

# Goldway Education Group Limited

## 金滙教育集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock code : 8160)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

#### CHARACTERISTICS OF THE 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 announcement, 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 GEM 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 announcement 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 announcement misleading.*

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\* for identification only

## **FINANCIAL HIGHLIGHTS**

For the year ended 31 March 2018, the operating results of the Group were as follows:

- revenue of approximately HK\$36.5 million, representing a decrease of approximately 2.3% comparing to that of approximately HK\$37.3 million for the last year;
- profit for the year attributable to owners of the Company for the year ended 31 March 2018 amounted to approximately HK\$3.9 million (2017: HK\$2.8 million), representing an increase of approximately 40.5% from the same period of previous financial year; and,
- the Directors do not recommend the payment of final dividend for the year ended 31 March 2018.

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company presents the audited consolidated result of the Group for the year ended 31 March 2018, together with the relevant comparative figures for the year ended 31 March 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	6	<b>36,473</b>	37,336
Other income	6	<b>204</b>	94
Advertising expenses		<b>(234)</b>	(102)
Building management fee		<b>(862)</b>	(816)
Depreciation expense		<b>(1,111)</b>	(690)
Employee benefit expenses		<b>(17,899)</b>	(15,152)
Operating lease expense		<b>(8,474)</b>	(7,571)
Other operating expenses		<b>(3,881)</b>	(2,781)
Listing expenses		<b>—</b>	(5,811)
		<hr/>	<hr/>
Profit before income tax	7	<b>4,216</b>	4,507
Income tax expense	8	<b>(295)</b>	(1,716)
		<hr/>	<hr/>
Profit and total comprehensive income for the year		<b><u>3,921</u></b>	<u>2,791</u>
		<hr/>	<hr/>
Profit and total comprehensive income attributable to owners of the Company		<b><u>3,921</u></b>	<u>2,791</u>
		<hr/>	<hr/>
Earnings per share			
— Basic and diluted (HK cents)	10	<b><u>0.75</u></b>	<u>0.69</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Plant and equipment		1,680	1,650
Prepayments for acquisitions of plant and equipment		1,200	—
Deferred tax assets	<i>13</i>	530	—
		3,410	1,650
<b>Current assets</b>			
Account receivables	<i>11</i>	1,513	1,097
Prepayments, deposits and other receivables		2,511	3,070
Amount due from a substantial shareholder of the Company		94	—
Tax recoverable		458	—
Cash and cash equivalents		42,098	39,727
		46,674	43,894
<b>Current liabilities</b>			
Accruals, receipt in advance and other payables	<i>12</i>	2,660	2,021
Tax payable		—	20
		2,660	2,041
<b>Net current assets</b>		44,014	41,853
<b>Net assets</b>		47,424	43,503
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	5,225	5,225
Reserves		42,199	38,278
<b>Total equity</b>		47,424	43,503

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 1 March 2016</b>	—	—	3,372	12,006	15,378
Profit and total comprehensive income for the year	—	—	—	2,791	2,791
Special dividend declared <i>(note 9)</i>	—	—	—	(3,400)	(3,400)
Issue of new shares <i>(note 14(d))</i>	1,725	33,637	—	—	35,362
Capitalisation issue of shares <i>(note 14(e))</i>	3,500	(3,500)	—	—	—
Expenses incurred in connection with issue of new shares	—	(6,628)	—	—	(6,628)
<b>At 31 March 2017 and 1 April 2017</b>	5,225	23,509	3,372	11,397	43,503
Profit and total comprehensive income for the year	—	—	—	3,921	3,921
<b>At 31 March 2018</b>	<b><u>5,225</u></b>	<b><u>23,509</u></b>	<b><u>3,372</u></b>	<b><u>15,318</u></b>	<b><u>47,424</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL 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.

In the opinion of the directors of the Company, the ultimate controlling parties of the Group are Mr. Cheung Lick Keung (“**Mr. Cheung**”) and his brother Mr. Cheung Luk Sun, who collectively control the Company through shares of the Company held by Digital Achiever Limited (“**Digital Achiever**”) and Golden Dust Holdings Limited (“**Golden Dust**”), companies incorporated in the British Virgin Islands (the “**BVI**”) which are wholly owned by Mr. Cheung and Mr. Cheung Luk Sun 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”.

### 2. BASIS OF PRESENTATION

The Company became the holding company of the companies now comprising the Group subsequent to the completion of a corporate reorganisation (the “**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 (“**Billion Bright**”) 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, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2017 include the financial performance and cash flows 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. The consolidated statement of financial position of the Group as at 31 March 2017 have been prepared to present the financial position of all companies now comprising the Group as if the current group structure had been in existence as at the date.

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer’s interest in the fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

All significant intra-group transactions, balances 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.

### 3. BASIS OF PREPARATION

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.

### 4. ADOPTION OF HKFRSs

#### (a) Adoption of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (the “**new HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2017. The adoption of the new HKFRSs had no material impact on the Group’s consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle

**(b) New and revised HKFRSs that have been issued but are not yet adopted**

The following new and revised HKFRSs which are potentially relevant to the Group's consolidated financial statements have been issued but are not yet effective and have been early adopted by the Group.

Amendments to HKFRS 10, and HKAS 28 (2011)	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 40	Transfer of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 — 2017 Cycle <sup>5</sup>
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

<sup>5</sup> Effective for annual periods beginning on or after 1 January or 1 January 2018, as appropriate

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

## 5. 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:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Primary school tutoring services	<b>9,260</b>	7,501
Secondary school tutoring services	<b>27,213</b>	29,835
	<b>36,473</b>	37,336

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. During the year ended 31 March 2018, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers (2017: Nil).

## 6. 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 are analysed as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Income from tutoring services	<b>36,473</b>	37,336
Other income		
Interest income	<b>200</b>	88
Others	<b>4</b>	6
	<b>204</b>	94

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration	280	250
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	17,113	14,507
Pension scheme contributions		
— Defined contribution plan	786	645
	<u>17,899</u>	<u>15,152</u>

## 8. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax — Hong Kong	845	1,716
Over-provision in respect of prior years	<u>(20)</u>	<u>—</u>
Income tax expense	<u>825</u>	<u>1,716</u>
Deferred tax credit		
Origination of temporary differences ( <i>note 13</i> )	<u>(530)</u>	<u>—</u>
Income tax expense in the consolidated statement of profit or loss	<u>295</u>	<u>1,716</u>

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 March 2018.

## 9. DIVIDEND

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Special dividend of HK\$Nil (2017: HK\$3.4) per share	—	3,400

Special dividend of HK\$3.4 per share totally HK\$3,400,000 for the year ended 31 March 2017 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 these consolidated financial statements.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2018.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to the owners of the Company	3,921	2,791
<b>Number of shares</b>		
Weighted average number of shares for the purpose of calculating basic earnings per share	522,500,000	406,712,329

The number of shares used for the purpose of calculating basic earnings per share for the year ended 31 March 2017 had been retrospectively adjusted for the issue of shares during the Reorganisation and Capitalisation Issue (see Note 14(e)) as if the 350,000,000 shares had been in issue throughout the entire reporting periods.

Diluted earnings per share amount was the same as the basic earnings per share amount as there were no potential ordinary shares outstanding for the year ended 31 March 2018 (2017:Nil).

## 11. ACCOUNT RECEIVABLES

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Account receivables	<u><b>1,513</b></u>	<u>1,097</u>

For tutoring service income, there is no credit period granted as it is normally received in advance.

Ageing analysis of the Group's account receivables, based on the revenue recognition dates which also presented the ageing analysis of account receivables which are past but not impaired, at the end of each reporting period.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
1 to 90 days past due	<b>1,459</b>	1,002
Over 90 days past due	<u><b>54</b></u>	<u>95</u>
	<u><b>1,513</b></u>	<u>1,097</u>

The Group's account receivables were interest-free and relate to a large number of diversified customers and there was no significant concentration of credit risk. At 31 March 2018, there were no allowances for bad and doubtful debts provided as there was no recent history of significant default in respect of these customers (2017: Nil).

The directors of the Company consider that the fair values of account receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. The Group does not hold any collateral as security.

## 12. ACCRUALS, RECEIPT IN ADVANCE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accruals	1,846	1,327
Receipt in advance	509	444
Other payables	305	250
	<u>2,660</u>	<u>2,021</u>

## 13. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

### Deferred tax assets

	<b>The related depreciation in excess of depreciation allowance <i>HK\$'000</i></b>
At 1 April 2017	—
Deferred tax credited to the consolidated income statement during the year ( <i>Note 8</i> )	<u>530</u>
At 31 March 2018	<u><b>530</b></u>

Deferred tax assets have been recognised in inspect of the above mentioned deductible temporary differences as it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 14. SHARE CAPITAL

### Authorised and issued share capital

	2018		2017	
	Number of ordinary shares '000	Amount HK\$'000	Number of ordinary shares '000	Amount HK\$'000
<b>Authorised:</b>				
At 19 October 2015 (date of incorporation) and 1 April 2016 ( <i>note a</i> )/at 1 April 2017	2,000,000	20,000	38,000	380
Increase in authorised share capital ( <i>note b</i> )	—	—	1,962,000	19,620
At 31 March	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>				
Issue of share 19 October 2015 (date of incorporation) ( <i>note a</i> )	—	—	— <sup>^</sup>	— <sup>*</sup>
At 1 April 2016/at 1 April 2017	522,500	5,225	—	—
Issue of shares upon Reorganisation ( <i>note c</i> )	—	—	5	— <sup>*</sup>
Issue of new shares by Share Offer ( <i>note d</i> )	—	—	172,500	1,725
Capitalisation issue of shares ( <i>note e</i> )	—	—	349,995	3,500
At 31 March	<u>522,500</u>	<u>5,225</u>	<u>522,500</u>	<u>5,225</u>

<sup>^</sup> Number less than 1,000

<sup>\*</sup> Amount less than HK\$1,000

#### Notes:

- (a) The Company was incorporated in the Cayman Islands on 19 October 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each. Upon its incorporation, 1 share of HK\$0.01 was allotted and issued to the initial subscriber and was transferred to Digital Achiever on the same date.
- (b) Pursuant to the written resolutions of the shareholders passed on 3 November 2016, conditional on the conditions as set out in the section headed “Structure and conditions of the Share Offer” in the Prospectus, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by creation of an additional 1,962,000,000 shares to rank pari passu with the existing shares.

- (c) On 3 November 2016, Digital Achiever, Golden Dust and Wealth Secret Limited (“**Wealth Secret**”) transferred their entire shareholding interests in Billion Bright to Simple Joyous Limited (“**Simple Joyous**”) in consideration of the allotment and issue of 4,999 ordinary shares of the Company of HK\$0.01 each, all credited as fully paid.
- (d) On 2 December 2016, 172,500,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.205 by way of Share Offer. On the same date, the Company’s shares were listed on the Stock Exchange. The proceeds of HK\$1,725,000 representing the par value of the shares of the Company, were credited to the Company’s share capital. The remaining proceeds of HK\$33,637,500, before issuing expenses, were credited to the share premium account.
- (e) Pursuant to the written resolutions of the shareholders passed on 3 November 2016, conditional upon the share premium account of the Company being credited as a result of the Share Offer of the Company’s shares, the directors of the Company were authorised to capitalise an amount of HK\$3,499,950 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 349,995,000 shares for allotment and issue to the shareholders of the Company (the “**Capitalisation Issue**”), all of which shall rank pari passu in all respects with the existing shares. The Capitalisation Issue was completed on 2 December 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Tutoring services**

During the year, the Group kept focus mainly on its principal business in relation to the provision of tutoring services to secondary school students and primary school students in Hong Kong.

Due to decrease in number of secondary school students in Hong Kong caused by low birth rate in the early 2000s and increasing intense competition in New Territories West, the revenue and number of enrolments dropped from approximately HK\$37.3 million and 52,276 for the year ended 31 March 2017 to HK\$36.5 million and 44,884 for the year ended 31 March 2018 respectively, especially the revenue generated from and number of enrolments of tutoring services provided to secondary school students which dropped from approximately HK\$29.8 million and 46,297 for the year ended 31 March 2017 to approximately HK\$27.2 million and 36,903 for the year ended 31 March 2018, representing a decrease of approximately 8.8% and 20.3% comparing to that of previous financial year respectively.

To provide stable profit generated from tutoring services and strengthen the demand continuously, the management decided to allocate more resources in tutoring services provided to primary school students during the year ended 31 March 2018. The result was encouraging that the revenue generated from and number of enrolments of tutoring services provided to primary school students had increased from approximately HK\$7.5 million and 5,979 for the year ended 31 March 2017 to approximately HK\$9.3 million and 7,981 for the year ended 31 March 2018, representing an increase of approximately 23.5% and 33.5% comparing to that of previous financial year respectively.

To achieve economic of scale and better resources allocation, the Group opened new centres in Shatin as well as Tsz Wan Shan and closed two centres in Tuen Mun and Yuen Long upon the end of tenancy period during the year ended 31 March 2018. We are currently operating 14 tutorial centres.

#### **Environmental Policies and Performance**

The Board admits the responsibility to environmental protection. Over the years, the Group has committed to reduce pollution and waste with a view of efficient and effective resources utilisation in our tutorial centres. Staff are reminded from time to time to this direction of the Group in this respect.

## **Compliance with the Relevant Laws and Regulations**

The Group endeavours to comply with all legal and regulatory requirements, especially Education Ordinance, Copyright Ordinance and Trade Descriptions Ordinance. In relation to the human resources, the Group is committed to comply with the requirements of the applicable laws and regulations, such as the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, ordinances in relation to discrimination, the Personal Data (Privacy) Ordinance and the Minimum Wage Ordinance.

During the year ended 31 March 2018, there was no material breach of or non-compliance with the applicable laws and rules by the Group.

## **Relationships with Employees, Customers and Suppliers**

The Group recognises importance of retaining talents to ensure the continuity of business. The Group has established all-rounded staff policy and guidelines for staff welfare, support the development of talent and provide a safe workplace for staff. The Group encouraged employees to update their work-related knowledge, skill by providing training offered by external organisations. During the year ended 31 March 2018, the average number of employee increased to 79 from 69 for the year ended 31 March 2017. During the year, no violation of labour law was recorded. The customers of the Group included students and their parents considering the services are always paid by either one of them. During the year, there was no material dispute between the Group and the customers/suppliers.

## **OUTLOOK**

Looking ahead, benefit from recovery of global economy and low interest rate, the economic outlook of Hong Kong in 2018 is rather optimistic and hence its economic activities are expected continue to strengthen in 2018. However, the Group continues to allocate resources carefully to optimise the profitability and remain competitive in the keen competition.

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 and follow the future plans disclosed in the prospectus issued by the Company dated 17 November 2016 (the “Prospectus”). The Directors believe the number of primary school students in Hong Kong will increase in coming years due to the increase of birth rate after 2007. It is further supported by the improving results generated from provision of tutoring services to primary school students. Hence, in addition to the future plans disclosed in the Prospectus, the Group will seek to introduce more innovative courses, expand our network via developing franchise program and explore any investment opportunities in education industry of People’s Republic of China (the “PRC”) which

all them will be funded by internally generated resources of the Group. The management expect that this business segment will continue contribute to the Group's revenue and gross profit.

The Board is still seeking other investment opportunities aiming at exploring the feasibility of further expansion in tutoring business including but not limited to tutoring businesses in Hong Kong and the PRC.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 March 2018, the Group recorded total revenue of approximately HK\$36.5 million, representing a decrease of approximately 2.3% as compared to approximately HK\$37.3 million for the year ended 31 March 2017. The decrease was mainly due to the decrease of approximately HK\$2.6 million or 8.8% in revenue generated from secondary school tutoring services, which is offset by the increase of approximately HK\$1.8 million or 23.5% in revenue generated from primary school tutoring services.

### **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 18.1% from approximately HK\$15.2 million for the year ended 31 March 2017 to HK\$17.9 million for the year ended 31 March 2018, which was primarily resulted from the recruitment of more staff to support its expanding operations in New Territories and the increase in other staff benefits. As at 31 March 2018, we had a total of 83 (2017: 74) employees.

### **Operating lease expense**

The operating lease expense comprises rental expenses of tutorial centres. For the year ended 31 March 2018, operating lease expense increased by approximately HK\$0.90 million or approximately 11.9% to approximately HK\$8.5 million from approximately HK\$7.6 million of previous financial year. The increase was mainly due to rise of monthly rental during renewal and signing of new tenancy agreements, which was partly offset by non-renewal of two expired tenancy agreements.

### **Net profit and net profit margin**

The Group recorded a profit attributable to owners of the Company amounted to approximately HK\$3.9 million for the year ended 31 March 2018 (2017: HK\$2.8 million), representing an increase of approximately 40.5% from the same period of previous financial year. Such increase was primarily due to saving of listing expenses since the Company was successfully listed on GEM of the Stock Exchange on 2 December 2016, which offset by an increase in i) employee benefit expenses of approximately HK\$2.7 million and ii) operating lease expenses of approximately HK\$0.9 million for the year ended 31 March 2018 as compared to that of previous financial year. The net profit margin increased to 10.8% for the year ended 31 March 2018 from 7.5% of the corresponding period in 2017.

### **Prepayments for acquisitions of plant and equipment**

Prepayments for acquisitions of plant and equipment of the Group mainly represented the prepayments for acquisitions of plant and equipment. As at 31 March 2018, it amounted to HK\$1.2 million (2017: HK\$Nil). Prepayments for acquisitions of plant and equipment have not started to depreciate yet.

### **CONTINGENT LIABILITIES**

As at 31 March 2018, the Group did not have any significant contingent liabilities.

### **USE OF NET PROCEEDS FROM LISTING**

The shares of the Company have been listed on the GEM by way of placing and public offer of shares on 2 December 2016. Net proceeds from the Listing (after deducting underwriting commission and relevant expenses) amounted to approximately HK\$16.8 million. Since the actual net proceeds from the Listing was different from the estimated net proceeds of approximately HK\$15.0 million as set out in the Prospectus, the Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus.

As at 31 March 2018, the unutilised proceeds were deposited in a licensed bank in Hong Kong.

	<b>Adjusted use of proceeds in the same manner as stated in the Prospectus HK\$ million</b>	<b>Planned use of net proceeds as stated in the Prospectus up to 31 March 2018 HK\$ million</b>	<b>Actual use of net proceeds up to 31 March 2018 HK\$ million</b>
Expansion of network	13.0	7.3	6.8
Enhancement of existing centres, facilities and equipment and IT systems	1.9	1.7	1.6
Staff training ( <i>Note (a)</i> )	0.4	0.4	0.2
Marketing and promotion and other brand building activities	1.5	1.2	1.2
Total	<u>16.8</u>	<u>10.6</u>	<u>9.8</u>

*Note (a):* The actual use of the net proceeds was less than the estimated one, which was mainly because the Group is still identifying appropriate external training programs and external trainers for improving quality of the staff.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

The Company or its subsidiaries have entered into a number of transactions with entities in which an executive Director has substantial shareholding.

Save as disclosed above, no transaction, arrangement or contract of significance, to which the Company, any of its controlling entities or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, directly or indirectly, subsisted during or at the end of the Year.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the year ended 31 March 2018, 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.

## **DIVIDENDS**

The Directors do not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).

## **SHARE OPTION SCHEMES**

No share options have been granted or agreed to be granted during the year ended 31 March 2018.

## **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 year ended 31 March 2018.

## **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 year ended 31 March 2018.

## **CORPORATE GOVERNANCE PRACTICES**

During the accounting period covered by this announcement, 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 for certain 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 (“**Mr. Cheung**”) 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 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**

During the year ended 31 March 2018 and up to the date of this announcement, 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 to 5.33 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, together with the Board and external auditor, has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2018 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.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY THE AUDITOR**

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 March 2018, but represents an extract from those consolidated financial statements. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This preliminary results announcement will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.goldwayedugp.com](http://www.goldwayedugp.com)). The annual report for the financial year will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 June 2018

*As at the date of this announcement, 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.*