep the ESG-related goals and targets in mind while operating and growing our business going forward. This business philosophy has helped us build a sustainable business model and enhanced our reputation which, together with other factors, can differentiate our brands from other competitors in the private supplementary secondary school education services industry.

In order to assess the materiality of ESG issues more accurately, telephone interviews were conducted with more than 15 major stakeholders, including members of the teaching team, students, employees and suppliers. They were asked to rank the importance of the ESG aspects with reasons. In general, they shared the same viewpoint that the social aspects are of higher importance than the environmental aspects because of the nature of our education business which has minimal impact to the environment. The stakeholders, especially the employees including the teachers and members of the teaching team are more concerned with the employment, health and safety issues. The stakeholders generally treated product responsibility and governance as important ESG issues.

We welcome comments and suggestions from our stakeholders. If you have any questions or comments on this ESG Report, please contact us by email at ir@beacon.com.hk.

Quantitative Assessment

Our assessment standards, methodologies, calculation tools, source of conversion factors used are mainly based on the document "How to prepare an ESG Report" issued by the Stock Exchange. The environmental key performance indicators (collectively, "KPIs") are calculated based on its Appendix 2 "Reporting Guidance on Environmental KPIs", while the social KPIs are calculated based on its Appendix 3 "Reporting Guidance on Social KPIs".

Consistency Assessment

In this ESG Report, there is no change to the methods or KPIs used or any other relevant factors affecting a meaningful comparison of this ESG report with previous reports.

A: ENVIRONMENT

After reviewing the nature of business and operation in providing private supplementary education services, our Directors and the Group's external environment consultant share the view that the risk of our business causing significant and undesirable impacts on the environment is relatively low. However, we are well aware of the fact that, regardless of our minimal environmental footprint as an education service provider, our business operation inevitably generates a small amount of carbon emissions with solid wastes discharged into the environment, as well as consuming certain natural resources.

A1: EMISSIONS

A key part of the Group's environmental policy is to monitor the carbon emission and the volume of wastes generated from our business operation. The Group has complied with relevant laws and regulations that have a significant impact on the Group, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Our business offers education services, which typically do not generate air pollutants, greenhouse gases, or regulated discharges from our operation. In our operation, the emissions are limited to the use of company vehicles, whereas discharges are limited to the usual sewage from an office setting. As a result, the amount of air emissions and water discharges are minimised.

However, associated with the amount of printing activities for teaching purposes, paper wastes are generated in the normal course of our business operation. Daily use of printers and photocopiers would result in regular replacement of cartridges and ink toners, disposal of which would generate wastes containing chemical residuals that require special handling. Other non-hazardous wastes generated from our operation include aging equipment and electronics used in the teaching centres and the head office, as well as daily consumables, such as office stationery and teaching aids, etc. We are not aware of any hazardous wastes generated from our operation.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

The Group's policy in this aspect goes by the principle of "Reduce, Reuse, and Recycle" to the extent that is practical and cost effective.

- **REDUCE:** We keep our company vehicles in regular maintenance and examination so that they operate in good condition with gas emissions below the regulated thresholds. Equipment gadgets and electronics are maintained and repaired regularly as needed to extend their lifespans which would reduce the need for replacement and disposal. Reminders are placed around printers and photocopiers to alert employees and teaching staff to avoid excessive printing that generates unnecessary paper wastes.
- **REUSE:** Rather than replacing the depleted cartridges and ink toners, refillers are used to minimise the wastes of cartridge or toner casings. Some of the office stationery (e.g. binders, folders, etc.) are often reused if possible, and are not immediately disposed of after one-time usage.
- **RECYCLE:** Wastes for disposal are first separated into "non-recyclable" and "recyclable" categories, and "special care" category. Recyclable wastes are further collected separately by nature, namely (i) waste papers, (ii) plastics, and (iii) metals. They are then handled accordingly for recycling or proper disposal to minimise environment impacts. "Special care" items, like cartridges and ink toners, are returned to suppliers/manufacturers for professional handling.

The Group does not foresee any material change in the nature of its business activities and its operation does not materially generate air pollutants, greenhouse gases and regulated discharges. As such, the Air Pollution Control Ordinance (Cap. 311) and Water Pollution Control Ordinance (Cap. 358), as well as their associated regulations are considered less relevant to our operation. Our Directors were pleased to confirm that the Group was in full compliance with the provisions related to motor vehicle emissions under the Road Traffic Ordinance (Cap. 374). No fines or penalties were levied by the government against the Group because of air emissions or water discharges during the Reporting Period.

The Group also follows the general provisions of the Waste Disposal Ordinance (Cap. 354), which prohibits dumping wastes in public places or on private premises without the consent of the owner or occupier. Our Directors confirmed that the Group and its teaching centres were in full compliance with the general provisions of this ordinance is applicable to the entire operation during the Reporting Period. We are not aware of any fines or penalties levied by the government against the Group for improper waste handling or disposal.

Air emissions

The air emissions were mainly from company vehicles and the figures below are based on our internal estimation of the kilometers travelled. In general, we managed to lower the total air emissions by reducing use of company vehicles, and electric vehicles will be introduced gradually.

	NO _x Nitrogen oxides	SO _x Sulphur oxides	PM Particulate Matter
For the year ended 31 July 2022	20,735 g	327 g	1,527 g
For the year ended 31 July 2023	9,700 g	319 g	714 g

Greenhouse gas emissions

Scope 1 emissions were mainly from company vehicles and the figures below are based on our internal estimation of the kilometers travelled. In general, we managed to lower the total Scope 1 emissions by reducing use of company vehicles.

CO ₂ equivalent emissions	CO ₂ Carbon dioxide	CH ₄ Methane	N ₂ O Nitrous oxide
For the year ended 31 July 2022	52.56 tonnes	0.158 tonne	6.522 tonnes
For the year ended 31 July 2023	51.21 tonnes	0.154 tonne	6.353 tonnes

For Scope 2 energy indirect emissions, the CO₂ equivalent emissions mainly from purchased electricity were approximately 302 tonnes (2022:274 tonnes). The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 360 tonnes (2022: approximately 333 tonnes). The slight increase of the use of electricity was mainly due to the full re-opening of the learning centres after the COVID-19 pandemic during the Reporting Period.

Non-hazardous solid wastes, mainly the domestic and commercial wastes, generated from our offices during our operations in the Reporting Period amounted to 10.7 tonnes (non-hazardous waste) (2022: approximately 5.07 tonnes) which was mainly due to the resumption of operation of our teaching centres during the Reporting Period after the relaxation of COVID-19 pandemic measures. We will continue to pay effort to minimise the wastes.

Hazardous wastes of batteries and toners were recorded at approximately 0.099 tonne (2022: approximately 0.052 tonne) and 0.037 tonne (2022: approximately 0.04 tonne) respectively. The rising usage of batteries was due to the resumption of operations after the COVID-19 pandemic, while the increased use of electronic handouts that led to the small decreased use of toners. All the toners were disposed off to recycling companies.

We have set the target to reduce 20% in air and greenhouse gas emissions over the five-year period from the year 2019/20. The Group-wide energy saving measures have been implemented in all our teaching centres and offices to reduce the use of vehicles and electricity. These measures include increasing the number of reminders to the staff members to conserve the energy and increasing the adoption of online meetings instead of physical meetings to reduce air and greenhouse gas emissions generated from transportation. In view of the positive progress made, the Group is on the right track to achieving the targets set.

For non-hazardous and hazardous waste management, we mainly adopted the waste prevention approach. The staff members are encouraged to reduce waste production by reducing printing and using rechargeable batteries. They were also reminded to use their own reusable containers for foods and drinks. We have set the target to reduce 20% on both the non-hazardous and hazardous wastes over the five-year period from the year 2019/20. In view of the positive progress, the Group is on the right track to achieving the targets set.

A2: USE OF RESOURCES

Part of the Group's ESG strategy is to make efficient use of resources, including energy, water and raw materials, and leverage eco-friendly alternatives, where practically and economically feasible in the business operation. Generally, provision of education services does not consume significant amount of resources as compared with that of other commercial or industrial operations. Yet, we have identified and targeted energy consumption and paper usage as two key areas where our ESG initiatives can achieve the biggest total impact on the environment in our business operation.

- *Energy Consumption*

We recognise that the carbon footprint arising from our business operations primarily attributed to energy consumption, even though it is relatively insignificant as compared with other commercial or industrial operations. Our teaching centres and the head office have relatively long operating hours, in which lighting, ventilation, air-conditioning, teaching and office equipment are powered by electricity, generation of which by conventional power plants often emits carbon dioxide during the process.

The goal of our policy in energy saving is to minimise unnecessary waste of electricity. This involves creating awareness by issuing company memos and setting up reminders to achieve behavioural changes of our employees and teaching staff in the use of electricity. Specific measures include switching off idle equipment, lighting, and air-conditioning that are not in use and after work as well as the setup of various zones to maximise the utilisation of lighting and air conditioning. The Group has also increasingly invested in energy efficient alternatives, such as LED or energy-efficient lighting, equipment with energy-saving mode and timer control function, etc. Maintenance and cleaning of equipment are regularly performed to optimise equipment performance and energy efficiency.

- *Paper Usage*

Paper is often used in the course of teaching and marketing, and as a form of keeping administrative records in the normal course of our business. Our teaching classes are supplemented by lesson handouts and study materials, which are paper-based. Part of our advertising and marketing campaigns involve production of brochures, leaflets, and direct-mailing materials. Moreover, paper used for administrative work inevitably exist in our teaching centres and the head office.

"Reduce, Reuse, and Recycle" is our strategy to address the issue of paper usage. In light of the extensive adoption of technology by the young generation, the Group has increasingly shifted from distributing paper-based study materials to leveraging digital technology for delivery of teaching content. This helps to significantly reduce in paper consumption in our teaching centres. The Group continues to upgrade its computer systems to minimise manual, paper-based tasks in different streams of work flows.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

During the Reporting Period, we have a substantial increase in face-to-face education services due to the resumption of face-to-face classes after the COVID-19 pandemic situation, our paper usage was increased from 0.061 tonne in 2022 to 0.142 tonne in 2023. However, we will continue to encourage students to use electronic notes. In addition, the growing utilisation of online enrollment system and online teaching mode will further reduce the use of paper by the paperless operations, for instance, we have introduced electronic receipts to further reduce paper usage in our business operation. We also encourage using emails for communication and online platforms for broadcasting messages or dissemination of information to minimise paper consumption. Other best practices include double-sided printing and printing-to-exact-quantity, reusing paper from the recycling bins, replacing disposable cups with reusable ones in our office, and using paperless administrative systems for handling expense claims, managing annual leaves and circulating agendas of meetings, etc.

- **Water and Electricity Usage**

In our business operation, water consumption is limited to drinking and cleaning uses, and packaging materials are modestly used. In view of the purposes for which water is used, there is no issue in sourcing water that is fit for purpose. Consumption of water and packaging materials are thus considered immaterial from our standpoint. In order to increase the awareness of environmental protection, we encourage employees to use their personal utensils for drinks and meals so as to minimise the use of disposables.

Use of resources	Unit	For the year ended 31 July	
		2022	2023
Electricity	kWh	696,168	737,750
Electricity intensity	kWh per HK\$1 million revenue	4,903	5,625
Water	Cubic meter	308	273
Water intensity	Cubic meter per HK\$1 million revenue	2.17	2.08

Below is the direct and indirect energy consumption of the Group in the year ended 31 July 2023:

Energy type	Energy consumption (kWh)	
	2022	2023
Petrol	215,836	210,266
Electricity	696,168	737,750
Total	912,004	948,016
Intensity (kWh per revenue of HK\$1 million)	6,423	7,228

We have set the target to reduce 10% of the use of energy resources in terms of intensity over the five-year period from the year 2019/20. Energy conservation measures have been implemented in all our teaching centres and offices to reduce the use of electricity by raising the temperature for air-conditioning system from 23 to 26 degree Celsius. In addition, we have also set the target to reduce 10% of the use of water resources in terms of intensity over the five-year period from the year 2019/20. Although the water consumption for the Group's business is immaterial, we will continue to remind our staff members to use less water for cleaning purposes. In view of the positive progress made in the Reporting Period, our reductions are on the right track and our 5-year target should be achieved.

Since the Group is engaged in the service industry, the traceable packaging materials are mainly paper used in gifts. The Group continues to maintain a total elimination of all the use of plastic packaging materials in current year.

	Paper	Plastic
For the year ended 31 July 2022	0.061 tonne	Nil
For the year ended 31 July 2023	0.142 tonne	Nil

A3: THE ENVIRONMENT AND NATURAL RESOURCES

Our policy on environment protection centres around the principle of “Reduce, Reuse, and Recycle”. To achieve the desired results of minimising impacts on the environment and natural resources, we must begin with regular monitoring and communication which are critical to raising awareness and changing pre-existing mindsets and behaviour of our employees and stakeholders in this aspect. To prioritise our efforts, we targeted key areas (namely energy consumption, paper usage, and waste generation) where our initiatives could have the most impact on the environment and natural resources. As discussed above, we do not only educate our employees and share best practices in achieving efficient use of energy and paper resources, but also invest in and encourage the use of new technology and eco-friendly equipment that can minimise wastes and consumption of resources in our operation.

Our goal is more than simply complying with the relevant laws and regulations. We also aim to promote environment protection and efficient use of natural resources to our next generation by being a good role model in this subject matter.

A4: CLIMATE CHANGE

Climate change may impact our core business when teaching activities are disrupted due to adverse and extreme weather such as more frequent and intense rainfall, flooding and typhoons. Our policies on identification and mitigation of significant climate-related issues which may impact the Group include but not limited to, the adoption of online teaching and closely monitoring the weather in advance to execute contingency plans accordingly.

The physical risks of climate change are controllable because our operations are all situated in modern buildings which are resilient against extreme weather. The transition risks of climate change are manageable as our core business, education, is already a low-carbon business model.

Adverse and extreme weather brought by climate change may hinder the transportation and travelling of both our teachers, tutors and students coming to our teaching centres. As a result, classes may have to be cancelled and revenue loss may incur. Rescheduling and make-up classes may also result in additional administrative costs and loss of business. To minimise the impact of climate change, online teaching platforms and equipment are available and will be continuously enhanced to suit the needs of the teachers and the students. In view of all these measures, the impact on our revenue due to the risk of climate change was estimated to be less than 5% on average during the Reporting Period.

B: SOCIAL

Our reputable brands, people-oriented principle and high teaching quality are our key differentiators from our competitors in the private supplementary education services industry. We are committed to high standards of teaching, and believe that this commitment has contributed to the success of our business and the development of our brands.

Working together as a team, our teaching staff and non-teaching employees enable the Group to provide lessons and support, course planning and development, course material development and publication, course management as well as advertising, marketing and media promotion in order to serve our students and promote our brand. As at 31 July 2023, the Group had 189 full-time employees and maintained a pool of 86 part-time employees, helping to make our success happen.

Having a high-quality teaching team is a key factor to success in our industry. Our teaching professionals are the ones who deliver high-quality teaching to the students and represent our brand on the front line. Our teaching team was made up of 109 individuals, comprising tutors, 19 day-school teachers, 5 full-time and 55 part-time teaching assistants. They worked diligently and taught responsibly to serve a sizable group of students which made a total of approximately 132,000 session enrollments for our courses and services during the Reporting Period.

Apart from expressing gratitude to our entire staff, we are dedicated to being a good employer that cares for all of our employees. Furthermore, in return for the trust given to us by the students and their parents, we dedicate ourselves to providing high-quality teaching and education services to our customers so that they can have an enhanced learning experience.

B1: EMPLOYMENT

Our Directors believe that success in hiring, training and retaining experienced teaching staff and employees is critical to providing reliable and high-quality education services in our business.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

We strive to adopt a stringent recruitment process that allows us to engage and develop qualified teaching and non-teaching staff. Our selection criteria include relevant academic qualifications, personality, experience and skills. In addition, we perform background checks and use interviews and demonstration classes (for teaching staff) to determine an applicant's suitability prior to making recruitment decisions.

The Group has developed an Employee Handbook with reference to the Employment Ordinance (Cap. 57) in Hong Kong. It contains our human resources policy that covers various matters relating to wages and compensation, rest days and other types of leaves, termination of employment, recruitment and promotion, working hours, other benefits and welfare, etc. The Group offers 14-week maternity leave as required by statute in Hong Kong with effect from 11 December 2020.

We offer competitive remuneration and benefits, with reference to the market conditions, individual responsibilities, performance and qualifications. All of our tutors are engaged either under (full-time or part-time) employment contracts or service agreements, and they are typically remunerated on revenue sharing scheme so as to create a strong incentive for tutors to develop and deliver high-quality teaching services. The Group has also joined the Mandatory Provident Fund benefit scheme in accordance with the arrangements prescribed by the Mandatory Provident Fund Schemes Ordinance (Cap. 485). In addition, our employee benefits include medical benefits for eligible staff and 5-day full-pay paternity leaves, etc.

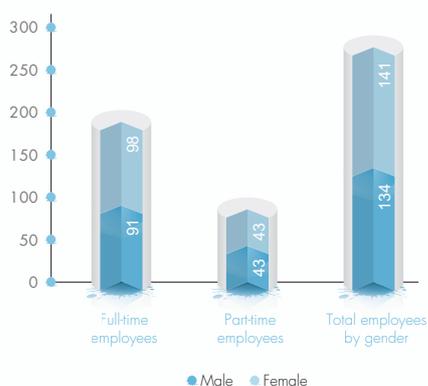
The Group is an equal opportunity employer, hiring people based on their abilities, aptitude and knowledge. We value workforce diversity and follow the government's Code of Practices on Employment under the Sex, Disability, Family Status, and Race Discrimination Ordinances (Caps. 480, 487, 527 and 602) in our recruitment process. Our Directors confirmed that the Group was in full compliance with the Employment Ordinance of Hong Kong during the Reporting Period. In particular, the Group's policy relating to compensation and dismissal of its employees adheres to the relevant provisions in the Employment Ordinance. In addition, to support the government's initiative for retaining employees due to COVID-19 pandemic, the Group has joined the Employment Support Scheme for both the first and second rounds.

Our Directors confirmed that (i) there were no major disputes and we generally maintained a good relationship with our employees; and (ii) we had not faced any material recruitment and retention difficulties in respect of our employees during the Reporting Period.

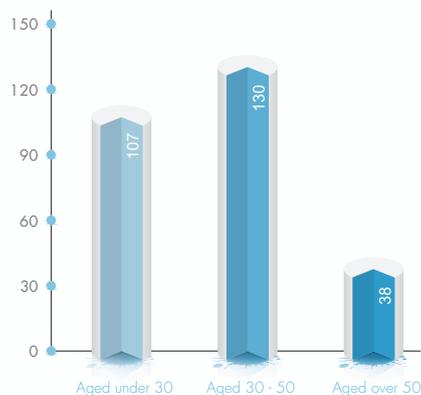
The number of employees and the turnover rate of each employee groups are set out as below:

Number of Employees

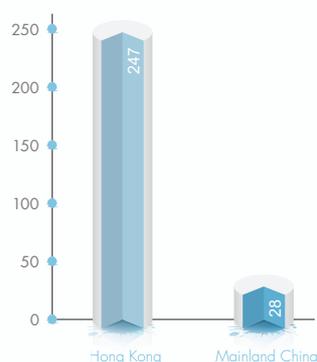
Number of full-time and part-time employees by gender during the Reporting Period
Total employees: 275



Number of employees by age group during the Reporting Period
Total employees: 275



Number of employees by geographic location during the Reporting Period
Total employees: 275



Employees Turnover Rate by Gender, Age and Geographic Location

Male		Female	
27%		32%	
Aged under 30	Aged 30 - 50	Aged over 50	
51%	19%	11%	
Hong Kong		Mainland China	
32%		11%	

Among the nine senior management members of the Group, one of them is female, accounting for 11.1% of the senior management team. The Group is striving for further gender diversity to obtain a more balanced view on the Group's strategic and tactical developments.

The turnover rate of employees has decreased and was back to a normal ratio when compared to the previous financial year, since the COVID-19 pandemic has improved, allowing business operation to return to normal.

B2: HEALTH AND SAFETY

It is our main responsibility to provide a safe working environment to protect our employees from occupational hazards, and to provide our students with a healthy and safe learning environment. All of our teaching centres are registered or provisionally registered as schools under the Education Ordinance. This means that our teaching facilities have complied with the fire safety requirements under the relevant regulations of the Fire Services Department. Besides, we properly put in place a number of security measures, including CCTV, authorised access, security alarms and fire equipment, etc. to keep our employees and students safe while working and learning in our facilities. Training sessions have been given to our employees on proper routines in keeping facilities safe and providing special arrangements for emergency situations. Guidelines have been established and communicated to our staff regarding workplace safety, including prevention of sexual harassment.

The Group is also committed to providing a healthy working environment for the employees. We regularly alert our employees to occupational health risks arising from prolonged use of display screen equipment, incorrect sitting posture, wrong lifting position and poor indoor air quality. Accumulation of occupational stress can adversely affect health, interpersonal relationships, work and other aspects in life. We therefore encourage having work-life balance among our employees, and find ways to help employees and teaching staff reduce work stress. In connection with this, we occasionally organised health talks and lunch or dinner gatherings for our employees as one of the measures to manage and monitor the occupational health of our employees and teaching staff.

There have never been any work-related fatalities since the Group's establishment and in each of the past 3 years including the year ended 31 July 2023. In the year ended 31 July 2023, there is no days' loss due to work injury.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

Due to COVID-19 pandemic and in order to reduce the risk of disease transmission in our teaching centres, the Group purchased and maintained enough anti-epidemic materials, such as masks and cleaning & disinfecting supplies in our teaching centres for our staff members and students. All the teaching centres are regularly disinfected and the Group has also implemented Work-From-Home (WFH) policy when necessary to lower the risk of infection. In addition, anti-epidemic guidelines and notification mechanism are all in place.

The Group has upgraded the equipment and provided additional training and safety guidelines to the maintenance and repair staff accordingly. The Group has also issued reminders and scheduled monthly inspection visits to ensure that fire exits are kept clear of obstacles in each of its teaching centres. The Directors confirmed that there was no material injury or accident at the Group's facilities and there was no violation of relevant laws and regulations during the Reporting Period.

B3: DEVELOPMENT AND TRAINING

Training and retaining quality staff are critical to the sustainability and success of our business. Part of our strategy is to offer good development and training opportunities to improve staff's knowledge and skills for discharging duties at work and to attract and retain good and qualified talents.

We provide specific training to new employees to familiarise them with our working environment and operational procedures. From time to time we seek to help our teaching assistants whom we believe possess the requisite qualities and attributes in advancing to become tutors. Our Directors believe that our platform and infrastructure offer our teaching assistants the opportunities to develop their teaching careers as tutors within our Group.

In order to maintain consistency in our teaching pedagogy, lead tutors, who have their own teaching team, sometimes pair up with teaching assistants that have accumulated enough experiences and exposure to provide courses together. Team resources such as teaching material and promotion will be shared so that the less experienced tutors can also benefit from the lead tutors.

For the top tutors of great potential, the Group provides support to them in their professional growth and development through personal brand development, cooperation with internationally recognised brands and professional training.

In the Reporting Period, the Group did not provide official training to the employees due to the 5th wave of the outbreak of COVID-19 pandemic and limited resources. However, our on-the-job training, coaching and mentorship has not stopped at individual and departmental levels from time to time. Certain official trainings are planned to launch in the coming year.

B4: LABOUR STANDARDS

Our recruitment guidelines follow the labour standards and requirements under the relevant laws and regulations in Hong Kong, including without limitation the Employment Ordinance (Cap. 57). The Group prohibits the use of child labour and forced labour by strictly adhering to the recruitment policy in our human resources function. We also conducted surprise inspection on the compliance and execution of this policy. All of our tutors providing private supplementary secondary school education services and day school teachers must be eligible to teach under the Education Ordinance and/or Exemption Order.

As part of the recruitment protocol, our Human Resources Department reviews personal data, identity documents, and credential certificates of job applicants for reference and verification. At least two rounds of interviews are usually conducted with the applicants for the teaching positions to ensure that they meet the suitability, eligibility, and legal requirements for the job vacancies, including without limitation to avoiding child or forced labour.

Our Directors confirmed that the Group has complied with the laws and regulations in Hong Kong with regard to the prevention of child and forced labour throughout the Reporting Period. The Group constantly takes actions to ensure that we do not use any form of child labour or forced labour in its operations. For example, we would check the original identity documents of candidates during the recruitment process and provide compensatory leave to eligible employees who agree to work overtime on weekdays and rest days. In any event, if we discovered any violation of labour standards and requirements, we will immediately take remedial and/or compensation measures in accordance with the relevant laws and regulations.

B5: SUPPLY CHAIN MANAGEMENT

During the normal course of our business operation, we procure office supplies and equipment for our teaching centres and the head office. To manage environmental and social risks of the supply chain, we make sure that our procurements are fair and transparent and avoid engaging suppliers of questionable reputation and product quality. Our office and teaching equipment are primarily purchased from manufacturers with brands known for good performance, reliability, durability and energy efficiency. We promote environmentally preferable products and services when selecting suppliers. The products are monitored and measured against the manufacturer's promise and our expectation in these dimensions for replacement purchases in the future. We believe this practice of procurement, though not formalised as a policy, will help minimise the impact on the environment by saving energy and reducing wastes for disposal. The ESG Committee reviews the Group's relationship with our key tutors and teaching staff from time to time and adopts necessary measures to secure the continuity of the supply contracts by adjusting the terms agreeable to both parties.

We also purchase licences for using the copyrights of other organisations in preparing the study and teaching materials. We regularly train our teaching staff on copyright policy and communicate the ethical expectations on practitioners in the education industry and our Group's corporate culture. Furthermore, we try our best to make our procurement with minimal harm to the environment by selecting sustainable products and services with green labels or certification. The table below shows our major suppliers' geographical locations:

	Hong Kong	Mainland China	North America	Others
Number of suppliers	62 (2022: 76)	1 (2022: 2)	3 (2022: 4)	0 (2022: 0)
Total number of major suppliers	66 (2022: 82)			

B6: PRODUCT RESPONSIBILITY

We are committed to high standards of teaching, and believe that this commitment has contributed to the success of our business and the development of our brands. As the quality assurance procedures, our Group has adopted the following measures to maintain the teaching standards and quality of our teaching team:

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

The Group has complied with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided by the Group throughout the Reporting Period.

In order to observe and protect intellectual property rights, we have set up the Publication Censorship Committee to review and scrutinise the course materials and study notes to ensure that they are up-to-date, accurate, relevant and free from copyright infringement risks.

To increase our student satisfaction and enhance their learning experience, we have been upgrading the IT infrastructure, teaching facilities and equipment in our centres (e.g. our upgraded student portal and IT infrastructure support more course delivery modes such as live broadcasts, videos and joint broadcast classes to cope with the increasing demand for non-face-to-face classes), especially during the face-to-face class suspension period in light of the COVID-19 pandemic situation. We have also implemented complaint handling procedures to address customers' complaints in respect of issues relating to our services and operations. The Group has no customers' complaints during the Reporting Period. Whilst the business of the Group predominantly involves the provision of services, no products sold are subject to recalls for safety and health reasons. The policy of the Group in relation to supply chain management as disclosed in the section above shall apply to ensure the quality and safety of any products or materials provided/sold by the Group and the health of their recipients. Since our Group principally engages in the provision of education services, recall procedures are not relevant to our core business. There were no recalls concerning the provision of products and services in relation to safety and health reasons during the Reporting Period.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

In addition, the Group recognises the importance of keeping personal data of the students in strict confidence, and thus has engaged an independent internet security service provider to assist in ensuring that the personal information and data be managed with strict care and preventing any unauthorised access and careless leakage of such personal data. Our independent internet security service provider has experienced security personnel working at its security operations centres to monitor and analyse the data network information regularly for daily information security management. In addition, virus scanning and internet protection software were also installed on servers and individual staff's computer.

The Group strives to provide clear information and avoid exaggeration or false claim about its services to students. As a control procedure, the contents of our advertisements were reviewed and approved by our senior management or Directors before distribution or publication.

We are not aware of any breach or violation under the laws and regulations related to consumer data protection, including without limitation the Supply of Services (Implied Terms) Ordinance (Cap. 457) in Hong Kong. Our Directors also confirmed that the Group was in full compliance with the Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong during the Reporting Period.

B7: ANTI-CORRUPTION

Integrity is an important part of education to develop and shape an individual's character. We strive to be a good role model to our next generation and hold ourselves to high standards of ethics in our business and personal life. The Group adopts a zero-tolerance policy against improper behaviours or acts, including but not limited to bribery, corruption, collusion, extortion, frauds and money laundering.

The Employee Handbook has been developed and updated to reflect the spirits and provisions of the Prevention of Bribery Ordinance (Cap. 201) ("POBO") in Hong Kong. Our Directors and employees are also regularly informed of the Group's expectations and guidelines on professional and ethical conducts during the normal course of business as part of their anti-corruption training. Restrictions and internal procedures for reporting and approval are clearly specified regarding the offer and receipt of gifts, entertainment, travel and training to our employees and teaching staff.

We have also put in place internal controls and policies to prevent the occurrence of fraud, theft, bribery, corruption and other misconducts involving employees, customers and other third parties including implementing the Group's Anti-Corruption Policy, which will be reviewed periodically by the Audit Committee and approved by the Board. In the event that employees come across any questionable behaviours, they are encouraged to report to the Group's Audit Committee for further investigation.

As a Hong Kong-listed company, the Group complies with the Corporate Governance Code issued by the Stock Exchange, which requires the audit committee of a listed company to review internal reporting procedures such that its employees are able to raise concerns about possible or actual improprieties in financial reporting, internal control or other matters. The Group has implemented its Whistleblowing Policy, which shall be reviewed periodically by the Audit Committee and approved by the Board, with proper mechanisms in place for fair and independent investigation of these matters, as well as for appropriate follow-up action.

The Group has complied with the POBO together with all other applicable laws relating to bribery, extortion, fraud and money laundering throughout the Reporting Period. To the best knowledge of the Directors, the Group or its employees did not encounter any incidents nor legal cases regarding corrupt practices during the Reporting Period. The Directors are of the view that the Group has proper and adequate internal controls and policies in place. In the Reporting Period, all the Directors were provided with the training information in relation to anti-corruption in listed companies obtained from ICAC, and they were required to sign off upon completion of the study.

B8: COMMUNITY INVESTMENT

We not only dedicate ourselves to providing private education services of highest quality, but also carry a social mission of cultivating and advocating the idea of giving back to society among the young generation. It is our desire to create a caring and giving culture in our business operation. The Group had worked with Plan International Hong Kong to set up a child safeguarding policy to build in our organisation culture, value and environment which is safe for children in respect of any interaction with our employees. Despite the absence of specific company policies in this aspect, the Group actively gives back to the community and strongly encourages our staff and students to do the same, so as to understand and respond to the needs and interests of society.

- *Charity and community services*

The Group makes genuine efforts to support charitable organisations and raise awareness among students and staff to poor minorities and those in critical needs. While the Group continues to participate and sponsor different charity events, our staff have also volunteered to form community services teams for different good causes. Our Chairman, Ms. Leung Ho Ki, June, also serves as the chairperson of the board of Plan International Hong Kong to support the campaigns and activities organised by this international charitable organisation.

During the Reporting Period, we raised funds for Uplift Educational Charity Foundation Limited by setting up donation boxes at our teaching centres. We also continued to support (i) The Hong Kong Federation of Youth Groups through providing online video sharing of HKDSE examination strategies; (ii) Yan Chai Hospital Group in delivering education seminars in its affiliate secondary schools; and (iii) Orbis as a media sponsor in its Orbis Student Ambassador Campaigns. Other community services partners included Red Cross (Blood Donation Drive) and Hong Kong Ladies Dynamic Association (Community Care).

- *Financial assistance to facilitate knowledge sharing*

As an educator in society, we believe that knowledge changes fate. Our teaching teams have volunteered to work with “Principal Chan Free Tutorial World” since 2013 by providing free workshops and educational services to students of high academic aspirations but lacking financial means. During the Reporting Period, we continued with our sponsorship in providing free Beacon teaching materials to “Principal Chan Free Tutorial World”. We also launched a “Burning Passion Tutoring Scheme” during May 2022 to August 2022, and engaged over 20 youngsters to provide free tutoring services to the members of “Principal Chan Free Tutorial World”. Our objective is to set good examples to empower all teaching professionals and our next generation to contribute to the community through voluntary knowledge sharing.

In addition, the Group has established the “Beacon Uprising Fund” (“遵理義舉”) since 2012 to provide financial assistance to low-income families or families under the Comprehensive Social Security Assistance so that their children can enroll in our tutorial classes. Thousands of students have benefited from this financial assistance scheme since its launch. Our goal is to equip students in financial need with knowledge and learning opportunities so that they can achieve their dreams in the future. In addition, Beacon College together with the Uplift Educational Charity Foundation Limited offered the “Uplift Scholarship Programme” (“向上游獎勵計劃”) to students who have strived for success despite facing challenges and difficult circumstances during the Reporting Period.

- *Scholarships to develop academic talents*

The Group also established merit-based scholarships to students studying Chinese and Chinese Literature at The Chinese University of Hong Kong who have demonstrated outstanding academic performance and all-round personal development. These scholarships are intended to help students to pursue their academic goals and explore new horizons.

Through our extensive community networks, we have established a close partnership with organisations in different welfare sectors. During the Reporting Period, our contribution to society earned us the “15 Year Plus Caring Company Logo” awarded by the Hong Kong Council of Social Services in recognition of our efforts in actively shouldering social responsibility.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

AWARDS IN 2022-23

Awards received:

Year		Award	Awarding Organization
2023	Beacon College	Hong Kong Top Brand Mark Scheme	Hong Kong Top Brand Mark scheme
2023	Beacon College	Partner Employer Award	The Hong Kong General Chamber of Small and Medium Business
2023	Beacon College	Caring Company 15+	Hong Kong Council of Social Service
2022	Beacon College	The Most Outstanding Brand in Asia Award	International Brand Festival Asia
2022	Beacon College	Social Capital Builder Awards 2022	Community Investment & Inclusion Fund and Home and Youth Affairs Bureau
2022	Beacon College	Smiling Enterprise 5+ year Award	Mystery Shopper Service Association
2022	Beacon College	Smiling Employer 5+ year Award	Mystery Shopper Service Association
2022	Beacon College	Happiness-at-work 2023	Promoting Happiness Index Foundation
2022	Beacon College	Hong Kong Top Service Brands	Hong Kong Brand Development Council

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of BExcellent Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of BExcellent Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 57 to 108, comprise:

- the consolidated statement of financial position as at 31 July 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matters identified in our audit is as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Carrying values of property, plant and equipment, right-of-use assets and intangible assets relating to its core business</p> <p><i>Refer to notes 2.5, 2.7(b), 2.7(c), 2.8, 2.23 and 4(f) to the consolidated financial statements</i></p> <p>The core business of the Group is the provision of private supplementary secondary school education services and the operation of private secondary day schools in Hong Kong.</p> <p>As at 31 July 2023, the Group had property, plant and equipment, right-of-use assets and intangible assets relating to its core business with carrying values totalling HK\$4,375,000, HK\$16,805,000 and HK\$4,033,000 respectively (collectively the "Core Business Non-financial Assets").</p> <p>The post-pandemic learning momentum among students had not yet improved noticeably and the Group incurred loss for the year ended 31 July 2023. Accordingly, management considered that there were indicators of potential impairment of the Core Business Non-Financial Assets and performs an impairment assessment of the Core Business Non-financial Assets.</p> <p>In carrying out the impairment assessment, management considered its core business as one cash generating unit ("CGU"). Judgements and estimates were involved in determining the recoverable amount of the CGU, which was based on value-in-use calculation. The value-in-use calculation took into consideration the cash flow projection of the CGU based on financial budget approved by management and a number of estimates and assumptions made by management, including revenue growth rates and terminal growth rate used in the cash flow projection and the discount rate applied to bring the future cash flows back to their present values.</p> <p>Based on the impairment assessments carried out by management, there was no provision for impairment of the Core Business Non-Financial Assets for the year ended 31 July 2023.</p> <p>We focused on this area because of the financial significance of the balances, subjectivity of judgements and estimation uncertainty involved.</p>	<p>Our audit procedures in relation to management's assessment of the carrying values of the Core Business Non-Financial Assets included:</p> <ul style="list-style-type: none"> We understood and reviewed management's impairment assessment process, including the identification of indicators of impairment, determination of CGU and appropriateness of the value-in-use calculation models used, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the subjectivity of judgement involved in determining assumptions to be applied. We tested the mathematical accuracy of the value-in-use calculation and agreed input data used by management to supporting evidence such as actual results and financial budget approved by management. We compared the current year actual results with the prior year's financial forecasts to assess the reasonableness of management financial budgets. We involved our internal valuation experts to assess the reasonableness of the discount rate by benchmarking to other comparable companies in the same industry. We assessed the reasonableness of key estimates and assumptions applied in the financial budget including revenue growth rates and terminal growth rate applied by management by comparing them with historic results and latest economic and industry forecasts. We performed sensitivity analyses by making adjustments to the key assumptions in management's impairment assessment and considering whether any reasonably possible adjustments, in isolation or as a combination, would result in material change in recoverable amounts. <p>Based on our procedures, we considered that the risk assessment of the recoverable amount of the Core Business Non-Financial Assets remained appropriate, and the judgements, estimates and assumptions made by management in determining the recoverable amount of Core Business Non-Financial Assets are supportable by the available evidence.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Chui Man.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 October 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	5	131,162	141,829
Other income	6	11,050	15,011
Other gains/(losses) - net	6	3,490	(1,102)
Staff costs	7	(67,167)	(70,047)
Tutor service fees		(26,168)	(33,012)
Short-term lease, variable lease and low-value lease payments		(12,256)	(11,012)
Advertising and promotion expenses		(5,666)	(4,288)
Printing and other operating expenses		(44,997)	(38,320)
Depreciation and amortisation expenses	15, 16, 18	(16,330)	(22,890)
Reversal of impairment loss on financial assets	3.1(b)	245	460
Operating loss		(26,637)	(23,371)
Finance costs	10	(2,670)	(1,224)
Share of profits of associates		2,535	270
Loss before taxation	11	(26,772)	(24,325)
Taxation	12	(169)	(1,886)
Loss for the year		(26,941)	(26,211)
Other comprehensive loss			
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of equity investment at fair value through other comprehensive income	21	(128)	(91)
Other comprehensive loss for the year		(128)	(91)
Total comprehensive loss for the year		(27,069)	(26,302)
Loss attributable to			
– Owners of the Company		(27,844)	(25,506)
– Non-controlling interests		903	(705)
		(26,941)	(26,211)
Total comprehensive loss for the year attributable to			
– Owners of the Company		(27,972)	(25,597)
– Non-controlling interests		903	(705)
		(27,069)	(26,302)
Loss per share for loss attributable to the owners of the Company (expressed in HK cent per share):			
Basic loss per share	13(a)	(5.53)	(5.10)
Diluted loss per share	13(b)	(5.53)	(5.10)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15	9,022	10,787
Right-of-use assets	16	30,866	33,205
Investment property	17	18,000	19,100
Intangible assets	18	8,240	4,732
Interest in associates	20	5,104	271
Financial asset at fair value through other comprehensive income	21	66	194
Deferred income tax assets	23	4,594	4,660
Financial assets at fair value through profit or loss	22	335	—
Deposits and prepayments	25	2,068	2,064
		78,295	75,013
Current assets			
Accounts receivables	24	2,626	2,499
Deposits, prepayments and other receivables	25	16,403	20,255
Income tax recoverable		1	22
Financial assets at fair value through profit or loss	22	17,092	—
Cash and cash equivalents	26	75,283	103,888
		111,405	126,664
Total assets		189,700	201,677
Equity			
Share capital	32	124,135	120,956
Other reserves	34	6,575	9,054
Accumulated losses	33	(53,637)	(28,078)
Equity attributable to owners of the Company		77,073	101,932
Non-controlling interests	35	1,424	(1,605)
Total equity		78,497	100,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Liabilities			
Current liabilities			
Other payables	28	14,189	16,982
Contract liabilities	27	12,896	7,285
Current income tax payable		193	140
Borrowings	30	63,565	55,074
Lease liabilities	16	10,043	8,758
		100,886	88,239
Non-current liabilities			
Other non-current liabilities	29	941	585
Deferred income tax liabilities	23	16	11
Lease liabilities	16	9,360	12,515
		10,317	13,111
Total liabilities		111,203	101,350
Total equity and liabilities		189,700	201,677

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

The consolidated financial statements on pages 57 to 108 were approved by the Board of Directors on 27 October 2023 and were signed on its behalf.

Mr. Tam Wai Lung
Director

Ms. Leung Ho Ki, June
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2023

	Attributable to owners of the Company						
	Note	Share capital and share premium HK\$'000	Other Reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 August 2021		120,956	16,676	(10,737)	126,895	(901)	125,994
Loss for the year		—	—	(25,506)	(25,506)	(705)	(26,211)
Other comprehensive loss for the year							
Change in the fair value of equity investment at fair value through other comprehensive income		—	(91)	—	(91)	—	(91)
Total comprehensive loss for the year		—	(91)	(25,506)	(25,597)	(705)	(26,302)
Transactions with owners in their capacity as owners							
Share-based compensation	9	—	634	—	634	—	634
Release of share-based compensation reserve upon lapse of share options		—	(8,165)	8,165	—	—	—
Acquisition of a subsidiary		—	—	—	—	1	1
Total transactions with owners in their capacity as owners		—	(7,531)	8,165	634	1	635
Balance at 31 July 2022		120,956	9,054	(28,078)	101,932	(1,605)	100,327
Balance at 1 August 2022		120,956	9,054	(28,078)	101,932	(1,605)	100,327
Loss for the year		—	—	(27,844)	(27,844)	903	(26,941)
Other comprehensive loss for the year							
Exchange difference arising on translation of financial statements		—	506	—	506	—	506
Change in the fair value of equity investment at fair value through other comprehensive income		—	(128)	—	(128)	—	(128)
Total comprehensive loss for the year		—	378	(27,844)	(27,466)	903	(26,563)
Transactions with owners in their capacity as owners							
Issuance of shares		3,179	—	—	3,179	—	3,179
Release of share-based compensation reserve upon lapse of share options		—	(2,857)	2,857	—	—	—
Transaction with non-controlling interests	19	—	—	(572)	(572)	562	(10)
Business combination	37	—	—	—	—	1,562	1,562
Disposal of subsidiaries		—	—	—	—	2	2
Total transactions with owners in their capacity as owner		3,179	(2,857)	2,285	2,607	2,126	4,733
Balance at 31 July 2023		124,135	6,575	(53,637)	77,073	1,424	78,497

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Cash used in operations	36(a)	(8,791)	(7,916)
Income tax (paid)/refund		(24)	960
Net cash used in operating activities		(8,815)	(6,956)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,549)	(2,368)
Payments for acquisition of subsidiaries, net of cash acquired	37	(3,417)	—
Dividends received from an associate		200	—
Purchase of intangible assets		(675)	(547)
Sales proceeds from disposal of property, plant and equipment		—	15
Payments for investment in associates		(1,050)	(1)
Interest received		1,440	175
Proceeds from disposal of financial assets at fair value through profit or loss		9,259	—
Purchase of financial assets at fair value through profit or loss		(21,263)	—
Dividend income from financial assets at fair value through profit or loss		213	—
Cash outflow from disposal of subsidiaries		(504)	—
Net cash used in investing activities		(17,346)	(2,726)
Cash flows from financing activities			
Principal elements of lease payment	36(b)	(11,456)	(13,570)
Interest elements of lease payment	36(b)	(861)	(849)
Proceeds from borrowings	36(b)	9,000	48,000
Repayment of borrowings	36(b)	(509)	(511)
Interest paid	36(b)	(1,809)	(375)
Proceeds from capital injection		3,188	—
Payments to acquire non-controlling interests	19	(10)	—
Net cash (used in)/generated from financing activities		(2,457)	32,695
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		103,888	81,148
Exchange differences on cash and cash equivalents		13	(273)
Cash and cash equivalents at end of the year	26	75,283	103,888

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 August 2022, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

New standard and amendments published by the HKICPA that are not yet effective and have not been early adopted by the Group are as follows:

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

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

Certain new standards and amendments, which are effective after 31 July 2023, have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant effect on the Group's consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- investment property (see note 17); and
- financial assets at fair value through other comprehensive income ("FVOCI") (see note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2.2 Consolidation

(i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (note 2.2(v)).

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2.2 (iii)), after initially being recognised at cost.

(iii) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(iv) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(vi) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar which is the functional and the presentation currency of the Group's entities.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other losses'.

Translation differences on non-monetary financial assets and liabilities such as assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Property	Lease terms
Furniture and fixtures	5 years
Office and laboratory equipment	5 years
Leasehold improvements	Shorter of remaining period of the lease or useful life
Motor vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

2.6 Investment properties

Investment properties are land and buildings which are held for long-term rental yields and/or for capital appreciation, and which are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other gains/(losses).

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.2(v). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 2.8).

Amortisation of intangible assets with finite useful life is charged to profit or loss on a straight-line method over the estimated useful life of 5 to 10 years from the point at which the asset is ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(c) Other intangible assets

Other intangible assets that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2.8). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred. Amortisation of intangible assets with finite useful lives is charged to the consolidated income statement on a straight-line basis over their estimated useful lives. The following intangible asset with finite useful lives is amortised from the date it is available for use and its estimated useful lives is as follows:

Licence	5 years
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The asset's useful lives and its amortisation methods is reviewed annually.

2.8 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, which are not subject to depreciation or amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Investments and other financial assets

(a) Classification

The Group's management assessed the Group's business models of management, and the contractual cash flow characteristics, of each of the Group's financial instruments, and classified them into the following measurement categories under HKFRS 9 (2014):

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownerships.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (continued)

(d) Subsequent measurement

Subsequent measurement of debt instruments measured at amortised cost as below:

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, less loss allowance for expected credit losses (note 2.9(e)). Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- Liabilities are measured at amortised cost using the effective interest method.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group measures the loss allowance of ECL for a financial asset at an amount equal to lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. ECL is the weighted average credit losses with the probability of default as the weight. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessments are performed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime ECL to be recognised from initial recognition of the receivables, see note 24 for further details.

For other financial assets at amortised cost, the loss allowance of ECL for these financial assets will be determined based on whether their credit risk are low at each reporting date, and, if so, by recognising a loss allowance of 12-month ECL. If the financial asset is not subsequently of a low credit risk, the corresponding provision for doubtful debts will be recognised as equal to lifetime ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (continued)

(e) Impairment of financial assets (continued)

(i) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtors.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group categorises a loan or receivable for write off when the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future assets and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Accounts and other receivables

Accounts receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds accounts and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

See notes 24 and 25 for further information about the Group's accounting for accounts and other receivables and note 2.9(e) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and demand deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the places where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities. Revenue is recognised when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

The Group recognised revenues on the following bases:

(a) *Private supplementary secondary school education services*

The Group provides private supplementary secondary school education services for students from Secondary 1 to Secondary 6. Revenue is recognised over contract period in which the courses are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. A contract liability is recognised for tuition fee received while tuition services are not yet provided at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (continued)

(b) Private secondary day school services

The Group operates private secondary day schools. Revenue is recognised over contract period in which the courses are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. A contract liability is recognised for tuition fee received while tuition services are not yet provided at the end of the reporting period.

(c) Ancillary education services and products

The Group offers various ancillary education services and products. Revenue is recognised in which the related services and products are rendered or sold.

2.19 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.20 Tutor service fees

Tutor service fees are calculated based on certain percentage of revenue from education services, net of certain variable expenses attributable to such tutor.

The tutor service fees are recognised as expense as incurred.

2.21 Employee benefits

The Group operates a single defined contribution pension plan as post-employment scheme.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been made, and the contributions are fully and immediately vested in the employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

There are no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contributions made by the Group. Hence, there is no forfeited contributions used by the Group to reduce the existing level of contributions, pursuant to paragraph 26(2) of Appendix 16 of the Listing Rules.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's employees after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based compensation expenses

The Group operates share option schemes (the "Scheme") under which the Group receives services from its directors, employees and tutors in exchange of equity instruments (options) of the Group to acquire the shares of the Company at specified exercise prices. The fair value of the services received in exchange for the grant of the options to acquire the shares of the Company is recognised as an expense in profit or loss with a corresponding increase in share-based compensation reserve under equity. The total amount to be expensed is determined by reference to the fair value of the options.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to be paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made/accrued at or before the commencement date less any lease incentives received; and
- any initial direct costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise small items of office equipment.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease period, management considers all facts and circumstances that create an economic incentive to decide on whether to exercise an extension option (or not to exercise a termination option). Extension options (or periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended (or not terminated).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.24 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.26 Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (1) A person or a close member of that person's family is related to the company if that person:
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (2) An entity is related to the company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (1).
 - (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised as other income in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under direction by the Boards of Directors. The directors and management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. However, the Group's operations are mainly in Hong Kong. Foreign currency transactions and monetary assets and liabilities that are denominated in a currency that is not the functional currency of the entities within the Group are insignificant to the Group.

(ii) Interest rate risk

Other than bank balances, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from borrowings. Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

At 31 July 2023, if interest rate had been 50 basis points higher/lower with all other variables held constant, the Group's loss for the year would have been approximately HK\$59,000 (2022: approximately HK\$244,000) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point (2022: 50 basis point) increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the end of next annual reporting period.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of deposits with banks, accounts receivables and deposits and other receivables.

Deposits with banks are mainly placed with high-credit-quality financial institutions. Management considers that the credit risk associated with the deposits with banks and financial institution is low.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivables are disclosed in note 24.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Deposits were mainly rental deposit, utilities and management deposits. For these deposits, the credit quality of these deposits has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Therefore, ECL rate of these deposits is assessed to be minimal.

The Group measures the ECL of other receivables based on assumptions about risk of default and expected loss rates, and those receivables are assessed individually for ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past repayment history, the current market conditions, the valuation of the pledged collaterals, if any, as well as forward looking estimates at the end of each reporting period.

The movement of loss allowances for other receivables are as follows:

	HK\$'000
At 1 August 2021	2,479
Reversal of allowance for impairment	(460)
At 31 July 2022 and 1 August 2022	2,019
Reversal of allowance for impairment	(245)
At 31 July 2023	1,774

Reversal of impairment loss on financial assets recognised in profit or loss.

During the year, the following reversal of losses were recognised in profit or loss in relation to impaired financial assets:

	2023 HK\$'000	2022 HK\$'000
Reversal of previous impairment loss (note 25)	(245)	(460)
Reversal of impairment loss on financial assets	(245)	(460)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient working capital. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate working capital is available for operating, investing and financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year/on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but within 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
At 31 July 2022					
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	14,783	—	—	—	14,783
Borrowings	55,083	—	—	—	55,083
Lease liabilities	9,442	7,784	5,214	—	22,440
At 31 July 2023					
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	12,118	—	—	—	12,118
Borrowings	65,630	—	—	—	65,630
Lease liabilities	11,585	7,520	1,219	—	20,324

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to enhance returns for shareholders and benefits for other stakeholders.

With regard to maintenance and enhancement of capital structure, the Group considers relevant economic and market conditions and takes necessary measures for the beneficial interest of the Group and its shareholders.

The Group monitors capital on the basis of the Group total debt to equity ratio. The Group aims to maintain a manageable total debt to total equity ratio. Total debt is calculated as borrowing and lease liabilities. At 31 July 2023, the total debt-to-total equity ratio is 105.7% (At 31 July 2022, the total debt-to-total equity ratio is 76.1%).

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 July 2023 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that is measured at fair value as at 31 July 2023 and 2022.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As of 31 July 2022				
Financial asset at fair value through other comprehensive income (note 21)	—	—	194	194
	—	—	194	194
As of 31 July 2023				
Financial assets at fair value through profit or loss (note 22)	17,092	—	335	17,427
Financial asset at fair value through other comprehensive income (note 21)	—	—	66	66
	17,092	—	401	17,493

The following table presents the changes in level 3 items for the years ended 31 July 2023 and 2022:

	FVOCI HK\$'000
Balance as at 1 August 2021	285
Change in fair value recognised in other comprehensive income	(91)
Balance as at 31 July 2022 and 1 August 2022	194
Change in fair value recognised in other comprehensive income	(128)
Balance as at 31 July 2023	66

There were also no transfers between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of other receivables

The loss allowance for other receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past repayment history and outstanding contract period of the individual tutors, the current market conditions, the valuation of the pledged collaterals, if any, as well as forward looking estimates at the end of each reporting period. Management reassesses other receivables regularly and provision could change significantly as a result of changes in the financial position and payment status of the counterparties and in response to the local economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Assessment of goodwill impairment

The Group tests annually whether goodwill have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 2.7(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions were disclosed in note 18.

(c) Recognition of share-based compensation expenses

The Group has used the Black Scholes Model and Binomial Model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimates on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility, dividend yield, exercise multiple and post-vesting exit rate, are required to be made by the Group in applying the models.

(d) Income taxes

The Group is principally subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made. While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and business plan. In the event that the Group's estimates of projected future taxable income and benefits from available business plan are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

(e) Estimated useful lives of property, plant and equipment and intangible assets (other than goodwill)

Management determines the estimated lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). Management will revise the depreciation and amortisation charges where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(f) Impairment of non-financial assets relating to its core business

The Group conducts impairment reviews of non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. As at 31 July 2023, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use cash flow projections based on the financial budget approved by management covering a five-year period and future forecast respectively. Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using revenue growth rate of 33.9% in 2024, 10.8% in 2025, 3.9% in 2026, 1.4% in 2027 and 1.2% in 2028, and terminal growth rate of 2.5%. Future cash flows are discounted at a pre-tax rate of 17% (equivalent to a post-tax rate of 15%). Based on the impairment assessment carried out by management, there is no provision for impairment of property, plant and equipment, right-of-use assets and intangible assets relating to its core business. Management believes that any reasonably possible changes in the assumptions used in the impairment reviews would not give rise to any impairment as at 31 July 2023.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Estimation of fair value of investment property

The fair value of investment property as at 31 July 2023 is determined by an independent professionally qualified valuer based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuer has applied the direct comparison method. The fair value derived from direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties. The carrying amount of investment property at 31 July 2023 was HK\$18,000,000 (note 17).

5 REVENUE AND SEGMENT INFORMATION

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

The CODM consider the business by nature of business activities and assess the performance of private supplementary secondary school education services, private secondary day school services and ancillary education services and products. Ancillary education services and products mainly represent (i) IELTS and foreign language courses under our "Beacon BExcellent" brand; (ii) mock examination services; (iii) education services to schools and institutions in Hong Kong and mainland China under our "Diverse Learning Club" (多元學習坊), "1% Group Education" (壹伙教育) and "Hong Kong Beacon International Education" (香港遵理國際教育) brands respectively; (iv) VIP self-study services; (v) tutorial and consultation services, interview preparation, language and supplementary primary school education under our childhood education brands, educational services under our "Ascent Prep" brand, BTEC Level 3 Certificate in Enterprise and Entrepreneurship and language courses under "Beacon CAPE" brand, products including but not limited to online course scheduling and management services, as well we online retail and education business under our "Beacon Living" and "CourseZ" brands respectively. The CODM consider that the Group operates and is managed as a single operating segment.

In the following table, revenue recognised during the year is disaggregated by major products/service lines and timing of revenue recognition.

	2023 HK\$'000	2022 HK\$'000
Major products/service lines		
Private supplementary secondary school education services	87,008	113,942
Private secondary day school services	11,570	8,784
Ancillary education services and products	32,584	19,103
	131,162	141,829
	2023 HK\$'000	2022 HK\$'000
Timing of revenue recognition:		
Over time	124,812	133,508
At a point in time	6,350	8,321
	131,162	141,829

Majority of the Group's revenue from external customers and assets were generated from and located in Hong Kong. All unsatisfied contracts of the Group are related to education service contracts and those contracts are for periods of one year or less. Revenue recognised during the year that was included in contract liabilities at the beginning of the year amounts to HK\$7,285,000 (2022: HK\$15,352,000). As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2023 HK\$'000	2022 HK\$'000
Other income		
Government subsidies	241	10,700
IT service income (<i>Note (i)</i>)	6,140	2,917
Interest income	1,440	176
Advertising income	1,637	63
Rental income from investment property	680	574
Sundry income	912	581
	<u>11,050</u>	<u>15,011</u>
Other gains/(losses) - net		
Decrease in fair value of investment property (<i>note 17</i>)	(1,100)	(300)
Loss on disposal of property, plant and equipment	—	(528)
Fair value gain on financial assets at fair value through profit or loss	3,583	—
Gain on disposal of financial assets at fair value through profit or loss	1,506	—
Exchange differences - net	(499)	(274)
	<u>3,490</u>	<u>(1,102)</u>

Note:

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

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

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and bonus	64,157	66,241
Share-based compensation expenses (<i>note 9</i>)	—	634
Pension costs - defined contribution retirement plans (<i>Note (a)</i>)	3,010	3,172
	<u>67,167</u>	<u>70,047</u>

Notes:

(a) Pension costs - defined contribution retirement plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Five highest paid individuals

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

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

The five individuals whose emoluments were the highest in the Group included 4 directors (2022: 4 directors) for the year ended 31 July 2023, whose emoluments are reflected in the analysis presented in note 8(a). The emoluments of the remaining individual fell within the following band:

	2023 HK\$'000	2022 HK\$'000
HK\$1,500,001 - HK\$2,000,000	1	1
	1	1

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

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 July 2023 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emolument HK\$'000	Non-cash benefit (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>								
Mr. Tam Wai Lung	—	1,344	—	1,892	18	—	—	3,254
Mr. Chan Tsz Ying, Wister	—	1,200	—	—	18	—	—	1,218
Ms. Leung Ho Ki, June	—	1,680	—	—	18	—	—	1,698
Mr. Li Man Wai	—	960	—	—	18	—	—	978
<i>Independent non-executive directors</i>								
Prof. Wong Roderick Sue Cheun	—	180	—	—	—	—	—	180
Mr. Kwan Chi Hong	—	180	—	—	—	—	—	180
Mr. Li Kai Sing	—	180	—	—	—	—	—	180
	—	5,724	—	1,892	72	—	—	7,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 July 2022 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (i)) HK\$'000	Other benefit (Note (ii)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Other emolument HK\$'000	Non-cash benefit (Note (iii)) HK\$'000	Total HK\$'000
<i>Executive directors</i>								
Mr. Tam Wai Lung	—	1,322	56	1,894	18	—	13	3,303
Mr. Chan Tsz Ying, Wister	—	1,180	50	—	18	—	8	1,256
Ms. Leung Ho Ki, June	—	1,652	70	—	18	—	4	1,744
Mr. Li Man Wai	—	944	40	—	18	—	4	1,006
<i>Independent non-executive directors</i>								
Prof. Wong Roderick Sue Cheun	—	180	—	—	—	—	—	180
Mr. Kwan Chi Hong	—	180	—	—	—	—	—	180
Mr. Li Kai Sing	—	180	—	—	—	—	—	180
	—	5,638	216	1,894	72	—	29	7,849

Notes:

- (i) Discretionary bonuses are determined on individual performance and approved by the Board of Directors.
- (ii) Other benefit represents lease payments to the landlord of the quarter and miscellaneous housing allowance.
- (iii) Emoluments include estimated money value of non-cash benefits of share options.
- (iv) No director waived or agreed to waive any emoluments during the years ended 31 July 2023 and 2022.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any director during the year ended 31 July 2023 by a defined contribution retirement plan operated by the Group in respect of services as a director of the Company and its subsidiaries (2022: Nil). No other retirement benefits were paid to or receivable by any director in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended 31 July 2023 (2022: Nil).

(c) Directors' termination benefits

No directors' emoluments, retirements benefits, payments or benefits in respect of the termination of directors' services were paid to or receivable by the directors, whether in the capacity of directors or in other capacity while being directors, during the year ended 31 July 2023 (2022: Nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services or services of a person in any other capacity while being director during the year ended 31 July 2023 (2022: Nil).

(e) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertakings of the Company, where applicable, in favour of directors

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year ended 31 July 2023 (2022: Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 38 to the consolidated financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 July 2023 (2022: Nil).

9 SHARE-BASED COMPENSATION EXPENSES

(a) Share option plan with staff (including directors)

On 21 June 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The 2018 Share Option Scheme is designed to provide long-term incentives for staff (including directors) to deliver long-term shareholder returns. Each grantee shall pay HK\$1.00 upon their acceptance of share options. Under the 2018 Share Option Scheme, the options are exercisable once the options become vested and exercisable subject to service conditions and expiring after ten years from the date of grant. 30% of the share options shall vest on the first anniversary of the option legal grant date; another 30% of the share options shall vest and exercisable on the second anniversary of the option legal grant date; and the remaining 40% of the share options shall vest and exercisable on the third anniversary of the option legal grant date. Share-based compensation expenses are recognised over the options' respective vesting period starting from the contract signing date.

Movements of the share options are set out below:

	2023		2022	
	Average exercise price per share option HK cent	Number of options	Average exercise price per share option HK cent	Number of options
At beginning of the year	54.3	18,640,000	54.7	19,400,000
Lapsed during the year	58.8	(300,000)	63.6	(760,000)
At end of the year	54.2	18,340,000	54.3	18,640,000
Vested and exercisable at end of the year	54.2	18,340,000	54.3	18,640,000

No options is granted, exercised, forfeited and expired during the years covered by the above tables.

Save as disclosed above, share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	2023	2022
23 January 2019	22 January 2029	HK\$0.493	14,520,000	14,700,000
1 April 2019	31 March 2029	HK\$0.73	3,820,000	3,940,000

The fair values of the share option as at the grant date were HK\$0.0651 and HK\$0.0859 respectively. The subjectivity and uncertainty of the value of option should be noted to the effect that such value is subject to a number of assumptions and with regard to the limitation of the model.

During the year ended 31 July 2023, the total expenses recognised in the consolidated statement of comprehensive income for share options were Nil (2022: HK\$72,000) and were included in staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

(b) Share option plan with a consultant

On 29 July 2020, the Board of Directors of the Company resolved that the Company grant to a Strategic Development Consultant (the "Consultant") share options under the Post-IPO Share Option Scheme, subject to acceptance by the Consultant and satisfaction of the certain granting conditions, to subscribe for and be allotted 20,000,000 Shares at an exercise price of HK\$0.60 per share. The grant became unconditional on 16 October 2020 upon fulfillment of all conditions precedent, amongst others, the approval by the shareholders of the Company at the extraordinary general meeting convened and held on 28 September 2020 and the listing approval by the Stock Exchange on 16 October 2020. 30% of the share options shall vest in and be exercisable from the date on which the grant of the share options becomes unconditional; another 30% of the share options shall vest in and be exercisable from the first anniversary of the grant date; and the remaining 40% of the share options shall vest in and be exercisable from the second anniversary of the grant date. Share-based compensation expenses are recognised over the options' respective vesting period starting from grant date. Pursuant to the terms and conditions of the grant of the 20,000,000 share options to the Consultant, the Consultant undertakes, amongst others, not to transfer or otherwise dispose of any Shares allotted to him pursuant to any exercise of the share option at a price per Share which is lower than HK\$1.08, being the final price per Share offered under the initial public offering and Listing of the Company on 13 July 2018, during the period of 10 years from the grant date.

Movements of the share options are set out below:

	2023		2022	
	Average exercise price per share option HK cent	Number of options	Average exercise price per share option HK cent	Number of options
At beginning and end of the year	60	20,000,000	60	20,000,000
Lapsed during the year	60	(20,000,000)	—	—
At the end of the year	—	—	—	—
Vested and exercisable at end of the year	—	—	60	20,000,000

No options are exercised, forfeited and expired during the years covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	2023	2022
29 July 2020	28 July 2030	HK\$0.60	—	20,000,000

The fair value of the share option as at the grant date was HK\$0.1417. The subjectivity and uncertainty of the value of option should be noted to the effect that such value is subject to a number of assumptions and with regard to the limitation of the model.

During the year ended 31 July 2023, the total expenses recognised in the consolidated statement of comprehensive income for share options were approximately Nil (2022: HK\$562,000) and were included in staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE COSTS

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

11 LOSS BEFORE TAXATION

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

12 TAXATION

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong profits tax		
– provision for current year	192	91
– over-provision in prior years	(94)	(214)
Current income tax	98	(123)
Deferred income tax (<i>note 23</i>)	71	2,009
	<u>169</u>	<u>1,886</u>

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

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

Weighted average number of shares used as the denominator

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (thousand shares)	503,283	500,000
Adjustments for calculation of diluted loss per share:		
Options (thousand shares)	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share (thousand shares)	503,283	500,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIVIDENDS

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

15 PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Leasehold improvements HK'000	Furniture and fixtures HK\$'000	Office and laboratory equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 31 July 2021						
Cost	4,256	38,171	7,496	29,261	2,836	82,020
Accumulated depreciation	(145)	(31,308)	(7,134)	(25,315)	(1,359)	(65,261)
	<u>4,111</u>	<u>6,863</u>	<u>362</u>	<u>3,946</u>	<u>1,477</u>	<u>16,759</u>
Year ended 31 July 2022						
Opening net book amount	4,111	6,863	362	3,946	1,477	16,759
Disposal	—	—	(82)	(461)	—	(543)
Additions	—	1,230	543	216	379	2,368
Depreciation	(159)	(4,858)	(305)	(1,914)	(561)	(7,797)
Closing net booking amount	<u>3,952</u>	<u>3,235</u>	<u>518</u>	<u>1,787</u>	<u>1,295</u>	<u>10,787</u>
As at 31 July 2022						
Cost	4,256	26,251	5,145	26,239	3,215	65,106
Accumulated depreciation	(304)	(23,016)	(4,627)	(24,452)	(1,920)	(54,319)
	<u>3,952</u>	<u>3,235</u>	<u>518</u>	<u>1,787</u>	<u>1,295</u>	<u>10,787</u>
Year ended 31 July 2023						
Opening net book amount	3,952	3,235	518	1,787	1,295	10,787
Disposal	—	(17)	—	(4)	—	(21)
Addition upon business combination (<i>note 37</i>)	—	276	85	—	—	361
Additions	—	764	185	476	124	1,549
Depreciation	(159)	(1,453)	(235)	(1,194)	(613)	(3,654)
Closing net booking amount	<u>3,793</u>	<u>2,805</u>	<u>553</u>	<u>1,065</u>	<u>806</u>	<u>9,022</u>
As at 31 July 2023						
Cost	4,256	27,261	5,415	26,682	3,339	66,953
Accumulated depreciation	(463)	(24,456)	(4,862)	(25,617)	(2,533)	(57,931)
	<u>3,793</u>	<u>2,805</u>	<u>553</u>	<u>1,065</u>	<u>806</u>	<u>9,022</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

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

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

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

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

	2023 HK\$'000	2022 HK\$'000
Depreciation	12,152	14,619
Interest expense (included in finance costs) (note 10)	861	849
Expense relating to short-term leases	12,229	11,186
Expense relating to low-value leases	27	48
Variable lease payment – Rent concession under COVID-19	—	(222)

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

(c) The Group's leasing activities and how these are accounted for

The Group obtains right to control the use of assets including teaching centres, offices, staff quarter and warehouse for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease term ranging from 1 to 6 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTY

	2023 HK\$'000	2022 HK\$'000
At 1 August	19,100	19,400
Change in fair value (note 6)	(1,100)	(300)
At 31 July (Notes (i), (ii) and (iii))	18,000	19,100

Notes:

- (i) The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 July 2023 was valued on 31 July 2023 by an independent professional qualified valuer, based on a market value assessment. The valuer applied direct comparison approach and cross-referenced to recent sales transactions where applicable.

The Group's investment property carried at fair value of HK\$18,000,000 was valued by fair value measurements using significant unobservable inputs (Level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

The valuation method used by the Group to measure the fair value of the investment property is direct comparison method. It is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The significant unobservable input used is the unit price, which is HK\$7,857 (2022: HK\$8,353) per square feet.

- (ii) As at 31 July 2023, the Group's investment property with carrying value of approximately HK\$18,000,000 (2022: HK\$19,100,000) was pledged to secure bank facilities of the Group (note 30).
- (iii) Particulars of the Group's investment property for tenancy purpose as at 31 July 2023 are as follows:

Location	Usage	Lease Term
Offices 1, 2 and 3 on the 3rd Floor of Tai Shing Commercial (Yaumatei) Building, Nos. 498 & 500, Nathan Road, Kowloon, Hong Kong	Commercial	Short

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill HK\$'000	Licence HK\$'000	Software HK\$'000	Total HK\$'000
As at 31 July 2021				
Cost	1,189	—	4,437	5,626
Accumulated amortisation	—	—	(967)	(967)
Net book amount	1,189	—	3,470	4,659
Year ended 31 July 2022				
Opening net book amount	1,189	—	3,470	4,659
Additions	—	—	547	547
Amortisation	—	—	(474)	(474)
Closing net book amount	1,189	—	3,543	4,732
As at 31 July 2022				
Cost	1,189	—	4,984	6,173
Accumulated amortisation	—	—	(1,441)	(1,441)
Net book amount	1,189	—	3,543	4,732
Year ended 31 July 2023				
Opening net book amount	1,189	—	3,543	4,732
Additions	3,091	266	675	4,032
Amortisation	—	—	(524)	(524)
Closing net book amount	4,280	266	3,694	8,240
As at 31 July 2023				
Cost	4,280	266	5,659	10,205
Accumulated amortisation	—	—	(1,965)	(1,965)
Net book amount	4,280	266	3,694	8,240

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from the acquisition of Vioo Company Limited ("Vioo"), Ottorino Consultants (International) Limited ("Ottorino") and Beducation Tour Limited (formerly known as Murah Travel Limited) (note 37). Impairment testing is performed annually on goodwill allocated to each CGU.

For the year ended 31 July 2023, the recoverable amount of the Group is determined based on value-in-use calculation. These calculation use cash flow projections based on the financial budget approved by management covering five-year period and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections for Vioo are based on long-range financial forecasts using revenue growth rate of 2.5% in 2024 to 2026 and 3% in 2027 to 2028, operating margin of 5.6% in 2024 and 5.4% to 6.1% in 2025 to 2028 and terminal growth rate of 2.5%. Future cash flows are discounted at a pre-tax rate of 18% (equivalent to a post-tax rate of 15%). Major cash flow projections for Ottorino are based on long-range financial forecasts using revenue growth rate of 4.4% in 2024 and 2.0% in 2025 to 2028, operating margin of 17.0% to 17.6% in 2024 to 2028 and terminal growth rate of 2.5%. Future cash flows are discounted at a pre-tax rate of 17% (equivalent to a post-tax rate of 14%).

Management believes that any reasonably possible changes in the assumptions used in the impairment test would not give rise to any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2023 and 2022 are as follows:

Name of company	Place and date of incorporation	Issued and paid-up capital	Principal activities and place of operation <i>Note (i)</i>	Effective interest held as at 31 July	
				2023	2022
Directly owned:					
Beacon Group Limited	BVI 6 March 2015	US\$1	Investment holding company	100%	100%
Indirectly owned:					
Ascent Prep International Education Limited	Hong Kong 7 February 2017	HK\$4,200,000	Provision of ancillary education services	100%	100%
Beacon College Limited	Hong Kong 13 July 1993	HK\$30,000	Provision of school business management services	100%	100%
Beacon Holdings Limited	Hong Kong 11 May 2001	HK\$2	Investment holdings company	100%	100%
Diverse Learning Club Limited	Hong Kong 23 July 2014	HK\$1,000	Provision of school services	51%	51%
Easy Sky Limited	Hong Kong 9 March 2001	HK\$2	Operation of a teaching centre in Kowloon Bay	100%	100%
Glocal Development Group Limited	Hong Kong 28 February 2014	HK\$10,000	Provision of education consultancy services	90%	100%
Huge Profit Asia Pacific Limited	Hong Kong 2 March 2020	HK\$1	Property holding	100%	100%
New Creation Advertising Agency Limited	Hong Kong 17 November 2005	HK\$10,000	Advertising agency	100%	100%
JR (CB) Limited	Hong Kong 27 September 2002	HK\$10,000	Operation of a teaching centre located in Causeway Bay	100%	100%
Beducation Tour Limited (formerly known as Murah Travel Limited) <i>(note 37)</i>	Hong Kong 6 August 2019	HK\$500,000	Provision of travel tour services	51%	—
JR (MK) Limited	Hong Kong 31 July 2002	HK\$2	Operation of teaching centres located in Mongkok	100%	100%
JR (ST) Limited	Hong Kong 29 May 2002	HK\$2,000	Operation of a teaching centre located in Shatin	100%	100%
JR (TM) Limited	Hong Kong 19 June 2002	HK\$2,000	Operation of teaching centres located in Tuen Mun, Tsuen Wan and Tseung Kwan O	100%	100%
JR (YL) Limited	Hong Kong 19 June 2002	HK\$2,000	Operation of a teaching centres located in Yuen long	100%	100%
Ottorino Consultants (International) Limited <i>(note 37)</i>	Hong Kong 15 February 2022	HK\$3,188,574	Provision of education services	51%	—
PHD Online Limited <i>(Note (iii))</i>	Hong Kong 23 April 2020	HK\$25,000	Operation of a online learning platform	100%	60%
Vioo Company Limited	Hong Kong 17 April 2008	HK\$10,000	Provision of information technology services	60%	60%

Notes:

- (i) All the above subsidiaries' principal place of operation are in Hong Kong.
- (ii) During the year ended 31 July 2023, the Company bought the 40% share PHD Online Limited from Dr Lam Yat Ming with the purchase price of HK\$10,000. After that, PHD Online Limited became the wholly-owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	271	—
Additions (<i>Note (i)</i>)	5,100	1
Dividends from associates	(200)	—
Share of investments accounted for using the equity method	(67)	270
At the end of the year	5,104	271

Note (i): During the year, the Group subscribed 30% of the equity interest in Linkedu Overseas Education Limited ("Linkedu") at a total consideration of HK\$5,100,000. Linkedu is principally engaged in provision of services in Hong Kong relating to overseas studies and immigration under the business name of "LINKEDU".

(a) Particulars of associates of the Group as at 31 July 2023 and 2022 are as follows:

Name of company	Place of incorporation	Issued and paid-up capital	Principal activities	Effective interest held as at 31 July	
				2023	2022
Honey's Studio Limited	Hong Kong	\$1,000	Provision of childhood interview services	40%	40%
King's Cross Academy Limited	Hong Kong	\$1,000	Provision of childhood education services	40%	40%
Linkedu Overseas Education Limited	Hong Kong	\$5,813,700	Provision of overseas studies and immigration services	30%	—

(b) The directors of the Company were of the view that as at 31 July 2023, there was no individual associate that was material to the Group, the Group's share of result of the associates are summarised below:

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit and total comprehensive (loss)/income	(67)	270

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at FVOCI

A financial asset at FVOCI comprises equity securities which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. This is a strategic investment and the Group considers this classification to be more relevant.

(b) Equity investment at FVOCI

	2023 HK\$'000	2022 HK\$'000
Unlisted security		
At beginning of year	194	285
Change in fair value recognised in other comprehensive income (<i>note 34</i>)	(128)	(91)
At end of year	66	194

The unlisted security represents equity share of an unlisted Hong Kong company, which is denominated in HK dollar.

The fair value is within level 3 of the fair value hierarchy (see note 3.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Contingent consideration receivable (<i>Note (a)</i>)	335	—
Current assets		
Listed equity securities	17,092	—
	17,427	—

During the year, the following gains were recognised in profit or loss:

	2023 HK\$'000	2022 HK\$'000
Fair value changes and disposal gains on equity investments at FVPL recognised in other gains/(losses) - net (<i>note 6</i>)	5,089	—

Note:

(a): The balance represents the contingent consideration receivable in relation to the acquisition of Ottorino Consultants (International) Limited ("Ottorino", "Target Company").

On 25 October 2022, Beacon Holdings Limited, an indirect wholly-owned subsidiary of the Company ("Purchaser"), entered into the subscription and sale and purchase agreement with the Target Company, and Mr. Cheng Hong Fu and Ms. Ng Mei Yee (together as "Vendors"). Pursuant to which, the Vendors guaranteed to the benefit of the Purchaser that (i) the operating cash flow of Ottorino during the period from 15 February 2022 and ending on 31 December 2022 (the "Relevant Cash Flow") and (ii) the audited annual net profit after tax of Ottorino (the "Actual Net Profit") for each of the three financial years ending on 31 July 2023, 2024 and 2025 respectively (the "Guarantee Period"), shall each not be less than HK\$5,000,000 (the "Guaranteed Sum"). If the Guaranteed Sum could not be met, the Vendor will compensate the Purchaser for the shortfall for an amount equivalent to the difference between the Guaranteed Sum and the Relevant Cash Flow or each of such financial years during the Guarantee Period in respect of the Actual Net Profit multiplied by 1.275 times.

The fair value of the contingent consideration receivable was arrived at based on the discounted cash flow of the expected future economic benefits that would flow into the Group by applying the probability-weighted average method in achieving the Guaranteed Sum taking into consideration of the credit risk effect of the Vendors.

The estimates are based on a discount rate of 16% and assumed probability-adjusted Guaranteed Sum in Ottorino from Nil to HK\$5,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets	4,594	4,660
Deferred income tax liabilities	(16)	(11)
	<u>4,578</u>	<u>4,649</u>
At beginning of the year	4,649	6,658
Charged to profit or loss (<i>note 12</i>)	(71)	(2,009)
At end of the year	<u>4,578</u>	<u>4,649</u>

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

Deferred income tax assets

	(Accelerated)/ decelerated accounting depreciation HK\$'000	Tax Loss HK\$'000	Share-based compensation HK\$'000	Provision for doubtful debt HK\$'000	Total HK\$'000
At 1 August 2021	2,050	2,285	1,924	409	6,668
Charged to profit or loss	(690)	—	(1,242)	(76)	(2,008)
At 31 July 2022	1,360	2,285	682	333	4,660
Credited/(charged) to profit or loss	444	591	(470)	(40)	525
At 31 July 2023	<u>1,804</u>	<u>2,876</u>	<u>212</u>	<u>293</u>	<u>5,185</u>

Deferred income tax liabilities

	Decelerated accounting depreciation HK\$'000	Changes in fair value of FVPL	Total
At 1 August 2021	(10)	—	(10)
Charged to profit or loss	(1)	—	(1)
At 31 July 2022	(11)	—	(11)
Charged to profit or loss	(5)	(591)	(596)
At 31 July 2023	<u>(16)</u>	<u>(591)</u>	<u>(607)</u>

23 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$21,375,000 (2022: HK\$16,956,000) in respect of tax losses amounting to HK\$131,356,000 (2022: HK\$101,004,000) as at 31 July 2023. Unrecognised tax losses amounting to approximately Nil (2022: HK\$3,433,000) will be expired within five years from 31 July 2023, while the remaining balance can be carried forward indefinitely for offsetting against future taxable income. The management considered not to recognise as those companies with losses carried forward are not expected to generate future taxable income. The Group recognised deferred tax assets only to the extent the management believes it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

24 ACCOUNTS RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Accounts receivables	2,626	2,499

There is no credit period granted as the income from private supplementary secondary school education services and private secondary day school services are normally received in advance through settlement in cash, cheque or credit cards. As at 31 July 2023 and 2022, the ageing analysis of the accounts receivables based on invoice date were as follows:

	2023 HK\$'000	2022 HK\$'000
1 - 30 days	1,893	2,358
31 - 60 days	422	91
Over 60 days	311	50
	2,626	2,499

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

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

For accounts receivables relating to accounts with objective evidence that the Group is unable to contact some of the students to recover the debts, they are assessed individually for impairment allowance. Accordingly, no individual provision were made as at 31 July 2023 (2022: Nil).

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollar	2,626	2,482
British Pound	—	17
	2,626	2,499

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

Notes:

- (i) As at 31 July 2023, other receivables of HK\$2,126,000 (2022: HK\$2,291,000) represent amounts due from tutors which arise from variable expenses incurred by the Group on behalf of the tutors. Allowance for impairment of HK\$1,774,000 (2022: HK\$2,019,000) has been made. As at 31 July 2023, other receivable includes an amount of HK\$8,000 (2022: 379,000) due from associates and a loan to an associate of HK\$400,000 (2022: HK\$400,000).
- (ii) Deposits and prepayments mainly represent deposits for utilities, lease payments, building management fees, prepayments for service fees, renovation, licence fees, advertising and others.
- (iii) Movement in allowance for impairment that has been recognised for other receivables under ECL model is disclosed in note 3.1(b).

As at 31 July 2023, deposits of HK\$6,920,000 (2022: HK\$8,282,000), prepayments of HK\$2,221,000 (2022: HK\$3,096,000) and other receivables of HK\$7,262,000 (2022: HK\$8,877,000) are expected to be recovered within one year.

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

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

26 CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	75,283	103,888

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollar	69,856	99,713
Renminbi	1,750	668
British pound	2,001	1,981
Australian dollar	1,473	1,241
United States dollar	162	220
New Zealand dollar	13	53
Canadian dollar	11	12
Swiss Franc	17	—
	75,283	103,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CONTRACT LIABILITIES

As at 31 July 2023 and 2022, contract liabilities represents the fee collected for education services that have not yet been rendered before respective year ends.

The following table shows the amount of the revenues recognised in the current reporting period relating to carried-forward contract liabilities:

	2023 HK\$'000	2022 HK\$'000
Revenues recognised that were included in the contract liability balance at the beginning of the year	7,285	15,352

Amount of HK\$12,896,000 is expected to be recognised as revenue within one year as all related contracts have a duration of one year or less.

28 OTHER PAYABLES

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

Notes:

- (i) Other payables mainly represent accrued staff costs, printing expenses, and advertising expenses, etc.
- (ii) Included in other payables is a current portion of provision of reinstatement cost of HK\$2,071,000 (2022: HK\$2,334,000). Movement of provision of reinstatement cost is as follows:

	2023 HK\$'000	2022 HK\$'000
Balance as at beginning of the year	2,784	4,613
Additions	228	401
Utilisation	—	(2,230)
Balance as at closing of the year	3,012	2,784
Less: non-current portion (<i>note 29</i>)	(941)	(450)
Current portion	2,071	2,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 OTHER NON-CURRENT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Provision of reinstatement cost (<i>note 28</i>)	941	450
Rental deposits	—	135
Other non-current liabilities	941	585

30 BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Secured bank loan	6,565	7,074
Unsecured bank loans	57,000	48,000
	63,565	55,074

As at 31 July 2023, the secured and unsecured bank loans bears interest on a floating basis and its effective interest rate is 3.54% per annum (2022: 2.67% per annum). The bank loans were classified as current liabilities because the corresponding bank facilities agreements contain repayment on demand clauses. The carrying amounts of bank loans approximate their fair values and are denominated in Hong Kong dollar.

As at 31 July 2023, the Group had access to an undrawn bank overdraft facility amounted to Nil (2022: HK\$6,000,000). This facility may be drawn at any time and may be terminated by the bank without notice.

As at 31 July 2023, the secured bank loan of HK\$6,565,000 (2022: HK\$7,074,000) and bank overdraft facility of Nil (2022: HK\$6,000,000) were secured by a pledge of the investment property of the Group (note 17 (ii)) and corporate guarantee given by the Company.

As at 31 July 2023, the unsecured bank loans of HK\$57,000,000 (2022: HK\$48,000,000) were 100% guaranteed by the Hong Kong Government and by three of the controlling shareholders of the Company.

31 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK\$'000	2022 HK\$'000
Financial assets:		
Financial assets at amortised cost		
Accounts receivables	2,626	2,499
Deposits and other receivables	16,250	19,197
Cash and cash equivalents	75,283	103,888
Financial asset at FVOCI	66	194
Financial asset at fair value through profit or loss	17,427	—
Total	111,652	125,778
Financial liabilities:		
Financial liabilities at amortised cost		
Other payables and other non-current liabilities (exclude provision for reinstatement cost)	12,118	14,783
Borrowings	63,565	55,074
Lease liabilities	19,403	21,273
Total	95,086	91,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE CAPITAL

	Note	Number of shares	HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 at 31 July 2022 and 2023		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares at 31 July 2021 and 2022		500,000,000	120,956
Issue of shares at 30 November 2022	(i)	3,984,000	1,793
Issue of shares at 31 May 2023	(ii)	3,648,000	1,386
Ordinary shares at 31 July 2023		507,632,000	124,135

Notes:

- (i) On 30 November 2022, the Company fulfilled all of the conditions precedent in relation to the acquisition of 51% equity interest in Ottorino (note 37(b)). The consideration included issuance of 3,984,000 shares in the Company upon completion.
- (ii) On 31 May 2023, the Company fulfilled all of the conditions precedent in relation to the investment of 30% equity interest in Linkedu (note 20). The consideration included issuance of 3,648,000 shares in the Company upon completion.

33 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	(28,078)	(10,737)
Loss for the year	(27,844)	(25,506)
Transaction with non-controlling interests	(572)	—
Release of share-based compensation reserve upon the lapse of share options	2,857	8,165
At end of the year	(53,637)	(28,078)

34 OTHER RESERVES

	Financial asset at FVOCI reserve HK\$'000	Share-based compensation reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 31 July 2021	(215)	11,662	5,229	16,676
Share-based compensation (note 9)	—	634	—	634
Change in the fair value of equity investment at FVOCI	(91)	—	—	(91)
Release of share-based compensation reserve upon lapse of share option	—	(8,165)	—	(8,165)
At 31 July 2022	(306)	4,131	5,229	9,054
Exchange reserve	—	—	506	506
Change in the fair value of equity investment at FVOCI	(128)	—	—	(128)
Release of share-based compensation reserve upon lapse of share option	—	(2,857)	—	(2,857)
At 31 July 2023	(434)	1,274	5,735	6,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NON-CONTROLLING INTERESTS

As at 31 July 2023, the total non-controlling interests was HK\$1,424,000 (2022: HK\$(1,605,000)). For the year ended 31 July 2023, the total comprehensive income attributable to non-controlling interests was HK\$903,000 (2022: HK\$(705,000)). The non-controlling interests as at 31 July 2023 in respect of Ottorino Consultants (International) Limited, Glocal Development Group Limited, Vioo Company Limited, Assessment International (HK) Limited, Music Origin Limited, June Wing Education Limited and Diverse Learning Club Limited (2022: Glocal Education Services Limited, Glocal Development Group Limited, Vioo Company Limited, Assessment International (HK) Limited, Music Origin Limited, PhD Online Limited, Academic Advisers Limited, June Wing Education Limited and Diverse Learning Club Limited) are not individually material.

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(26,772)	(24,325)
Adjustments for:		
– Fair value gain of financial assets at fair value through profit or loss	(3,583)	–
– Gain on disposal of financial assets at fair value through profit or loss	(1,506)	–
– Amortisation of intangible assets	524	474
– Depreciation of property, plant and equipment	3,654	7,797
– Depreciation of right-of-use assets	12,152	14,619
– Loss on disposal of property, plant and equipment	–	528
– Share-based compensation expenses	–	634
– Interest income	(1,440)	(175)
– Exchange differences - net	499	274
– Interest expenses on bank loans	1,809	375
– Interest expenses on lease liabilities	861	849
– Share of profits of associates	(2,535)	(270)
– Reversal of impairment losses on financial assets	(245)	(460)
– Decrease in fair value of investment property	1,100	300
– Variable lease payment - Rent concession under COVID-19	–	(222)
– Dividend income from financial assets at fair value through profit or loss	(213)	–
Change in working capital		
– Accounts receivables	(127)	899
– Deposits, prepayments and other receivables	6,090	(1,762)
– Contract liabilities	4,222	(8,067)
– Other payables	(3,277)	217
– Other non-current deposits	(4)	399
Cash used in operations	(8,791)	(7,916)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities			
	Interest payable HK\$'000	Borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Balance at 1 August 2021	9	7,585	17,085	24,679
Cash flows	(375)	47,489	(14,419)	32,695
Non-cash movements	375	—	18,607	18,982
Balance at 31 July & 1 August 2022	9	55,074	21,273	76,356
Cash flows	(1,809)	8,491	(12,317)	(5,635)
Non-cash movements	1,809	—	10,447	12,256
Balance at 31 July 2023	9	63,565	19,403	82,977

(c) Non-cash transactions

Other than addition of right-of-use assets and lease liabilities described in note 16 and the issue of shares as consideration for acquisition of Ottorino and Linkedu as described in note 32, there were no material non-cash transactions for the year ended 31 July 2023.

37 BUSINESS COMBINATION

(a) Acquisition of 100% interest in Beducation Tour Limited (formerly known as Murah Travel Limited) ("Beducation")

Pursuant to the share purchase agreement dated 15 May 2023, Diverse Learning Club, a subsidiary of the Group, acquired 100% equity interest in Beducation at a cash consideration of HK\$333,000. Beducation is principally engaged in the provision of travel tour services in Hong Kong including the provision of overseas exchange tour, local travel tour. The transaction was completed on 15 June 2023.

(i) Details of net assets acquired and related goodwill

	Net assets acquired and goodwill as at the acquisition date HK\$'000
Total purchase consideration	333
Less: Fair value of net assets acquired	(261)
Goodwill on acquisition	72

None of the goodwill is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION (CONTINUED)

- (a) Acquisition of 100% interest in Beducation Tour Limited (formerly known as Murah Travel Limited) ("Beducation") (continued)

(i) *Details of net assets acquired and related goodwill (continued)*

The assets and liabilities of Beducation at the acquisition date were as follows:

	Fair value as at the acquisition date HK\$'000
Cash and cash equivalents	2
Intangible assets	266
Other payables	(7)
Total identifiable net assets	<u>261</u>

	Net cash outflow HK\$000
Purchase consideration settled in cash	333
Less: Cash and cash equivalents acquired	(2)
Total net cash outflow for the year ended 31 July 2023	<u>331</u>

(ii) *Revenue and profit contribution*

Beducation contributed revenue of approximately HK\$138,000 and profit before taxation of approximately HK\$37,000 to the Group for the period from the completion date of the acquisition on 15 June 2023 to 31 July 2023.

- (b) Acquisition of 51% interest in Ottorino Consultants (International) Limited ("Ottorino")

Pursuant to the share purchase agreement dated 25 October 2022, the Group acquired 51% equity interest in Ottorino at a cash consideration of HK\$3,187,500 and issue of 3,984,000 shares in the Company upon completion. In addition, the vendors provided certain guarantees on cash flow and profit on Ottorino which are valued at HK\$335,000 and as a deduction to the purchase consideration. Ottorino is principally engaged in the provision of educational services in Hong Kong, which include those relating to top-up degrees, professional or vocational training, on-the-job English training, professional examination courses and other professional courses, and academic, interest and activity-based classes, in different industry disciplines under the business name of "1% Group Education". The transaction was completed on 30 November 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of 51% interest in Ottorino Consultants (International) Limited ("Ottorino") (continued)

(i) Details of net assets acquired and related goodwill

	Net assets acquired and goodwill as at the acquisition date HK\$'000
Purchase consideration:	
49% of cash paid	1,562
Ordinary share issued	1,793
Less: contingent consideration receivable (note 22)	(335)
	3,020
Less: 51% of net identifiable assets acquired	(1)
Goodwill on acquisition	3,019

The goodwill is mainly attributable to the workforce and the expected future profitability of the acquired business. It will not be deductible for tax purposes.

The assets and liabilities of Ottorino at the acquisition date were as follows:

	Net assets acquired and goodwill as at the acquisition date HK\$'000
Property, plant and equipment	361
Right-of-use assets	2,296
Deposits, prepayment and other receivable	1,993
Cash and cash equivalents	102
Other payables	(1,068)
Contract liabilities	(1,389)
Lease liabilities	(2,294)
Total identifiable net assets	1

	Net cash outflow HK\$000
Purchase consideration settled in cash	3,188
Less: cash and cash equivalents acquired	(102)
Total net cash outflow for the year ended 31 July 2023	3,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of 51% interest in Ottorino Consultants (International) Limited ("Ottorino") (continued)

(ii) Revenue and profit contribution

Ottorino contributed revenue of approximately HK\$5,092,000 and profit before taxation of approximately HK\$826,000 to the Group for the period from the completion date of the acquisition on 30 November 2022 to 31 July 2023.

If the acquisition had occurred on 1 August 2022, consolidated pro-forma revenue and profit for the year ended 31 July 2023 would have been HK\$8,066,000 and HK\$660,000 respectively.

38 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) Save as disclosed elsewhere in this Annual Report, the major related parties that had transactions and balances with the Group were as follows:

Name of the related parties	Relationship with the Group
Dragonway Bliss Limited ("Dragonway Bliss")	A related company partially owned by Ms. Leung Ho Ki, June
Dragon Field Corporation Limited	A related company owned by Ms. Leung Ho Ki, June, Mr. Tam Wai Lung, and Mr. Ng King Hang

The following is a summary of significant related party transactions during the years ended 31 July 2023 and 2022 carried by the Group in the normal course of its business:

	2023 HK\$'000	2022 HK\$'000
Licence income from Jiangxi Dragonway Bliss (<i>Note (i)</i>)	91	91
Payments of lease liabilities to Dragon Field Corporation Limited (<i>Note (ii)</i>)	2,400	2,400

Notes:

- (i) Licence income are recognised with reference to market rates of similar projects.
 - (ii) The payments of lease liabilities to the related company were charged at a rate as mutually agreed.
- (b) The Group considers the executive directors as the key management and their compensation are disclosed in note 8(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position

As at 31 July 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current asset			
Investment in a subsidiary		20,700	20,700
Current assets			
Amounts due from subsidiaries		57,551	111,190
Cash and cash equivalents		291	322
		<u>57,842</u>	<u>111,512</u>
Total assets		<u>78,542</u>	<u>132,212</u>
Equity			
Equity attributable to owners of the Company			
Share capital		124,135	120,956
Other reserves	<i>(a)</i>	21,974	24,831
Accumulated losses	<i>(b)</i>	(67,612)	(13,620)
Total equity		<u>78,497</u>	<u>132,167</u>
Current liability			
Other payables		45	45
Total liability		<u>45</u>	<u>45</u>
Total equity and liability		<u>78,542</u>	<u>132,212</u>

The statement of financial position of the Company was approved by the Board of Directors on 27 October 2023 and were signed on its behalf.

Mr. Tam Wai Lung
Director

Ms. Leung Ho Ki, June
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Other reserves

	Share-based compensation reserve HK\$'000	Other reserve (Note (i)) HK\$'000	Total HK\$'000
At 31 July 2021	11,662	20,700	32,362
Share-based compensation	634	—	634
Release of share-based compensation reserve upon lapse of share option	(8,165)	—	(8,165)
At 31 July 2022	4,131	20,700	24,831
Release of share-based compensation reserve upon lapse of share option	(2,857)	—	(2,857)
At 31 July 2023	1,274	20,700	21,974

Note:

- (i) Other reserve of the Company mainly represents the difference between the value of the issued share capital of Beacon Group Limited acquired and the value of the Company's shares in exchange, adjusted for dividends declared and settled during the year ended 31 July 2017.

(b) (Accumulated losses)/retained earnings

Movements in retained earnings were as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	(13,620)	13,340
Loss for the year	(53,992)	(26,960)
At end of the year	(67,612)	(13,620)

40 CONTINGENT LIABILITIES

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

41 EVENT AFTER THE REPORTING PERIOD

There are no material events from 31 July 2023 up to the date of these financial statements.

FINANCIAL SUMMARY

A summary of the audited results and of the assets and liabilities of the last four financial years as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	For the year ended 31 July				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	131,162	141,829	177,398	287,036	371,728
Other income	11,050	15,011	19,579	13,753	5,290
Other gains/(losses) - net	3,490	(1,102)	(325)	(4,521)	(29)
Operating expenses and share of profits/(losses) of associates	(172,474)	(180,063)	(225,442)	(318,437)	(364,576)
(Loss)/profit before taxation	(26,772)	(24,325)	(28,790)	(22,169)	12,413
(Loss)/profit for the year	(26,941)	(26,211)	(27,555)	(19,791)	10,530

OPERATIONAL INFORMATION

	For the year ended 31 July				
	2023	2022	2021	2020	2019
Total number of session enrollments ('000)	132	179	225	405	546
Average number of sessions enrolled per student	7.8	9.9	9.8	11.6	10.9
Maximum classroom capacity (Note (i))	2,208	2,411	3,032	3,595	3,866
Revenue (HK\$'000) per average classroom capacity	39	47	48	67	82

Note:

- (i) Being the average of the maximum number of students permitted in our classrooms as at beginning and closing of the year 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.

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	78,295	75,013	79,678	104,642	68,134
Current assets	111,405	126,664	103,643	144,436	181,252
Total assets	189,700	201,677	183,321	249,078	249,386
Total equity	78,497	100,327	125,994	155,849	187,521
Current liabilities	100,886	88,239	50,917	76,030	58,194
Non-current liabilities	10,317	13,111	6,410	17,199	3,671
Total equity and total liabilities	189,700	201,677	183,321	249,078	249,386
Net Current assets	10,519	38,425	52,726	68,406	123,058

OPERATING CASH FLOWS

	2023 HK\$'000	For the year ended 31 July			
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Net cash (used in)/generated from operating activities	(8,793)	(6,956)	13,321	33,658	19,300

CAPITAL EXPENDITURES

	2023 HK\$'000	For the year ended 31 July			
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Payments for property, plant and equipment and leasehold land	1,932	2,368	20,553	5,245	4,598

Unless specified otherwise, capitalised terms used in this Annual Report shall have the same meanings as ascribed in the Prospectus. This glossary contains certain definitions and other terms used in this Annual Report in connection with our Group and our business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

"academic year(s)"	the academic school year in Hong Kong which typically commences in September and concludes in June of the following year
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended or supplemented from time to time
"Board"	the board of Directors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	BExcellent Group Holdings Limited 精英匯集團控股有限公司(formerly known as Beacon Group Holdings Limited 遵理集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 April 2015
"Deed of Acting in Concert"	the deed of acting in concert dated 2 October 2015 executed by the Core Shareholders, whereby they confirmed the existence of their acting in concert arrangements
"Director(s)"	the director(s) of the Company
"EDB"	the Education Bureau of the Government
"Exemption Order"	the Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Education Ordinance"	the Education Ordinance (Chapter 279 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Group", "our Group", "we", "our", or "us"	the Company and its subsidiaries
"HKDSE"	Hong Kong Diploma of Secondary Education
"HKDSE Examinations"	examinations administered by the HKEAA in each subject offered under the HKDSE curriculum
"HKEAA"	the Hong Kong Examinations and Assessment Authority, an independent, self-financing statutory body which administers public examinations in Hong Kong
"intensive course(s)"	courses which are normally organised several months before school assessments or the HKDSE Examinations are held, and they are designed to help students review the key areas of a subject. The courses focus on specific topics of each subject, and provide insight on examination techniques and topics as well as providing additional preparation materials. Intensive courses typically comprise three to four individual lessons, or an individual lesson each running for approximately 75 to 90 minutes
"IELTS"	International English Language Testing System, an international standardised test of English language proficiency
"IT"	information technology
"lesson(s)"	a lesson typically runs for approximately 60 to 75 minutes

GLOSSARY

"Listing"	the listing of the Shares on the Main Board on the Listing Date
"Listing Date"	13 July 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"maximum classroom capacity"	the maximum number of students permitted in our classrooms pursuant to the certificates of accommodation issued to our schools, and for school(s) in which the application for the certificate(s) of accommodation is/are being made, the maximum number of students in our classrooms that we have applied for
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated 30 June 2018
"regular course(s)"	courses which are offered from September to June. In general, regular course consists of four individual lessons, each running for approximately 60 to 75 minutes
"Secondary (1, 2, 3, 4, 5 or 6)" or "S (1, 2, 3, 4, 5 or 6)"	the respective secondary 1 to 6 (as the case may be) school levels under the 334 System
"secondary day school education"	secondary school education under the formal secondary school curriculum set forth by the EDB
"session(s)"	for supplementary secondary school education services, a session represents an independent course which consists of a number of lessons each running for no longer than a month; for day school services, a session represents a monthly duration of a course which runs in the academic year
"session enrollment(s)"	a student may enroll in a number of our sessions resulting in a number of enrollments. As such, the number of enrollment(s) may not correspond to the number of student(s)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"summer course(s)"	courses which are designed to prepare students for the forthcoming academic year and are typically offered from mid-July until August and occasionally ended in September. In general, a summer course typically comprises three to six individual lessons, each running for approximately 60 to 75 minutes
"Top Five Tutors"	our tutors who generated the top five highest revenues for our Group from courses and products
"Top One Tutor"	our tutor who generated the highest revenue for our Group from courses and products
"unique student(s)"	students who paid for at least one session
"VIP self-study service(s)"	"video-induced-pedagogy" self-study services, which enable students to view pre-recorded lessons on an individual basis on computer terminals at selected teaching centres



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Lai Sze Chit Cedric, Day School Student of Beacon College

Champion of Speed Challenge (U18 Male) in 2023 Hong Kong Skateboarding Tournament

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