

Goldway Education Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8160



First Quarterly Report

2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Director(s)**”) of Goldway Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its publication. This report will also be published on the Company’s website at www.goldwayedugp.com.

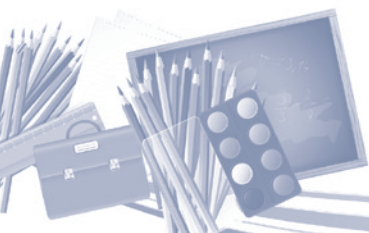
Goldway Education Group Limited



FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2017, unaudited operating results of the Group were as follows:

- revenue of approximately HK\$9.2 million, representing a slight decrease of 0.7% comparing to the same period of previous financial year;
- profit for the three months ended 30 June 2017 amounted to approximately HK\$1.6 million, representing a decrease of 22.5% from the same period of previous financial year; and
- the Directors do not recommend the payment of interim dividend for the three months ended 30 June 2017.



FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2017

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Group for the three months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	Notes	Three months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	9,229	9,292
Other income	3	12	1
Advertising expenses		(47)	(20)
Building management fees and rates		(214)	(199)
Depreciation expenses		(216)	(181)
Employee benefit expenses		(3,901)	(3,565)
Operating lease expenses		(2,137)	(1,913)
Other operating expenses		(782)	(437)
Listing expenses		—	(402)
Profit before income tax expense		1,944	2,576
Income tax expense	5	(321)	(481)
Profit and total comprehensive income attributable to owners of the Company for the period		1,623	2,095
		HK cent	HK cent
Basic earnings per share attributable to equity holders of the Company	6	0.31	0.60



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2016	—	—	3,372	12,006	15,378
Special dividends declared	—	—	—	(3,400)	(3,400)
Profit and total comprehensive income for the year	—	—	—	2,791	2,791
Issue of new shares by share offer	1,725	33,637	—	—	35,362
Capitalisation issue of shares	3,500	(3,500)	—	—	—
Expenses incurred in connection with issue of new shares	—	(6,628)	—	—	(6,628)
At 31 March 2016 and 1 April 2016	5,225	23,509	3,372	11,397	43,503
Profit and total comprehensive income for the period	—	—	—	1,623	1,623
Balance as at 30 June 2017 (unaudited)	5,225	23,509	3,372	13,020	45,126
Balance as at 1 April 2016	—	—	3,372	12,006	15,378
Profit and total comprehensive income for the period	—	—	—	2,095	2,095
Balance as at 30 June 2016 (unaudited)	—	—	3,372	14,101	17,473



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 October 2015 and its shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Board**”) by way of placing and public offer of shares (the “**Share Offer**”) on 2 December 2016 (the “**Listing**”). The Company’s registered office and the principal place of business are at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Shop 203, Kin Sang Commercial Centre, Kin Sang Estate, Tuen Mun, New Territories, Hong Kong, respectively.

The Group is principally engaged in the provision of tutoring services in Hong Kong. The Group provides private tutoring services including primary and secondary tutoring services under the trade name of “Logic Tutorial Centre”.

The companies comprising the Group underwent a reorganisation (the “**Reorganisation**”) in preparation for Listing, pursuant to which the Company became the holding company of the Group. The details of the Reorganisation are set out in the prospectus issued by the Company dated 17 November 2016 (the “**Prospectus**”).

2. BASIS OF PRESENTATION AND PREPARATION

The Company became the holding company of the companies now comprising the Group subsequent to the completion of Reorganisation on 3 November 2016, the Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies at the top of Billion Bright Management Limited have no commercial substance and do not form a business combination. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity of the Group for the period ended 30 June 2017 and 2016 include the financial performance of all companies now comprising the Group, as if the current structure had been in existence throughout the reporting periods, or since their respective dates of incorporation, where there is a shorter period.

All significant intra-group transactions and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and also included the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM Board (“**GEM Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on the management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.



The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 March 2017.

The condensed consolidated financial statements have not been audited by the auditors of the Company but have been reviewed by the audit committee of the Company.

3. REVENUE AND OTHER INCOME

Revenue from the Group’s principal activities, which is also the Group’s turnover, represents the income from provision of tutoring services. Revenue and other income recognised during the period is as follows:

	For the three months ended 30 June	
	2017 HK\$’000 (unaudited)	2016 HK\$’000 (unaudited)
Revenue		
Income from tutoring services	9,229	9,292
Other income		
Interest income	12	1

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker (“**CODM**”) in order to allocate resources and assess performance of the segment. For the reporting period, management of the Company has determined that the Group has only one single business component/operating segment as the Group is only engaged in the provision of tutoring services which is the basis used by the CODM to allocate resources and assess performance. The Group’s revenue from external customers is divided into the following types of services:

	Three months ended 30 June	
	2017 HK\$’000 (unaudited)	2016 HK\$’000 (unaudited)
Primary tutoring services	2,117	1,943
Secondary tutoring services	7,112	7,349
	9,229	9,292



The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its place of domicile. All the Group's revenue and non-current assets are principally attributable to Hong Kong, being the single geographical region.

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the three months ended 30 June 2016 and 2017.

6. EARNINGS PER SHARE

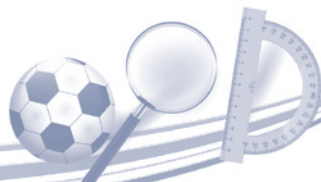
	For the three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings		
Profit for the period attributable to the owners of the Company	1,623	2,095
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	522,500,000	350,000,000

The number of shares used for the purpose of calculating basic earnings per share has been retrospectively adjusted for the issue of shares during the Reorganisation and capitalisation issue as if the shares had been in issue throughout the entire reporting periods.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive shares outstanding for the three months ended 30 June 2016 and 2017.

7. DIVIDEND

The Directors do not recommend the payment of interim dividend for the three months ended 30 June 2017 (2016: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 30 June 2017 (the “**Reporting Period**”), the Group continued to focus on its principal business in relation to the provision of tutoring services to secondary school students and primary school students in Hong Kong.

Approximately 77.1% (2016: approximately 79.1%) of the revenue of the Group was generated from the provision of tutoring services to secondary school students and approximately 22.9% (2016: approximately 20.9%) of the revenue of the Group was generated from the provision of tutoring services to primary school students during the three months ended 30 June 2017.

The industry we operated is highly competitive and is generally fragmented. Despite the industry is experiencing the decrease of number of secondary school students in Hong Kong due to the low birth rate in the early 2000s, the number of primary school students in Hong Kong is expected to increase in coming years.

During the three months ended 30 June 2017, we have opened our new centre in Shatin and closed a centre in Tuen Mun due to the end of tenancy period. Recently, we have managed to operate 14 tutorial centres. The Group and our tutor continued to be attentive to the particular circumstances of our students and seek to offer sufficient support necessary for them to succeed.

Outlook

In anticipation that the number of secondary school students in Hong Kong will gradually decrease due to the low birth rate in the early 2000s, the management expects the number of primary school students in Hong Kong will experience a growth in coming years which will lead various business opportunities to the Group.

Moving forward, except continuing to follow the future plans disclosed in the prospectus issued by the Company dated 17 November 2016, the Group will seek for more diversified business opportunities together with implementing cost effective measures so as to enhance the profitability and remain competitive, including developing the tutoring business via franchising in order to achieve faster and larger network expansion. These diversified developments will be funded by the internally generated resources of the Group.



On the other hand, to expand our network in order to gain competitive advantage of geographical coverage, our new centre in Tsz Wan Shan is planned to start operation at the end of September 2017.

The Group will continue to explore new opportunities actively in order to strengthen the positive cash flow and earnings for the Group in long run and to generate greater value to the shareholders of the Group.

Financial Review

Revenue

For the three months ended 30 June 2017, the Group recorded total revenue of approximately HK\$9.2 million, representing a slight decrease of approximately 0.7% as compared to approximately HK\$9.3 million for the three months ended 30 June 2016.

Employee benefit expenses

Employee benefit expenses mainly consist of wages and salaries, pension costs and other benefits to the staff and the Directors. Employee benefit expenses increased by 9.4% from approximately HK\$3.6 million for the three months ended 30 June 2016 to HK\$3.9 million for the three months ended 30 June 2017, which was primarily resulted from the recruitment of staff to support its expanding operations and the increase in other benefits incurred for employees.

Operating lease expenses

The operating lease expense comprises rental expenses of tutorial centres. For the period ended 30 June 2017, operating lease expense increased by approximately 11.7% to approximately HK\$2.1 million from approximately HK\$1.9 million of the same period of previous financial year. The increase was mainly due to rent of new centres, which offset by closure of Lung Mun Centre.

Net profit and net profit margin

The Group recorded a profit attributable to owners of the Company amounted to approximately HK\$1.6 million for the three months ended 30 June 2017 (2016: HK\$2.1 million), representing a decrease of approximately 22.5% from the same period of previous financial year. Such decrease was primarily due to i) increase in employee benefit expenses of approximately HK\$0.3 million during the three months ended 30 June 2017 and ii) increase in operating lease expenses of approximately HK\$0.2 million as compared to the same period of previous financial year. As a result, net profit margin declined to 17.6% for the three months ended 30 June 2017 from 22.5% of the corresponding period in 2016.



Contingent liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares (the “**Shares**”), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) (the “**SFO**”) 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 have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued share capital
Mr. Cheung Lick Keung	Interest in controlled corporation (Note 1)	166,810,000	31.96%
Ms. Chan Hoi Ying Karina	Interest of spouse (Note 2)	166,810,000	31.96%

Notes:

1. The entire issued share capital of Digital Achiever Limited is legally and beneficially owned by Mr. Cheung Lick Keung. Mr. Cheung Lick Keung is deemed to be interested in the Shares in which Digital Achiever Limited is interested in under Part XV of the SFO.
2. Ms. Chan Hoi Ying Karina is the spouse of Mr. Cheung Lick Keung. Ms. Chan Hoi Ying Karina is deemed to be interested in the Shares in which Mr. Cheung Lick Keung is interested in under Part XV of the SFO.



Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company or their associates had any interest or short position in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO 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 have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued share capital
Digital Achiever Limited	Beneficial owner (Note 1)	166,810,000	31.96%
Golden Dust Holdings Limited	Beneficial owner (Note 2)	166,740,000	31.94%
Mr. Cheung Luk Sun	Interest in controlled Corporation (Note 2)	166,740,000	31.94%
Ms. Wong Sau Yee Margaret	Interest of spouse (Note 3)	166,740,000	31.94%



Notes:

1. The entire issued share capital of Digital Achiever Limited is legally and beneficially owned by Mr. Cheung Lick Keung. Mr. Cheung Lick Keung is deemed to be interested in the Shares in which Digital Achiever Limited is interested in under Part XV of the SFO.
2. The entire issued share capital of Golden Dust Holdings Limited is legally and beneficially owned by Mr. Cheung Luk Sun. Mr. Cheung Luk Sun is deemed to be interested in the Shares in which Golden Dust Holdings Limited is interested in under Part XV of the SFO.
3. Ms. Wong Sau Yee Margaret is the spouse of Mr. Cheung Luk Sun. Ms. Wong Sau Yee Margaret is deemed to be interested in all the Shares in which Mr. Cheung Luk Sun is interested in under Part XV of the SFO.

Save as disclosed above and as at 30 June 2017, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive officer of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the three months ended 30 June 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 30 June 2017 and up to the date of this report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

SHARE OPTION SCHEMES

No share options have been granted or agreed to be granted during the Reporting Period.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the Reporting Period.



CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules except the following deviation:

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The code provision A.2.1 of Appendix 15 to the GEM Listing Rules requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

However, the Board is of the view that Mr. Cheung Lick Keung has been managing the Group's business and the overall financial and strategic planning since September 2005. The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Cheung Lick Keung is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors, the Board considers that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief-executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules. Therefore, the Board considers that the deviation from paragraph A.2.1 of the CG Code is appropriate in the aforesaid circumstance.

INTERESTS OF THE COMPLIANCE ADVISER

During the three months ended 30 June 2017 and up to the date of this report, as notified by the Company's compliance adviser, Kingsway Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 15 November 2016 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.



AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules pursuant to a resolution of the Directors passed on 3 November 2016. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. At present, the audit committee comprises Mr. Chan Hoi Keung Terence, Mr. Sek Ngo Chi and Mr. Ho Kin, all being the independent non-executive Directors of the Group. Mr. Chan Hoi Keung Terence is the chairman of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2017 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
Goldway Education Group Limited
Cheung Lick Keung
Executive Director and Chairman

Hong Kong, 11 August 2017

As at the date of this report, the executive Directors are Mr. Cheung Lick Keung and Ms. Chan Hoi Ying Karina; the non-executive directors are Mr. Tsang Hin Man Terence and Ms. Wong Yi Ling; and the independent non-executive Directors are Mr. Chan Hoi Keung Terence, Mr. Sek Ngo Chi and Mr. Ho Kin.

