

Goldway Education Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8160

2022

FIRST QUARTERLY REPORT



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 small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Director(s)**”) of Goldway Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on the 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 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.

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2022, unaudited operating results of the Group were as follows:

- revenue of approximately HK\$10.1 million, representing an increase of 25.5% comparing to the same period of previous financial year;
- loss for the three months ended 30 June 2022 amounted to approximately HK\$0.7 million; and
- the Directors do not recommend the payment of interim dividend for the three months ended 30 June 2022.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2022

The board of Directors (the “**Board**”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative unaudited figures for the corresponding period in 2021 as follows:

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

For the three months ended 30 June 2022

	Notes	Three months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	10,144	8,084
Other income	3	621	1
Advertising expenses		(11)	(30)
Building management fees and rates		(218)	(60)
Depreciation expenses		(1,828)	(1,289)
Employee benefit expenses		(6,983)	(5,366)
Other operating expenses		(2,374)	(1,315)
Finance costs		(99)	(150)
Loss before income tax expense		(748)	(125)
Income tax expense	5	–	–
Loss and total comprehensive loss attributable to owners of the Company for the period		(748)	(125)
		HK cent	HK cent
Basic loss per share attributable to equity holders of the Company	6	(0.14)	(0.02)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2022

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1 April 2021	5,225	23,509	3,372	3,038	35,144
Loss and total comprehensive loss for the year	-	-	-	(6,968)	(6,968)
At 31 March 2022 and 1 April 2022	5,225	23,509	3,372	(3,930)	28,176
Loss and total comprehensive loss for the period	-	-	-	(748)	(748)
Balance as at 30 June 2022 (unaudited)	5,225	23,509	3,372	(4,678)	27,428
Balance as at 1 April 2021	5,225	23,509	3,372	3,038	35,144
Loss and total comprehensive loss for the period	-	-	-	(125)	(125)
Balance as at 30 June 2021 (unaudited)	5,225	23,509	3,372	2,913	35,019

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 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, as at 31 March 2022 and 2021, the ultimate controlling parties of the Group were 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 and Golden Dust Holdings Limited, companies incorporated in the British Virgin Islands (the “**BVI**”) which are wholly-owned by Mr. Cheung and Mr. Cheung Luk Sun respectively. Upon the change of shareholding of the Company on 20 May 2022, the ultimate controlling company and ultimate controlling party of the Group have been changed to Greet Harmony Global Limited, a company incorporated in the BVI, and Mr. Tao Wah Wai Calvin, an executive director of the Company, respectively.

The Group is principally engaged in the provision of tutoring services and franchising services in Hong Kong. The Group provides private tutoring services including primary and secondary tutoring services under the trade name of “Logic Tutorial Centre” and “Pedagog Education 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 June 2021 and 2022 include the financial performance of all companies now comprising the Group, as if the current structure had been in existence throughout the reporting periods, or since their respective dates of incorporation, where there is a shorter period.

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 March 2022.

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 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from contracts with customers		
Income from tutoring services	10,063	8,056
Income from continuing franchising income	81	28
	10,144	8,084
Other income		
Interest income	1	1
Others (Note)	620	-
	621	1

Note: For the three months ended 30 June 2022, government grants amounted to HK\$0.6 million (2021: nil) were rewarded to the Group for anti-epidemic.

4. SEGMENT INFORMATION

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

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Primary tutoring services	2,812	1,804
Secondary tutoring services	7,251	6,252
Franchise services	81	28
	10,144	8,084

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 three months ended 30 June 2022, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers (2021: 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 three months ended 30 June 2021 and 2022.

6. LOSS PER SHARE

	For the three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss		
Loss for the period attributable to the owners of the Company	(748)	(125)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	522,500,000	522,500,000

Diluted loss per share amount was the same as basic loss per share amount as there were no potential dilutive shares outstanding for the three months ended 30 June 2021 and 2022.

7. DIVIDEND

The Directors do not recommend the payment of interim dividend for the three months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Tutorial Business

During the three months ended 30 June 2022, the Group's principal business is provision of tutoring services to secondary school students and primary school students in Hong Kong. During the three months ended 30 June 2022, the income from tutorial business increased by 24.9% comparing to that of the same period last year. 27.9% of income from tutorial business generated from primary school tutoring services and 72.1% of income from tutorial business generated from secondary school tutoring services. Currently, we are operating 12 tutorial centres.

Franchise Business

The income from franchise program was approximately HK\$81,000 for the three months ended 30 June 2022 (2021: approximately HK28,000). As at 30 June 2022, we have franchise centres covering Kowloon and the New Territories.

Outlook

Having the right direction leaded and strategies set by the experienced management team as well as the great effort put by the staff, continuous improvement was seen during the period. The management believes by repeating it, further growth of business in both primary tutoring services and secondary tutoring services would be resulted. The Group will continuously focus on tutoring services business and remain our competitive advantages in the keen competitions. Meanwhile, the franchise business will be further developed to seize opportunity of further growth.

Our experienced management team will also look for suitable investment opportunities continuously including but not limited to tutoring businesses in Hong Kong to maintain the competitiveness of the Group and creating value for all stakeholders.

Financial Review

Revenue

For the three months ended 30 June 2022, the Group recorded total revenue of approximately HK\$10.1 million, representing an increase of approximately 25.5% as compared to approximately HK\$8.1 million for the three months ended 30 June 2021. The increase was mainly due to the increase of approximately 16.0% in revenue generated from secondary school tutoring services and approximately 55.9% in revenue generated from primary school tutoring services.

Depreciation expenses

Depreciation of property, plant and equipment comprises depreciation for right-of-use asset, leasehold improvement and other equipment. Depreciation of property, plant and equipment increased by approximately HK\$0.5 million from approximately HK\$1.3 million for the three months ended 30 June 2021 to approximately HK\$1.8 million for the three months ended 30 June 2022.

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 30.1% from approximately HK\$5.4 million for the three months ended 30 June 2021 to approximately HK\$7.0 million for the three months ended 30 June 2022 mainly due to increase of headcount in order to cope with the growth of business.

Net profit and net profit margin

The Group recorded a loss attributable to owners of the Company amounted to approximately HK\$0.7 million for the three months ended 30 June 2022 (2021: loss of approximately HK\$0.1 million) mainly due to increase in staff costs for the growth of business. The net profit margin resulted in -7.4% for the three months ended 30 June 2022 (2021: -1.5%).

Contingent liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

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

As at 30 June 2022, 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 ^(Note 2)
Mr. Tao Wah Wai Calvin (“ Mr. Tao ”)	Interest in controlled corporation ^(Note 1)	28,762,000	5.50%

Notes:

1. The entire issued share capital of Greet Harmony Global Limited is legally and beneficially owned by Mr. Tao. Mr. Tao is deemed to be interested in the Shares in which Greet Harmony Global Limited is interested in under Part XV of the SFO.
2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2022 (i.e. 522,500,000 Shares).

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company or their associates had any interest or short position in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange.

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

As at 30 June 2022, 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 5% 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 Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of issued share <small>(Note 2)</small>
Greet Harmony Global Limited	Beneficial owner <small>(Note 1)</small>	28,762,000	5.50%

Notes:

1. The entire issued share capital of Greet Harmony Global Limited is legally and beneficially owned by Mr. Tao. Mr. Tao is deemed to be interested in the Shares in which Greet Harmony Global Limited is interested in under Part XV of the SFO.
2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2022 (i.e. 522,500,000 Shares).

Save as disclosed above and as at 30 June 2022, the Directors are not aware of any interests or short positions owned by any 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 disclosed under Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the three months ended 30 June 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 30 June 2022 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.

CORPORATE GOVERNANCE PRACTICES

Throughout the period of three months ended 30 June 2022 and the up to the date of this report, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

On 5 August 2022, Mr. Ho Kin retired as an independent non-executive Director and member of each audit committee, remuneration committee and nomination and corporate governance committee of the Company, the Company failed to meet the following requirements: (i) the requirement under 5.28 of the GEM Listing Rules and the terms of reference of the audit committee of the Company that the audit committee must comprise a minimum of three members; (ii) the requirement that the remuneration committee shall comprise a minimum of three members pursuant to the terms of reference of the remuneration committee of the Company; and (iii) the requirement that the nomination and corporate governance committee shall comprise a minimum of three members under the terms of reference of the nomination and corporate governance committee of the Company.

On 8 August 2022, Mr. Wong Chi Man was appointed as an independent non-executive Director, a member of audit committee and a member of remuneration committee. Mr. Yu Lap Pan, an independent non-executive Director of the Company, was appointed as a member of remuneration committee and a member of nomination and corporate governance committee. Mr. Hu Chao, an independent non-executive Director of the Company, was appointed as the chairman of remuneration committee, a member of audit committee and a member of nomination and corporate governance committee. After the appointment of independent non-executive Director and the change of composition of board committees, (i) the audit committee of the Company has three members and all members are independent non-executive Directors, thus meet the requirement under Rule 5.28 of the GEM Listing Rules and the terms of reference of the Audit Committee of the Company; (ii) the remuneration committee of the Company has three members and all members are independent non-executive Directors, thus meet the requirement the terms of reference of the remuneration committee of the Company; and (iii) the nomination and corporation governance committee of the Company has three members, thus meet the requirement under the terms of reference of the Nomination and corporate governance committee of the Company.

For the details information, please refer to the announcements of the Company dated 5 August 2022 and 8 August 2022.

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. Yu Lap Pan, Mr. Hu Chao and Mr. Wong Chi Man, all being the independent non-executive Directors of the Group. Mr. Yu Lap Pan is the chairman of the audit committee. The audit committee has reviewed the audited consolidated financial statements of the Group for the three months ended 30 June 2022 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 Hiu Fung
Chairman and Executive Director

Hong Kong, 12 August 2022

As at the date of this report, the executive Directors are Mr. Cheung Hiu Fung, Mr. Hui Ka Fai and Mr. Tao Wah Wai Calvin, and the independent non-executive Directors are Mr. Yu Lap Pan, Mr. Hu Chao and Mr. Wong Chi Man.