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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)

SUPPLEMENTAL ANNOUNCEMENT TO DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF SHARES UNDER SPECIFIC MANDATE

Reference is made to the announcement of the Company dated 15 February 2023 (the “**Announcement**”) relating to the Acquisition. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Board would like to provide the following additional information relating to the Acquisition:

1. PRELIMINARY VALUATION OF THE TARGET

Valuation methodology

For the valuation analysis, the market-based approach was adopted in arriving at the market value of the equity interest of the Target. Under the market-based approach, the price-to-pre-tax earnings (“**P/E**”) ratio from the comparable companies were adopted for valuation analysis for the Target.

Major assumptions of the preliminary valuation

The major assumptions adopted for the preliminary valuation are:

- The financial position of the Target will have no material difference with the management account for the year ended 31 December 2022 provided by its management;
- The information provided, and the representations made by the Target's management with regard to the Target's financial and business affairs are accurate and reliable;
- The Target will continue to operate as a going concern and has sufficient liquidity and capability to achieve the financial projection;
- The Target has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business;
- Upon expiry of the current permits/ business certificates/ licenses/ legal approvals, the Target is able to renew all such documents to operate the business with de minimis expenses;
- There will be sufficient supply of technical staff in the industry in which the Target operate or intend to operate, and the Target will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- There will be no major changes in the current taxation laws in the localities in which the Target operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Target;

- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target's business; and
- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the equity value of the Target as of the date of valuation.

Selection of the comparable companies

The listed companies with business scopes and operations similar to those of the Target were selected as comparable companies with reference to the following selection criteria:

- The companies are principally engaged in financial printing mainly in Hong Kong;
- The companies are profit-making in the latest 12-month period extracted from Bloomberg database; and
- The financial information of the companies is available to the public.

The independent valuer has identified a total of four companies in the financial printing industry which satisfied the above selection criteria. These listed comparable companies represented an exhaustive list of comparable companies, details of which are set out as follows:

Company Name	Stock Code	Latest twelve months P/E multiple
REF Holdings Limited	1631.hk	12.76
Wonderful Sky Financial Group Holdings Limited	1260.hk	5.27
A.Plus Group Holdings Limited	1841.hk	8.23
HM International Holdings Limited	8416.hk	4.32
Median		6.75
Average		7.64

The median of the P/E ratio of the comparable companies of 6.75x was adopted as the valuation multiple.

Valuation conclusion

The Valuer assessed the market value of entire equity interests of the Target based on (i) the net profit before tax of the Target of approximately HK\$21.7 million for the year ended 31 December 2022; (ii) multiplied by the median P/E multiple of 6.75; and (iii) a marketability discount of 15.80% with reference to the result of the restricted stock study published in “Stout Restricted Stock Study Companion Guide 2021” by Stout Risius Ross, LLC. The market value of 7.43% equity interests of the Target Group derived therefrom was approximately HK\$9,190,000 as at 31 December 2022.

Directors’ assessment of the consideration in view of the preliminary valuation

The Board has discussed with the independent valuer and reviewed the valuation methodology, major assumptions of the valuation as well as the valuation report prepared by the independent valuer, the Board considers the valuation is a reasonable estimate of the market value of the equity interest in the Target. The consideration of HK\$9 million is determined after arm’s length negotiation of which is less than the preliminary valuation and represented a discount of approximately 2.1% thereof.

2. INFORMATION ON THE TARGET

The ultimate beneficial owner of the remaining 92.57% equity interests of the Target is Mr. Tsang Kwong Chiu Kevin who, to the best of the Directors’ knowledge, information and belief, and after making all reasonable enquiries, is a third party independent of the Company and its connected persons.

3. REASONS FOR THE ACQUISITION

As disclosed in the Announcement and the Company’s annual report for the year ended 31 March 2022, the Group has continually recorded losses for the last four financial years and for the nine months ended 31 December 2022 and had therefore resolved to seek out suitable investment opportunities, not limited to tutoring businesses, to maintain the competitiveness of the Group and create value for all stakeholders. As part of this initiative, the Company entered into the Agreement in respect of the Acquisition on 15 February 2022.

As set out in the Announcement, the Target is principally engaged in the provision of financial printing services in Hong Kong while the Group is principally engaged in, among others, providing education related tutoring services. Despite the Target and the Company are principally engaged in different businesses, the Company was impressed by the historical financial performance of the Target and has a positive outlook for the financial printing industry in Hong Kong. The Target recorded a year-on-year growth in net profit of approximately 128.9% and 39.5% for each of the years ended 31 December 2021 and 2022, respectively. In view of the continued growth in profitability of the Target, coupled with the promising outlook of the financial printing industry in Hong Kong, as elaborated in the Announcement in the section headed “Reasons for the Acquisition”, the Company considers the Acquisition represents an attractive investment opportunity for the Group to enter into the financial printing industry.

As set out in the Announcement, the consideration for the Acquisition was determined with reference to (i) the preliminary valuation of the Target as at 31 December 2022 prepared by an independent valuer; (ii) the historical financial performance of the Target; and (iii) the future prospects of the Target. The consideration for the Acquisition of HK\$9 million represents a discount of approximately 2.1% to the valuation of 7.43% equity interests of the Target of HK\$9,190,000 as set out in the draft valuation report. In light of the above, the Company is of the view that the consideration of the Acquisition is fair and reasonable.

The cash and cash equivalents of the Group was approximately HK\$5.5 million as at 30 September 2022, respectively. Having considered the cash position of the Company, the Directors are of the view that the allotment and issue of the Consideration Shares to settle the major portion of the consideration in the amount of HK\$7 million will allow the Group to reserve its remaining cash for working capital purposes and to avoid creating additional pressure on the Group’s cash flow and liquidity. As such, the Company considers the allotment and issue of the Consideration Shares is in the interests of the Company and the Shareholders as a whole.

In view of the above, including the positive outlook of the Target and the financial printing industry, the equity valuation of the Target, and the cash position of the Group, the Company considers the terms of the Acquisition, including the allotment and issue of the Consideration Shares is, on balance, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By Order of the Board of
Goldway Education Group Limited
Tao Wah Wai Calvin
Executive Director

Hong Kong, 22 February 2023

As at the date of this announcement, the executive Directors are Mr. Tao Wah Wai Calvin and Mr. Leung Wai Tai, and the independent non-executive Directors are Mr. Yu Lap Pan, Mr. Hu Chao and Mr. Wong Chi Man.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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 purpose only*