

Goldway Education Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8160



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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 nine months ended 31 December 2016, unaudited operating results of the Group were as follows:

- revenue of approximately HK\$27.6 million, representing an decrease of 1.4% comparing to the same period of previous financial year;
- profit for the nine months ended 31 December 2016 amounted to approximately HK\$0.5 million, representing a decrease of 84.8% from the same period of previous financial year; and
- special dividends of approximately HK\$3,400,000 for the nine months ended 31 December 2016, represented dividends paid by a subsidiary of the Group to its then equity owners before the completion of the Reorganisation. The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2016.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Group for the three months and nine months ended 31 December 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

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

For the three months and nine months ended 31 December 2016

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	10,313	11,104	27,567	28,035
Other income	3	11	1	12	3
Advertising expenses		(20)	(24)	(61)	(107)
Building management fees and rates		(206)	(190)	(620)	(509)
Depreciation expenses		(169)	(195)	(503)	(576)
Employee benefit expenses		(3,790)	(3,388)	(10,817)	(10,107)
Operating lease expenses		(1,946)	(1,981)	(5,753)	(5,934)
Other operating expenses		(956)	(620)	(1,970)	(1,719)
Listing expenses		(5,467)	(2,771)	(6,092)	(4,262)
Finance costs	5	—	(39)	—	(70)
Profit/(Loss) before income tax expense		(2,230)	1,897	1,763	4,754
Income tax expense	6	(534)	(770)	(1,296)	(1,488)
Profit/(Loss) and total comprehensive income attributable to owners of the Company for the period		(2,764)	1,127	467	3,266
Basic and diluted earnings/(loss) per share attributable to equity holders of the Company		HK cent	HK cent	HK cent	HK cent
	7	(0.53)	0.32	0.09	0.93

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (Note (a)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 April 2015	—	—	—	10,017	10,017
Arising from reorganisation	—	—	3,372	—	3,372
Profit for the year	—	—	—	4,989	4,989
Special dividends declared (Note 8)	—	—	—	(3,000)	(3,000)
At 31 March 2016 and 1 April 2016	—	—	3,372	12,006	15,378
Profit and total comprehensive income for the period	—	—	—	467	467
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	—	(6,131)	—	—	(6,131)
Special dividends declared (Note 8)	—	—	—	(3,400)	(3,400)
Balance as at 31 December 2016 (unaudited)	5,225	24,006	3,372	9,073	41,676
Balance as at 1 April 2015	—	—	—	10,017	10,017
Arising from reorganisation	—	—	3,372	—	3,372
Profit and total comprehensive income for the period	—	—	—	3,266	3,266
Special dividends declared (Note 8)	—	—	—	(3,000)	(3,000)
Balance as at 31 December 2015 (unaudited)	—	—	3,372	10,283	13,655

Note (a): Pursuant to the reorganisation, a subsidiary of the Group, Billion Bright Management Limited, issued 23,829 and 23,819 shares to Mr. Cheung Lick Keung and Mr. Cheung Luk Sun respectively, on 1 September 2015 at par. On the same day, 2,350 new shares were issued to Wealth Secret Limited at a consideration of HK\$3,000,000. The resulting share capital and share premium of approximately HK\$390,000 and HK\$2,982,000 respectively are recognised as capital reserve for the nine months ended 31 December 2015 and 2016 respectively.

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. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 shares of the Company were listed on the GEM of the Stock Exchange (the "Listing") since 2 December 2016.

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

Pursuant to the Reorganisation, the Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies have no commercial substance and do not form a business combination. Accordingly, the financial information and comparative financial information 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 statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the period, or since their respective dates of incorporation, where there is a shorter period.

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with the basis of presentation set out in note 2 which comply with Hong Kong Financial Reporting Standards ("HKFRS(s)"), which collective terms include all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 April 2016 and relevant to the Group, have been adopted by the Group in the preparation of the unaudited condensed consolidated financial statements consistently throughout the period to the extent required or allowed by the transitional provisions in the HKFRSs.

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

The unaudited condensed consolidated financial statements have been prepared under historical cost convention.

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

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 2016.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000), unless otherwise stated.

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		For the nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Income from tutoring services	10,313	11,104	27,567	28,035
Other income				
Interest income	7	1	8	2
Others	4	—	4	1
	11	1	12	3

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 executive directors in order to allocate resources and assess performance of the segment. For the reporting period, executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in the provision of tutoring services which is the basis to allocate resources and assess performance. The Group's revenue from external customers is divided into the following types of services:

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Primary tutoring services	1,915	2,240	5,627	5,713
Secondary tutoring services	8,398	8,864	21,940	22,322
	10,313	11,104	27,567	28,035

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. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on bank borrowings	—	(39)	—	(70)

6. 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 and nine months ended 31 December 2015 and 2016.

7. EARNINGS/(LOSS) PER SHARE

	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Earnings/(Loss) (Loss)/profit for the period attributable to the owners of the Company	(2,764)	1,127	467	3,266
Number of shares Weighted average number of shares for the purpose of calculating basic earnings/(loss) per share	522,500,000	350,000,000	522,500,000	350,000,000

The number of shares used for the purpose of calculating basic earnings/(loss) 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/(loss) per share amount was the same as basic earnings/(loss) per share amount as there were no potential dilutive shares outstanding for the three months and nine months ended 31 December 2015 and 2016.

8. DIVIDEND

Special dividends of approximately HK\$3,400,000 for the nine months ended 31 December 2016 (for the nine months ended 31 December 2015: special dividend of HK\$3,000,000), represented dividends paid by a subsidiary of the Group to its then equity owners before the completion of the Reorganisation. The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report. The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 December 2016 (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. Although we operated in a highly competitive industry which is generally fragmented and experienced increasing operating costs, we have managed to operate 13 tutorial centres.

Outlook

The successful listing of the Group on the GEM of the Stock Exchange marks an important milestone of the Company. While the global economy has been demonstrating slow growth and weak recovery, the Directors anticipate that the economic outlook of Hong Kong remains uncertain and is unable to outperform easily.

Moving forward, the Group will continue to operate mainly in provision of tutoring services to secondary school students and primary school students in Hong Kong. At the same time, the Group will also continue to follow the future plans disclosed in the Prospectus and to explore new opportunities actively to diversify its income stream and to generate greater value and provide long-term benefits to the shareholders of the Group.

Financial Review

Revenue

For the nine months ended 31 December 2016, the Group recorded total revenue of approximately HK\$27.6 million, representing a decrease of approximately 1.4% as compared to approximately HK\$28.0 million for the nine months ended 31 December 2015.

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 6.9% from approximately HK\$10.1 million for the nine months ended 31 December 2015 to HK\$10.8 million for the nine months ended 31 December 2016, which was primarily resulted from the recruitment of staff to support its expanding operations and the increase in other benefits incurred for employees.

Operation lease expenses

The operating lease expenses comprise rental expenses of tutorial centres. Comparing to the same period in last financial year, operating lease expenses decreased mainly due to the closure of the YOHO centre and the Kau Yuk Road centre in November 2015 and Grandeur Terrace centre in November 2016, which was partly offset by the rental expenses incurred during the nine months ended 31 December 2016 for the Tin Chak centre. As a result, operating lease expenses slightly decreased by 3.4% to approximately HK\$5.7 million for the nine months ended 31 December 2016 from approximately HK\$5.9 million for the nine months ended 31 December 2015.

Net profit and net profit margin

For the nine months ended 31 December 2016, the profit attributable to owners of the Company was approximately HK\$0.5 million, representing a significant decrease of approximately 84.8% as compared to approximately HK\$3.3 million for the same period of last financial year. Such decrease was primarily due to i) increase in employee benefit expenses by approximately HK\$0.7 million and ii) increase in listing expenses by approximately HK\$1.8 million to approximately HK\$6.1 million during the nine months ended 31 December 2016 as compared to the same period of last financial year. As a result, net profit margin declined to 1.7% for the nine months ended 31 December 2016 from 11.7% of the corresponding period in 2015.

Contingent liabilities

As at 31 December 2016, 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 31 December 2016, 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 31 December 2016, 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 31 December 2016, 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 i)	166,810,000	31.96%
Golden Dust Holdings Limited	Beneficial owner ^(Note ii)	166,740,000	31.94%
Mr. Cheung Luk Sun	Interest in controlled Corporation ^(Note ii)	166,740,000	31.94%
Ms. Wong Sau Yee Margaret	Interest of spouse ^(Note iii)	166,740,000	31.94%

Notes:

- i. 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.
- ii. 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.
- iii. 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 31 December 2016, 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 nine months ended 31 December 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 31 December 2016 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 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.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 2016, 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 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 nine months ended 31 December 2016 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, 13 February 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.