

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

This announcement 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 announcement will also be published on the Company’s website at www.goldwayedugp.com.

* for identification only

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2018, unaudited operating results of the Group were as follows:

- revenue of approximately HK\$17.3 million, which is similar to the revenue of the same period of previous financial year;
- profit for the six months ended 30 September 2018 amounted to approximately HK\$1.4 million, representing an increase of 12.4% from the same period of previous financial year; and
- the Directors do not recommend the payment of interim dividend for the six months ended 30 September 2018.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of Directors (the “**Board**”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 (the “**Reporting Period**”) together with the comparative unaudited figures for the corresponding period in 2017 as follows:

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

For the six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	8,049	8,031	17,300	17,260
Other income	3	83	72	170	84
Advertising expenses		(189)	(86)	(271)	(133)
Building management fees and rates		(220)	(205)	(422)	(419)
Depreciation expenses		(415)	(304)	(705)	(520)
Employee benefit expenses		(4,254)	(4,104)	(8,108)	(8,005)
Operating lease expenses		(2,094)	(2,171)	(4,105)	(4,308)
Other operating expenses		(1,161)	(1,696)	(2,230)	(2,478)
(Loss)/Profit before income tax expense		(201)	(463)	1,629	1,481
Income tax expense	5	50	77	(239)	(244)
(Loss)/Profit and total comprehensive income attributable to owners of the Company for the period		(151)	(386)	1,390	1,237
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Basic (losses) earnings per share attributable to equity holders of the Company for the period	6	(0.03)	(0.07)	0.27	0.24

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	30 September	31 March
	2018	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
ASSETS AND LIABILITIES		
Non-current assets		
Plant and equipment	8 3,237	1,680
Prepayments for acquisitions of plant and equipment	—	1,200
Deferred tax assets	530	530
	3,767	3,410
Current assets		
Account receivables	9 1,000	1,513
Prepayments, deposits and other receivables	10 2,645	2,511
Amount due from a substantial shareholder of the Company	94	94
Tax recoverable	653	458
Cash and cash equivalents	42,580	42,098
	46,972	46,674
Current liabilities		
Accruals, receipt in advance and other payables	11 1,925	2,660
Tax payable	—	—
	1,925	2,660
Net current assets	45,047	44,014
Net assets	48,814	47,424
EQUITY		
Equity attributable to owners of the Company		
Share capital	12 5,225	5,225
Reserves	43,589	42,199
Total equity	48,814	47,424

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
Balance as at 1 April 2017	5,225	23,509	3,372	11,397	43,503
Profit and total comprehensive income for the year	—	—	—	3,921	3,921
At 31 March 2018 and 1 April 2018	5,225	23,509	3,372	15,318	47,424
Profit and total comprehensive income for the period	—	—	—	1,390	1,390
Balance as at 30 September 2018 (unaudited)	<u>5,225</u>	<u>23,509</u>	<u>3,372</u>	<u>16,708</u>	<u>48,814</u>
Balance as at 1 April 2017	5,225	23,509	3,372	11,397	43,503
Profit and total comprehensive income for the period	—	—	—	1,237	1,237
Balance as at 30 September 2017 (unaudited)	<u>5,225</u>	<u>23,509</u>	<u>3,372</u>	<u>12,634</u>	<u>44,740</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	1,169	367
Net cash used in investing activities	(687)	(1,119)
Net cash generated/(used in) financing activities	—	—
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	482	(752)
Cash and cash equivalents at 1 April	42,098	39,727
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<u>42,580</u>	<u>38,975</u>

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 GEM of the Stock Exchange 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 and his brother Mr. Cheung Luk Sun, who collectively control the Company through shares of the Company held by Digital Achiever Limited and Golden Dust Holdings Limited, companies incorporated in the British Virgin Islands 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 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 September 2017 and 2018 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.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from Contracts with Customers

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities of the Group remain the same under HKFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows of each group receivables are estimated on the basis of historical credit loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount.

Impact of the ECL model

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Group's financial assets as at 1 January 2018.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

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 are analysed as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Income from tutoring services	<u>8,049</u>	<u>8,031</u>	<u>17,300</u>	<u>17,260</u>
Other income				
Interest income	<u>83</u>	<u>72</u>	<u>170</u>	<u>84</u>

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		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Primary tutoring services	<u>2,119</u>	<u>1,841</u>	<u>4,769</u>	<u>3,958</u>
Secondary tutoring services	<u>5,930</u>	<u>6,190</u>	<u>12,531</u>	<u>13,302</u>
	<u>8,049</u>	<u>8,031</u>	<u>17,300</u>	<u>17,260</u>

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 six months ended 30 September 2018, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers (2017: Nil).

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2017 and 2018.

6. EARNINGS PER SHARE

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
(Loss)/Profit for the period attributable to the owners of the Company	<u>(151)</u>	<u>(386)</u>	<u>1,390</u>	<u>1,237</u>
Number of shares				
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>522,500,000</u>	<u>522,500,000</u>	<u>522,500,000</u>	<u>522,500,000</u>

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive shares outstanding for the six months ended 30 September 2017 and 2018.

7. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2018.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$1,807,000 (six months ended 30 September 2017: HK\$1,119,000).

9. ACCOUNT RECEIVABLES

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Account receivables	<u>1,000</u>	<u>1,513</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 transaction dates which also presented the ageing analysis of account receivables which are past but not impaired, at the end of each reporting period.

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
1 to 90 days past due	1,000	1,459
Over 90 days past due	<u>—</u>	<u>54</u>
	<u>1,000</u>	<u>1,513</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 30 September 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.

10. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Prepayments	121	46
Deposits	2,523	2,379
Other receivables	1	86
	<u>2,645</u>	<u>2,511</u>

11. ACCRUALS, RECEIPT IN ADVANCE AND OTHER PAYABLES

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Accruals	1,337	1,846
Receipt in advance	476	509
Other payables	112	305
	<u>1,925</u>	<u>2,660</u>

12. SHARE CAPITAL

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid: 522,000,000 ordinary shares of HK\$0.01 each	<u>5,225</u>	<u>5,225</u>

13. RELATED PARTY TRANSACTIONS

(a) Balances and transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating lease charges paid to a director and close family members of a director (<i>note</i>)	<u>120</u>	<u>120</u>

Note: The operating leases are charges by the respective related parties at HK\$10,000 (2017: HK\$10,000) per month and the lease terms will be expired on 31 March 2019.

(b) Commitments with related parties

In respect of the operating lease arrangements entered with related parties as disclosed in above, the future minimum rental payable under non-cancellable operating leases of the Group in respect of properties was HK\$120,000 (2017: HK\$120,000) as of 30 September 2018.

(c) Senior management's emoluments

The emoluments paid or payable to members of senior management of the Group and the Company (including directors' emoluments) are as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	927	1,047
Pension scheme contributions	<u>28</u>	<u>30</u>
	<u>955</u>	<u>1,077</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

According to Student Enrolment Statistics, 2017/18 issued by Education Bureau, the number of primary school student enrolment in day schools of 2017/18 is 340,317, representing an increase of 4% from that of 327,915 in 2016/17. The number of secondary school student enrolment in day schools of 2017/18 is 313,848, representing a decrease of 2% from that of 321,488 in 2016/17.

Since beginning of this financial year, benefiting from increasing number of primary school student in Hong Kong, the revenue generated from primary school tutoring services has increased to approximately HK\$4.8 million, representing an increase of 20% comparing to that of the same period last financial year. However, due to decrease in number of secondary school student in Hong Kong and increasing intense competition in New Territories West, the revenue generated from secondary school tutoring services has decreased to approximately HK\$12.5 million, representing a decrease of 6% comparing to that of the corresponding period last financial year.

During the current reporting period, the Group remained to focus on provision of tutoring services to secondary school students and primary school students in Hong Kong and continued to develop and expand the geographic coverage. As at 30 September 2018, the Group had a total of 14 centres.

In order to expand the geographic coverage in a more efficient way, we started franchise program and placed emphasis on the guidance and training of franchisees during the six months ended 30 September 2018.

Outlook

The Group will always focus on provision of tutoring services to secondary school students and primary school students in Hong Kong and will keep the strategy on allocating more resources to primary school tutoring services supported by its improving results. The Group will also follow the future plans disclosed in the prospectus issued by the Company dated 17 November 2016 (the “**Prospectus**”).

Moving forward, the management expects competition in tutoring services will still be very keen. Hence, besides expanding the geographic coverage by expansion and franchise program, the Group will proactively explore business collaboration and investment opportunities in education sector including but not limited to tutoring businesses in Hong Kong using internally generated resources.

Financial Review

Revenue

For the six months ended 30 September 2018, the Group recorded total revenue of approximately HK\$17.3 million, which is similar to that of approximately HK\$17.3 million for the six months ended 30 September 2017. There was an increase of approximately HK\$0.8 million or 20.5% in revenue generated from primary school tutoring services, which is offset by decrease of approximately HK\$0.8 million or 5.8% in revenue generated from secondary 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 slightly increased by 1.3% from approximately HK\$8.0 million for the six months ended 30 September 2017 to HK\$8.1 million for the six months ended 30 September 2018, which was primarily resulted from new hires for new expansion area.

Operating lease expenses

The operating lease expense comprises rental expenses of tutorial centres. For the six months ended 30 September 2018, operating lease expense decreased by approximately 4.7% to approximately HK\$4.1 million from approximately HK\$4.3 million of the same period of previous financial year. The decrease was mainly due to two expired tenancy agreements not being renewed because of better resource allocation, which was partly offset by increase in monthly rental during renewal and signing of new tenancy agreements.

Net profit and net profit margin

The Group recorded a profit attributable to owners of the Company amounted to approximately HK\$1.4 million for the six months ended 30 September 2018 (2017: HK\$1.2 million), representing an increase of approximately 12.4% from the same period of previous financial year. Such increase was primarily due to decrease of monthly rental expenses of approximately HK\$0.2 million and the decrease of other operating expenses of approximately HK\$0.2 million. As a result, net profit margin increased to 8.0% for the six months ended 30 September 2018 from 7.2% for the six months ended 30 September 2017.

CONTINGENT LIABILITIES

As at 30 September 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 30 September 2018, the unutilised proceeds were deposited in a licensed bank in Hong Kong.

	Adjusted use of proceeds in the same manner as stated in the Prospectus <i>HK\$ million</i>	Planned use of net proceeds as stated in the Prospectus up to 30 September 2018 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2018 <i>HK\$ million</i>
Expansion of network	13.0	11.2	11.1
Enhancement of existing centres, facilities and equipment and IT systems	1.9	1.7	1.6
Staff training	0.4	0.4	0.4
Marketing and promotion and other brand building activities	1.5	1.5	1.5
	<u>16.8</u>	<u>14.8</u>	<u>14.6</u>
Total	<u><u>16.8</u></u>	<u><u>14.8</u></u>	<u><u>14.6</u></u>

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.

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 September 2018, 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 (<i>Note 1</i>)	166,810,000	31.96%
Ms. Chan Hoi Ying Karina	Interest of spouse (<i>Note 2</i>)	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 September 2018, 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 September 2018, 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 (<i>Note 1</i>)	166,810,000	31.96%
Golden Dust Holdings Limited	Beneficial owner (<i>Note 2</i>)	166,740,000	31.94%
Mr. Cheung Luk Sun	Interest in controlled Corporation (<i>Note 2</i>)	166,740,000	31.94%
Ms. Wong Sau Yee Margaret	Interest of spouse (<i>Note 3</i>)	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 September 2018, 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 six months ended 30 September 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 September 2018 and up to the date of this announcement, 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 (“**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 six months ended 30 September 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 has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 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.

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

Hong Kong, 13 November 2018

As at the date of this announcement, the executive Directors are Mr. Cheung Lick Keung, Ms. Chan Hoi Ying Karina and Mr. Abd Kadir Bin Abd Rashid; 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.