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)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 6 September 2022, the Company entered into the Agreement with the Vendor for the acquisition of 55% issued shares of the Target at the consideration of HK$11 million which will be satisfied as to HK$9 million in cash and HK$2 million by way of Promissory Note.

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE AGREEMENT

Date: 6 September 2022

Parties:

1. All Perfect Developments Limited as vendor;

2. the Company as purchaser.

The Vendor is principally engaged in investment holding and is wholly owned by Mr. Ng Pak Kui. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Assets to be acquired

The Company shall acquire 55% issued ordinary shares in the Target.

Consideration

The consideration is HK$11 million, which is subject to the section headed "Profit guarantee and compensation" below.

The consideration is to be satisfied by the Company as follows:

1. HK$9 million by cash upon completion;
2. HK$2 million by way of issuing the Promissory Note to the Vendor or its nominees upon completion.

Basis of consideration

The consideration of HK$11 million was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the profit guarantee provided by the Vendor under the Agreement on the aggregate net profit before tax of the Target Group for the first two years immediately after Completion of not less than HK$4 million as set out under the section headed "Profit guarantee and compensation" below and (ii) the future prospects of the business of the Target as set out under the section "REASONS FOR THE ACQUISITION" below.

The said profit guarantee represented an average net profit before tax of HK$1,100,000 attributable to the Company's interest in the Target Group for each of the first and second year after Completion. Hence the consideration of HK$11 million represented 10 times the profit attributable to the Company's interest in the Target Group for each of the first and second year after Completion, which the Board considered to be reasonable. Pursuant to the Agreement, if the profit guarantee was not met, the Vendor shall pay compensation to the Purchaser on a pro-rata basis. After taking into account of the low price-to-earnings ratio of the profit guarantee and the compensation mechanism under the Agreement, the Board considered that it is fair and reasonable to determine the consideration based on the profit guarantee.

Accordingly the Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Profit guarantee and compensation

The Vendor guarantees to the Company that the aggregate audited net profit before tax of the Target Group for the first two years after Completion shall be no less than HK$4 million ("**Guaranteed Profit**"). If the aggregate of the actual audited net profit before tax of the Target Group for the first two years after Completion ("**Actual Profit**") shall be less than the Guaranteed Profit, the Vendor shall pay compensation ("**Compensation**") to the Company according to the following formula:

$$A = 11{,}000{,}000 \times \frac{\text{Guaranteed Profit} - \text{Actual Profit}}{\text{Guaranteed Profit}}$$

where A is the Compensation payable to the Company. For the avoidance of doubt, if the Actual Profit shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK$11,000,000.

The Vendor and the Company shall procure the auditor nominated by the Company to complete the audited financial statements of the Target Group for the first year and second year after Completion within 3 months after the end of the two year period. The Compensation (if any) shall be paid by the Vendor to the Company in cash within 7 business days after determination of the Actual Profit. The Company shall be entitled to elect to set off the Compensation against all or any part of the unpaid principal amount of the Promissory Note and any balance of the Compensation shall be paid by the Vendor in cash.

Conditions precedent

Completion of the Agreement shall be conditional upon and subject to:

(a) the Company being satisfied with the results of its due diligence review of the assets, liabilities, operations and affairs of the Target;

(b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Target and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereunder having been obtained; and

(d) the warranties set out in the Agreement remaining true and accurate in all material respects.

If the above conditions have not been satisfied (or as the case may be, waived by the Company in respect of (a) and (d) only) on or before the Long Stop Date, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion

Completion shall take place within five business days after all the conditions precedent of the Agreement are satisfied (or waiver the case may be), or such other date as the Vendor and the Company may agree in writing.

After Completion, the Target will be accounted for as a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Company.

Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer: The Company

Principal amount: HK$2 million

Interest: 8% per annum commencing from the date of issue until full repayment.

Maturity: On the third anniversary of the date of issue of the Promissory Note.

Early repayment: The Company may early repay all or part of the outstanding amount without penalty by giving not less than 3 days' notice to the noteholder.

Transferability: The holder of the Promissory Note may freely transfer the Promissory Note.

INFORMATION ON THE TARGET GROUP

The Target is a limited company incorporated in the British Virgin Islands in 2022 and is principally engaged in investment holding.

The HK Subsidiary is a limited company incorporated in Hong Kong and a direct wholly owned subsidiary of the Target. The principal activity of HK Subsidiary is investment holding.

The WOFE is a limited company incorporated in the PRC and a direct wholly owned subsidiary of HK Subsidiary. The principal activity of WOFE is investment holding.

The OPCO is a limited company incorporated in the PRC on 9 September 2020 and a direct wholly owned subsidiary of the WOFE. The OPCO is principally engaged in the provision of management services to JSG. JSG is principally engaged in the provision of art and painting education services to children under the brand "借山画馆" ("Jieshan Gallery") in Shenzhen, China. The founder and controlling shareholder of JSG is Ms.

Qi Fu (齊駙), the great grand-daughter of the renowned Chinese painter Qi Baishi (齊白石). Ms. Qi Fu is a Doctor of Central Academy of Fine Arts, China. She has published extensively in fine arts and her works have been widely displayed in exhibitions in China and overseas.

The OPCO and JSG has entered into the Management Agreement pursuant to which the OPCO shall provide management, consulting and administration services to JSG in respect of 9 teaching centres located in Shenzhen on an exclusive basis, such services shall include student admissions planning and implementation, curriculum monitoring and development, management of teachers and teaching quality, school setup, accounting and financial management, human resources and general administration. The Management Agreement is for an initial term of six years commencing from 1 August 2022. The OPCO is entitled to an annual management fee of RMB8.16 million. Pursuant to the Management Agreement, the OPCO shall have the right of first refusal for providing similar services to other teaching centres of JSG.

Set out below is the financial information of the OPCO extracted from its unaudited financial statements for the year ended 31 December 2020 and 31 December 2021:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	RMB	RMB
Loss before taxation	35,000	223,000
Loss after taxation	35,000	223,000
Net assets (liabilities)	65,000	(158,000)

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision primary school tutoring services, secondary school tutoring services and franchising services in Hong Kong.

As set out in the section “INFORMATION ON THE TARGET GROUP” above, the Target Group provides management and administrative services to JSG which operates a chain of learning centres in Shenzhen providing education services to children in arts and paintings.

The Board has been actively looking for business opportunities to improve the Group’s performance and to enhance Shareholders’ return. The Board considers that the Acquisition represents a good opportunity to expand the nature of the Group’s scope of education business and geographically into the Mainland.

The Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

"Agreement"	the sale and purchase agreement dated 6 September 2022 made between the Vendor and the Company relating to the sale and purchase of 55% issued shares of the Target
"Acquisition"	the acquisition of the Target pursuant to the Agreement
"Board"	the Board of directors of the Company
"business day"	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"connected persons"	has the meaning ascribed to it under the GEM Listing Rules
"Company"	Goldway Education Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
"Completion"	completion of the transactions under the Agreement pursuant to the terms thereof
"Directors"	the directors of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries

“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Goldenrod Limited, a company incorporated in Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and its connected persons
“JSG”	深圳市借山館藝術有限公司 (Shenzhen Jieshanguan Art Co. Ltd.*), a company incorporated in the PRC.
“Long Stop Date”	31 December 2022 or such later date as the Vendor and the Company may agree
“Management Agreement”	the management services agreement dated 1 August 2022 made between the OPCO and JSG relating to the provision of management and administrative services
“OPCO”	借山教育科技（深圳）有限公司 (Jieshan Education Technology (Shenzhen) Co. Ltd.*), a company incorporated in the PRC.
“PRC”	The People’s Republic of China
“Promissory Note”	the promissory note in the principal amount of HK$2 million, to be issued by the Company in favour of the Vendor or its nominees to satisfy part of the consideration under the Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“Target”	Golden Path Developments Limited
“Target Group”	the Target and its subsidiaries

"WOFE"	金得樂教育科技（深圳）有限公司 (Jindele Education Technology (Shenzhen) Co. Ltd.*), a company incorporated in the PRC
"Vendor"	All Perfect Developments Limited

By Order of the Board
Goldway Education Group Limited
Cheung Hiu Fung
Chairman and Executive Director

Hong Kong, 6 September 2022

As at the date of this announcement, 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.

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*