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**TOP EDUCATION GROUP LTD**  
**澳洲成峰高教集團有限公司**

*(Registered in New South Wales, Australia with limited liability)*

**(ACN 098 139 176)**

**(Stock code: 1752)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**FINANCIAL HIGHLIGHTS**

- Company's revenue increased by approximately 18.5% to approximately AUD\$14.5 million.
- Gross profit was approximately AUD\$7.7 million, increased by approximately 21.4%.
- Gross profit margin increased by approximately 1.3% to approximately 52.8%.
- Profit for the Reporting Period was approximately AUD\$2.8 million, rose by approximately 7.2%. *(Note)*
- Basic earnings per share increased by approximately 10.0% to approximately AUD0.077 cents.

*Note:* The adoption of the new accounting standard — IFRS 16 has a negative effect on the Group's profit for the six months ended 31 December 2019 for approximately AUD\$120,000. Without this effect, the Group's profit for the Reporting Period will reach AUD\$2.9 million for the six months ended 31 December 2019, increased by 11.7% from the profit for six months ended 31 December 2018.

The Board of directors of Top Education Group Ltd (“**the Company**”, together with its subsidiaries (“**the Group**”), is pleased to announce the consolidated unaudited interim results of the Company for the six months ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as set out below:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2019*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2019</b>	2018
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>AUD\$'000</b>	<b>AUD\$'000</b>
REVENUE	4	<b>14,534</b>	12,268
Cost of sales		<u><b>(6,866)</b></u>	<u>(5,954)</u>
Gross profit		<b>7,668</b>	6,314
Other income and gains	4	<b>432</b>	939
Administrative expenses		<b>(4,108)</b>	(3,864)
Advertising and marketing expenses		<b>(934)</b>	(776)
Finance costs	5	<u><b>(257)</b></u>	<u>—</u>
PROFIT BEFORE TAX	6	<b>2,801</b>	2,613
Income tax expense	7	<u><b>(835)</b></u>	<u>(797)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><b>1,966</b></u>	<u>1,816</u>
Attributable to:			
Owners of the Company		<b>1,944</b>	1,816
Non-controlling interests		<u><b>22</b></u>	<u>—</u>
		<u><b>1,966</b></u>	<u>1,816</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share ( <i>AUD cents</i> )	9	<u><b>0.077</b></u>	<u>0.070</u>
Diluted earnings per share ( <i>AUD cents</i> )	9	<u><b>0.073</b></u>	<u>0.067</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,422</b>	5,023
Intangible assets		<b>9,370</b>	5,728
Right-of-use assets	2.2	<b>8,005</b>	—
Prepayments and deposits	11	<b>1,162</b>	1,020
Goodwill		<b>829</b>	—
Deferred tax assets		<b>1,555</b>	1,714
Total non-current assets		<b>26,343</b>	13,485
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets	11	<b>3,103</b>	2,173
Tax receivable		<b>1,882</b>	1,210
Cash and cash equivalents		<b>37,789</b>	42,352
Total current assets		<b>42,774</b>	45,735
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>1,848</b>	1,450
Other payables and accruals	13	<b>4,734</b>	2,091
Contract liabilities	14	<b>3,370</b>	2,202
Total current liabilities		<b>9,952</b>	5,743
<b>NET CURRENT ASSETS</b>		<b>32,822</b>	39,992
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>59,165</b>	53,477
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	13	<b>8,139</b>	288
Net assets		<b>51,026</b>	53,189
<b>EQUITY</b>			
Share capital	15	<b>41,031</b>	43,221
Treasury shares	15	<b>(2,214)</b>	(1,140)
Reserves		<b>11,706</b>	11,108
Non-controlling interests		<b>503</b>	—
Total equity		<b>51,026</b>	53,189

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION

Top Education Group Ltd (the “**Company**”) is a limited liability company, incorporated on 2 October 2001 and domiciled in Australia. The registered office of the Company is located at Suite 1, Biomedical Building, 1 Central Avenue, Australian Technology Park, Eveleigh, New South Wales 2015, Sydney, Australia. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 May 2018.

During the six months ended 31 December 2019, the Company and its subsidiaries (collectively, the “**Group**”) were principally engaged in providing private higher education services and English language courses in Australia.

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim condensed consolidated financial statements are presented in Australian dollars (“**AUD\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of the new and revised IFRSs effective as of 1 July 2019.

Amendments to IFRS 9

IFRS 16

Amendments to IAS 19

Amendments to IAS 28

IFRIC 23

*Annual Improvements 2015–2017 cycle*

*Prepayment Features with Negative Compensation*

*Leases*

*Plan Amendment, Curtailment or Settlement*

*Long-term Interests in Associates and Joint Ventures*

*Uncertainty over Income Tax Treatments*

Amendments to a number of IFRSs

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23, *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

**(a) IFRS 16 *Leases***

IFRS 16 replaces IFRS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of right-of-use assets and lease liabilities as 1 July 2019, and the comparative information for the six months ended 31 December 2019 was not restated and continues to be reported under IAS 17.

***New definition of a lease***

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

***As a lessee — Leases previously classified as operating leases***

***Nature of the effect of adoption of IFRS 16***

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., printers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### *Impacts on transition*

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 were between 5.66% and 6.03%.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 July 2019:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Accordingly, the Group recognised right-of-use assets and lease liabilities of AUD\$8,798,000 as at 1 July 2019.

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	<i>AUD\$'000</i> (Unaudited)
<b>Operating lease commitments as at 30 June 2019</b>	10,971
Weighted average incremental borrowing rate as at 1 July 2019	<u>5.94%</u>
<b>Discounted operating lease commitments as at 1 July 2019</b>	7,876
<b>Less:</b>	
Commitments relating to short-term leases or those leases with a remaining lease term ending on or before 31 July 2020	(63)
Add: Payments for optional extension periods not recognised as at 30 June 2019	<u>985</u>
Lease liabilities as at 1 July 2019	<u><u>8,798</u></u>

### *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 July 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group included the renewal period as part of the lease term for leases of properties due to the significance of these assets to its operations. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

*Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the Reporting Period are as follow:

	<b>Right-of-use assets</b>	
	<b>Office premises</b>	<b>Lease liabilities</b>
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
	(Unaudited)	(Unaudited)
As at 1 July 2019	8,798	8,798
Additions	93	93
Depreciation Charge	(886)	—
Interest expense	—	257
Payments	—	(569)
As at 31 December 2019	<u>8,005</u>	<u>8,579</u>

The Group recognised rent expense from short-term leases of AUD\$178,000 and leases of low-value assets of AUD\$34,000 for the six months ended 31 December 2019.

**(b) IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

**3. OPERATING SEGMENT INFORMATION**

The Group has identified the Chief Executive Officer ("**CEO**") and the Board of Directors as the chief operating decision makers. The Group has only one reporting segment being the provision of private higher education services in Australia.

During the Reporting Period, the Group operated within one geographical segment because all of its revenue was generated in Australia. All of the non-current assets of the Group are located in Australia. The non-current asset information is based on the assets' location and excludes financial instruments and deferred tax assets.

The CEO and the Board of Directors as the chief operating decision makers examine the Group's performance primarily based on the number of students and course fees earned.

No services provided to a single customer contributed 10% or more of the total revenue of the Group during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).



#### 4. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
<i>Revenue from contracts with customers</i>		
Course fee income	<b>13,545</b>	11,685
Others service fee income	<b>989</b>	583
	<b><u>14,534</u></b>	<b><u>12,268</u></b>
<b>Revenue from contracts with customers</b>		
<i>(i) Disaggregated revenue information</i>		
Geographical markets		
Australia	<b><u>14,534</u></b>	<b><u>12,268</u></b>
<b>Timing of revenue recognition</b>		
Course fee income recognised over time	<b>13,545</b>	11,685
Others service fee income recognised over time	<b>989</b>	583
	<b><u>14,534</u></b>	<b><u>12,268</u></b>

(ii) *Performance obligations*

*Provision of private higher education services in Australia*

The performance obligation is satisfied over time as services are rendered. The Group's contracts with students for higher education programs are normally with duration of 0.5 year renewed up to total duration of 1 to 4 years depending on the education programs. Tuition fees are determined and paid by the students before the start of each school year.

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
<b>Other income and gains</b>		
Interest income	<b>169</b>	319
Realised foreign exchange gains, net	<b>169</b>	69
Unrealised foreign exchange gains, net	<b>56</b>	393
Others	<b>38</b>	158
	<b><u>432</u></b>	<b><u>939</u></b>

**5. FINANCE COST**

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Interests on lease liabilities	<b><u>257</u></b>	<b><u>—</u></b>
	<b><u>257</u></b>	<b><u>—</u></b>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
<i>Notes</i>	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Amortisation of intangible assets	<b>606</b>	470
Depreciation of property, plant and equipment	<b>275</b>	116
Depreciation of right-of-use assets	<b>886</b>	—
Minimum lease payments under operating leases	<b>—</b>	718
Auditors' remuneration	<b>36</b>	27
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other employee benefits	<b>3,994</b>	3,673
Share-based payments	<b>307</b>	269
Pension scheme contributions (defined contribution schemes)	<b>337</b>	304
Less: Amount capitalised	<b>(534)</b>	(516)
	<b>5,907</b>	5,061

## 7. INCOME TAX

The Group is subject to income tax on profits arising in or derived from the jurisdiction in which the Group is domiciled and operates. Profits tax has been provided at the Group's statutory tax rate of 27.5% for the six months ended 31 December 2019 and 2018 on the estimated assessable profits.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Reporting Period.

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Current — Elsewhere		
Charge for the period	<b>676</b>	272
Deferred tax	<b>159</b>	525
Total tax charge for the period	<b>835</b>	797

## 8. INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the Reporting Period attributable to owners of the Company of AUD\$1,944,000 (six months ended 31 December 2018: AUD\$1,816,000) and the weighted average number of ordinary shares of 2,524,956,000 (six months ended 31 December 2018: 2,587,975,000) in issue during the Reporting Period.

The calculation of the diluted earnings per share amount is based on the profit for the Reporting Period attributable to owners of the Company. The weighted average number of shares used in the calculation is the number of shares in issue during the Reporting Period, as used in the basic earnings per share calculation, and the weighted average number of shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential shares into shares during the Reporting Period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 31 December	
	2019	2018
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company	<u>1,944</u>	<u>1,816</u>
	Number of shares	
	2019	2018
	(unaudited)	(unaudited)
	Ordinary shares	Ordinary shares
	'000	'000
<b>Shares</b>		
Weighted average number of shares in issue used in the basic earnings per share calculation taking into account the share subdivision	2,524,956	2,587,975
Effect of dilution — weighted average number of shares:		
Performance rights	<u>122,980</u>	<u>112,410</u>
	<u>2,647,936</u>	<u>2,700,385</u>

## 10. TRADE RECEIVABLES

The Group's students are required to pay tuition fees in advance for upcoming semesters. The Group had no outstanding receivables during the Reporting Period (30 June 2019: nil). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade receivables relate to a large number of students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

There have been no impairment losses recognised during the Reporting Period.

## 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
Prepayments	1,706	1,877
Lease deposits	366	203
Other assets	641	677
Other receivables	<u>1,552</u>	<u>436</u>
	<b>4,265</b>	3,193
Less: Non-current portion	<u>(1,162)</u>	<u>(1,020)</u>
	<u><b>3,103</b></u>	<u>2,173</u>

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to amounts for which there was no recent history of default.

## 12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the payment due date, is as follows:

	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
Over two months	<u><b>1,848</b></u>	<u>1,450</u>

## 13. OTHER PAYABLES AND ACCRUALS

	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
Other payables	11,277	851
Unpaid leave obligations	1,486	1,407
Accruals for reinstatement cost	<u>110</u>	<u>121</u>
	<b>12,873</b>	2,379
Less: Non-current portion	<u>(8,139)</u>	<u>(288)</u>
	<u><b>4,734</b></u>	<u>2,091</u>

Other payables and accruals for reinstatement cost are unsecured, interest-free and have no fixed terms of repayment.

## 14. CONTRACT LIABILITIES

Details of contract liabilities balance are as follows:

	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
Short-term advances received from students		
Course fees	<u><b>3,370</b></u>	<u>2,202</u>

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition fees from students in advance prior to the beginning of each academic term. Tuition fees are recognised proportionately over the relevant period of the applicable program.

## 15. SHARE CAPITAL

### Shares

	<b>31 December 2019 (unaudited) AUD\$'000</b>	30 June 2019 (audited) AUD\$'000
Issued and fully paid:		
2,515,228,000 (30 June 2019: 2,556,588,000) ordinary shares	<u><b>41,031</b></u>	<u>43,221</u>

### Treasury shares

	<b>Number of shares</b>	<b>Total AUD\$'000</b>
At 30 June 2019 (audited)	19,880,000	1,140
Shares held for share-based payments	<u>18,700,000</u>	<u>1,074</u>
At 31 December 2019 (unaudited)	<u><b>38,580,000</b></u>	<u><b>2,214</b></u>

During the six months ended 31 December 2019, the Trust acquired 18,700,000 shares for AUD\$1,074,000, which was deducted from shareholders' equity.

A summary of movements in the Group's share capital is as follows:

	<b>Number of shares in issue (in thousands)</b>	<b>Share capital AUD\$'000</b>
A summary of movements in the Company's share capital is as follows:		
At 1 July 2019 (audited)	2,556,588	43,221
Cancellation of shares	<u>(41,360)</u>	<u>(2,190)</u>
	<u><u>2,515,228</u></u>	<u><u>41,031</u></u>

## 16. ACQUISITIONS OF BUSINESSES

On 1 November 2019, the Group acquired 85% interest in Scots English College Pty Ltd ("SCOTS"). SCOTS is a private education institution established in Australia providing English language courses. The acquisition was made as part of the Group's strategy to expand its international education network and increase market penetration. The purchase consideration for the acquisition was in the form of cash, with AUD\$1,811,210 paid at the acquisition date and the remaining AUD\$1,811,150 estimated to be paid by 31 December 2020.

The fair values of the identifiable assets and liabilities of SCOTS as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition (unaudited) AUD\$'000</b>
Property, plant and equipment	226
Cash and bank balances	41
Prepayments and other receivables	556
Other payables and accruals	(288)
Other non-current liabilities	(49)
Intangible assets	<u>2,800</u>
Total identifiable net assets at fair value	<u>3,286</u>
Non-controlling interests	<u>(493)</u>
	2,793
Goodwill on acquisition	<u>829</u>
Satisfied by cash (for 85% shares)	<u><u>3,622</u></u>

The Group incurred transaction costs of AUD\$143,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

The goodwill recognised is primarily attributed to the assembled workforce of SCOTS, future market development and the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

The Group has elected to measure the non-controlling interests in SCOTS at the non-controlling interests' proportionate share of SCOTS' identifiable net assets.

An analysis of the cash flows in respect of the acquisition of SCOTS is as follows:

	<i>AUD\$'000</i> (unaudited)
Cash consideration paid in 2019	(1,811)
Cash and bank balances acquired	<u>41</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(1,770)</u>

Since the acquisition, SCOTS contributed AUD\$895,000 to the Group's revenue; and contributed AUD\$207,000 to the Group's consolidated profit for the six months ended 31 December 2019.

Had the acquisition of SCOTS taken place at the beginning of the Reporting Period, the revenue of the Group for the Reporting Period would have been AUD\$2,929,000, and the profit of the Group for the Reporting Period would have been AUD\$526,000.

## **17. EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the Reporting Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Top Education Group Ltd (“**TOP**”) trading as Top Education Institute and now also as Australian National Institute of Management and Commerce (“**IMC**”) is one of Australia’s primary, best-in-class private tertiary education providers. TOP has been nationally registered with Tertiary Education Quality and Standards Agency and also approved by TEQSA in May 2018 for Self-Accrediting Authority in the Broad Field of Education in Business and Commerce from AQF levels 5 to 9 including bachelor and master degree courses. In this Broad Field, TOP’s Business School provides quality programs at both undergraduate and postgraduate levels including a Master by research. The relevant courses are also accredited by major professional bodies, such as ACCA, CPA Australia and CAANZ. TOP also founded the very first Law School within a private higher education institute when both TEQSA and NSW LPAB officially accredited its degree program in Law. Up to date, as an internationally recognised institute, TOP has been included in China’s JSJ List as one of the 42 recommended Australian universities and higher education institutes since 2010 and with Thailand’s OCSC List since 2015.

PwC Nominees, as a nominee for PwC Australia, invested in TOP as a Shareholder in May 2016.

PwC Australia and TOP entered into an Alliance Agreement expiring on 31 March 2023. Prior to its expiry, the parties may agree to extend the term of the Alliance Agreement for a further period and may agree to vary its terms for the extension period. Under the Alliance Agreement, PwC Australia agrees to provide a variety of services to help expand TOP’s courses and programs in Australia.

### Strategic Development

#### *Innovation towards Intelligent Education — From TOP 2.0 towards TOP 3.0*

During the Reporting Period, the highlights of the strategic plan of TOP 3.0 are **Innovation**, **Intelligence** and **Internationalisation**. TOP 3.0 focuses on the following aspects:

- Course Innovation — upgrading the courses in traditional Management & Commerce field to innovative programs integrating with digitalised technologies, including data analytics, artificial intelligence (“**AI**”), FinTech and blockchain, to meet the requirements of Industry 4.0 and Society 5.0 with respect of the graduate attributes and life career capability, and developing interdisciplinary courses based on the students’ demands.
- Digitalised Methodology — the traditional teaching and learning model towards the intelligent education, including upgrading the Smart-campus facilities, digitising student/management information system, as well as creating intelligent interaction between lecturers and students.

- Moving from onshore pathway programs to more direct recruitment through the international cooperative platform, from Sydney focused to more establishments of interstate campuses, from Australia to international investment and development, such as establishing presence in China, the largest education market in the world.

## **Operational Updates**

Since the strategic plan has been approved by the Board, the Company has the following implementations to achieve the strategic goal:

### ***Course Innovation***

- TOP's academic management team initiated the Course Innovation Project Plan along with the Group's strategic direction. The said Plan has been approved and endorsed by the Group's Academic Board, Council and Board, and consulted with and assessed by world-class experts in the relevant disciplines internationally.
- TOP organised the Diaoyutai International Conference on 8 September 2019 in Beijing and the Australia-China Symposium on Accounting Curricula Innovation on 11 November 2019 in Sydney, both attended by experts of world class universities in Australia like those from the University of Sydney, the University of Western Australia and the University of Queensland and in China like those from Tsinghua University, Fudan University, University of Chinese Academy of Sciences, Renmin University of China and Beijing National Accounting Institute, as well as professionals from PwC Australia and all major accounting professional bodies and the industrial experts from China United Network Communications Group Global Co., Ltd and XAG Co., Ltd. At the above-mentioned high-level conferences, TOP's Provost presented our Course Innovation Plan in direction and implementation practice and received very supportive responses and helpful suggestions from those world-class experts.
- TOP had been developing the following innovative and cutting-edge courses during the Reporting Period along with its strategic plan:
  - Master of Business Analytics
  - Master of Accounting with Digital Applications and Artificial Intelligence
  - Master of Auditing with Big Data Analytics
  - Master of Taxation with Digital Applications and Artificial Intelligence
  - Master of Applied FinTech and Blockchain
- In doing so, TOP has been conducting staff development and training programs in digitalised knowledge for our staff with academic background in Management and Commerce. We also commenced to recruit the new discipline leaders in cutting-edge studies or in computing science.

- TOP will explore with PwC Australia in strengthening digitised workplace skill components of the existing Career Fit and Career Edge programs, which are part of the Student Career Development Program.

### *Smart-Campus and Intelligent Educational*

- During the Reporting Period, TOP was dedicated in the enhancement from the basis of building Smart-Campus facilities. TOP had developed the digitised delivery methodologies such as Cloud Classroom connecting the pathway programs in China and online teaching/learning model adopted for non-award programs, and we had also dealt with several leading research institutions/universities for potential research and development in education technology like AI for interaction between teaching staff and students.
- TOP's executive team discussed with iFLYTEK Co., Ltd. (“**iFLYTEK**”), a company listed on Shenzhen Stock Exchange (stock code: 002230), and Jingle Magic (Beijing) Technology Co., Ltd. (“**Jingle Magic**”), the leading artificial intelligence enterprises in China on business cooperation and visited them in China to sign a memorandum of understanding. The working teams of iFLYTEK and Jingle Magic visited TOP on 5 September 2019 to follow up on the implementation plan, and the executives and technicians of iFLYTEK and Jingle Magic visited TOP again in November 2019 for site work and signing another letter of intention. The above-mentioned business activities and potential cooperation represent a good starting point for TOP in working with companies specialising in digitalised technology, which can not only support the Smart-Campus facilities, but also facilitates our enhancement upgrading to “intelligent education” comprehensively.

### *Alliance with PwC Australia*

Under the Alliance Agreement, PwC Australia has provided services which have assisted the Company to deliver initiatives in Australia including tertiary student career development and executive education programs, including designing “smart campus” and digital education solutions.

### *Student Career Development*

TOP has a strong belief that education is more than what students learn in the classroom. Through TOP's career development programs, the students will be able to turn the theories they learn in class into real life experiences. These experiences will help shape TOP's students to be outstanding candidates in today's highly competitive employment market. Also, TOP's Career Edge programs have positioned itself at a unique and competitive position in the student recruitment market as TOP has built up the reputation of focusing on student career development and pathway programs, which differentiates TOP from other education providers. During the Reporting Period, PwC Australia assisted TOP to deliver the first student career development program to students who came from TOP's China pathway programs in their summer break. TOP has received very positive feedback about this program with respect to students being attracted to future study with TOP.

### ***Accounting Professional Year Program***

On 27 November 2019, the Accounting Professional Year Program (the “**APYP**”) Committee, comprised of CPA Australia, CAANZ and Institute of Public Accountant approved TOP as an APYP provider effective from 1 January 2020 for a period of three years.

The APYP is a professional skills training program developed by three accounting bodies and approved by the Department of Home Affairs, Australia for accounting graduates. The program lasts for 44 weeks and aims to improve the employability of the graduates by training professional workplace skills and providing internship opportunities. Also, students who successfully completed the APYP may receive additional points when they apply for general skilled migration in Australia. This approval demonstrates the leading position of TOP in providing comprehensive services to students in accounting field from the award programs of bachelors and masters to employment guidance and internship arrangements. The program will become a new income source of the Group.

### ***Interstate campus***

During the Reporting Period, TOP’s new campus in Hobart, Tasmania had completed the enrolment of first intake, and is currently preparing for the new intake, i.e. first semester of 2020. The progress of this branch campus is in line with expectation.

It is to be noted that the APYP and Hobart campus are both supported by relevant favourable policies developed by the Government of Australia under current circumstance. The Group may adjust its operations according to material alteration of these policies in the future to meet the best interests of the Group and the Shareholders as a whole.

### ***Diversity of International Student Sources***

TOP has maintained major market of international students from China, which remains the number one contributor to Australia’s international education. Meanwhile TOP has also actively developed diversified international markets.

During the Reporting Period, the EFTSL of international students enrolled coming from areas other than China increased over 51.2% comparing to the period ended 31 December 2018.

### ***Acquisition Completed During the Reporting Period***

On 1 November 2019, the Group completed the acquisition of SCOTS by the transfer of 85 % equity interest and change in the board of directors of SCOTS. Through welcoming SCOTS on board, we have expanded the school portfolio in the English training market with increasing 46.7% on student capacity.

The economic footprint of ELICOS students grew by 1.4% year over year. The overall contribution of the ELICOS sector to the Australian economy equalled AUD\$2.35 billion. The Directors believe that the transaction marks the Group’s continuous efforts to expand its international education network and increase market penetration. The Directors consider that SCOTS is an independent ELICOS provider,

which provides English language courses to international students in Australia, located in the middle of the Sydney central business district with quality endorsement (re-accreditation) by NEAS and has rapidly grown since 2018.

SCOTS is a complementary business to TOP, being the provision of language education services in Australia. From an operational perspective, the acquisition of SCOTS will further strengthen TOP's ability to potentially deliver English language related education training services in China and in other countries.

### ***New Course Development & Accreditation***

Other than the courses as discussed above that are being developing under Course Innovation Plan, TOP during the Reporting Period had also been developing the new courses as the following.

- Bachelor of International Resort and Hotel Management
- Master of Property Development and Management
- Extending TOP's Master of Business Administration (“**MBA**”) in four streams as MBA (Professional Accounting), MBA (FinTech Management), MBA (Data Analytics) and MBA (Artificial Intelligence Applications)
- Doctor of Philosophy (Ph.D.) in the field of Management and Commerce

## Student Enrolments

For the six months ended 31 December 2019, the total EFTSL of Top Education Institute increased by 3.4% comparing with the corresponding period in the last financial year.

	Six months ended	
	31 December	
	2019	2018
Bachelor of International Business <sup>(1)</sup>	177.3	205.8
Bachelor of Applied Finance and Accounting <sup>(2)</sup>	76.1	79.3
Bachelor of Laws	25.1	40.6
Master of Professional Accounting and Business <sup>(3)</sup>	181.1	212.9
Master of International Business <sup>(4)</sup>	43.9	55.1
Others <sup>(5)</sup>	65.6	36.1
Non-Award Unit Study	<u>168.5</u>	<u>83.4</u>
Total	<u><u>737.6</u></u>	<u><u>713.1</u></u>

### Notes:

- (1) This includes courses that are part of the same track, namely Associate Degree of Business and Diploma of Business.
- (2) This includes courses that are part of the same track, namely Associate Degree of Applied Finance and Accounting and Diploma of Applied Finance and Accounting.
- (3) This includes courses that are part of the same track, namely Master of Professional Accounting, Graduate Diploma of Accounting and Graduate Certificate in Accounting. This also includes a small number from students who enrolled in certain accounting units to fulfil academic requirements for membership with CPA Australia.
- (4) This includes courses that are part of the same track, namely Master of Marketing and Public Relations, Graduate Diploma of Public Relations and Marketing, Graduate Diploma of International Business, and Graduate Certificate in Business Management.
- (5) This includes all other postgraduate courses.

## Tuition fee

Annual tuition fee increases will be capped at 15% and increases over any three year period will not exceed 30%. The tuition fee increase is determined by the school management teams subject to market conditions.

Course Name	International			Domestic		
	2019	2018	% Change	2019	2018	% Change
	AUD\$	AUD\$		AUD\$	AUD\$	
Diploma in Applied Finance and Accounting	<b>21,000</b>	20,000	5%	<b>17,000</b>	17,000	0%
Associate Degree of Applied Finance and Accounting	<b>42,000</b>	40,000	5%	<b>34,000</b>	34,000	0%
Bachelor of Applied Finance and Accounting	<b>63,000</b>	60,000	5%	<b>51,000</b>	51,000	0%
Diploma of Business	<b>21,000</b>	20,000	5%	<b>15,000</b>	15,000	0%
Associate Degree of Business	<b>42,000</b>	40,000	5%	<b>30,000</b>	30,000	0%
Bachelor of International Business	<b>63,000</b>	60,000	5%	<b>45,000</b>	45,000	0%
Graduate Certificate in Accounting	<b>11,960</b>	11,500	4%	<b>8,500</b>	8,500	0%
Graduate Certificate in Business Management	<b>11,960</b>	11,500	4%	<b>8,500</b>	8,500	0%
Graduate Certificate in Business Research	<b>18,000</b>	18,000	0%	<b>10,000</b>	10,000	0%
Graduate Certificate in Business	<b>11,960</b>	10,900	10%	<b>8,500</b>	8,500	0%
Graduate Certificate in Financial Planning	<b>11,960</b>	—	N/A	<b>8,500</b>	—	N/A
Graduate Certificate in Financial Technologies Management	<b>11,960</b>	—	N/A	<b>8,500</b>	—	N/A
Graduate Diploma of Accounting	<b>23,920</b>	23,000	4%	<b>17,000</b>	17,000	0%
Graduate Diploma of International Business	<b>23,920</b>	23,000	4%	<b>17,000</b>	17,000	0%
Graduate Diploma of Marketing	<b>23,920</b>	—	N/A	<b>17,000</b>	—	N/A
Graduate Diploma of Marketing and Public Relations	<b>23,920</b>	23,000	4%	<b>17,000</b>	17,000	0%
Graduate Diploma of Business Administration	<b>23,000</b>	21,800	6%	<b>17,000</b>	17,000	0%
Graduate Diploma of Financial Planning	<b>23,920</b>	—	N/A	<b>17,000</b>	—	N/A
Graduate Diploma of Financial Technologies Management	<b>23,920</b>	—	N/A	<b>17,000</b>	—	N/A
Master of International Business	<b>35,880</b>	34,500	4%	<b>25,500</b>	25,500	0%
Master of Marketing and Public Relations	<b>35,880</b>	34,500	4%	<b>25,500</b>	25,500	0%
Master of Professional Accounting	<b>35,880</b>	34,500	4%	<b>25,500</b>	25,500	0%
Master of Accounting Practice	<b>35,880</b>	34,500	4%	<b>25,500</b>	25,500	0%
Master of Professional Accounting Services (formerly known as Master of Professional Accounting and Business)	<b>47,840</b>	46,000	4%	<b>34,000</b>	34,000	0%
Master of Business Research	<b>72,000</b>	72,000	0%	<b>40,000</b>	40,000	0%
Master of Business Administration	<b>46,000</b>	43,600	6%	<b>34,000</b>	34,000	0%
Bachelor of Laws	<b>80,000</b>	80,000	0%	<b>48,000</b>	48,000	0%
Master of Laws	<b>20,000</b>	20,000	0%	<b>20,000</b>	20,000	0%

## Outlook

Our business practices in the Reporting Period demonstrated that the updated strategy could guide us continuously growing along with innovative approach towards TOP's goal in the future.

- We believe that TOP's innovative approach towards intelligent education represents the trend of higher education development in digital economy, particularly this is only approach along with which a new higher education institute like TOP would be ahead of others in conservative manner. For instance, the aforesaid new courses under the Course Innovation Plan provided our students with unique graduate attributes such as cutting-edge knowledge and skills of the applications of digitised technologies in Management and Commerce field, consequently meeting the requirements of career capabilities under Industry 4.0 and Society 5.0, which would significantly enhance TOP's leading position and competitive power in higher education sector in future years.
- The key component of TOP's innovation to achieve intelligent education is the integration between TOP's traditional strength in Management and Commerce studies and the digitised technologies. Although TOP has conducted internal staffing development and worked with external experts in cutting-edge disciplines, our engagements in establishing industrial cooperation with high-tech enterprises, such as iFLYTEK, in the relevant areas streamline TOP's access to the digitalised technology. TOP will continuously establish and develop the collaboration and synergy with industrial technology partners.
- The above innovative approach does not conflict with TOP's continuance of high standing in quality education and research culture. Instead, the aforesaid innovation practice greatly enhanced TOP's position in leading research in such cutting-edge disciplines together with the experts from world-class universities and research institutions. TOP will continuously retain and develop our research culture and activities, focusing on the research in cutting-edge and innovative disciplines to target a first class standing in higher education.
- TOP continues to value the alliance with PwC Australia. As part of the Alliance Agreement, PwC Australia may provide services to the Company which may enhance the Company's service offering within Australia.
- Based in Australia, the Group will continuously emphasize the direction of internationalisation with respect of transnationally diversifying our student sources and education assets. Regarding the international student sources, they are from 43 countries for the prospective students of next intake, i.e. semester 1 in March 2020, which increases from 25 countries for semester 1, 2019. This is a significant achievement in risk management. TOP will continue to expand our presence under IMC name in more countries. In relation to diversifying education assets internationally, we always consider China as the largest education market in the world, in particular, the higher education provision for Bachelor and above degree programs is still behind the demand from millions of high-school graduates every year. China's central authorities published formal foreign investment categories on 30 June 2019 to encourage foreign investment in higher education sector in eight designated provinces/municipality/autonomous region This creates opportunity for the Group in seeking merger and acquisition (“M&A”) or direct investment opportunity of establishing an innovative institute in China in the future in addition to setting out more cooperative pathway programs with other universities/colleges.



## FINANCIAL REVIEW

### Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue primarily from tuition fees.

The Group's revenue increased by 18.5% from approximately AUD\$12.3 million for the six months ended 31 December 2018 to approximately AUD\$14.5 million for the six months ended 31 December 2019. A breakdown of revenue is shown below:

	Six months ended 31 December		Change
	2019 (Unaudited) AUD\$'000	2018 (Unaudited) AUD\$'000	%
Course fee income	13,545	11,685	+15.9%
Other service fee income	<u>989</u>	<u>583</u>	<u>+69.6%</u>
	<u><u>14,534</u></u>	<u><u>12,268</u></u>	<u><u>+18.5%</u></u>

The increase in revenue was primarily due to a 15.9% increase in course fee income from approximately AUD\$11.7 million for the six months ended 31 December 2018 to approximately AUD\$13.5 million for the six months ended 31 December 2019, resulting mainly from (i) the completion of acquisition of SCOTS, (ii) an increase in tuition rate that became effective in March 2019, and (iii) an increase in student enrolment.

Tuition fee contributed over 93.2% of the Group's revenue while other service fee income represented approximately 6.8% of the revenue.

### Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, office expenses, consultation and student related costs.

Cost of sales increased by approximately AUD\$0.9 million, or 15.3%, from approximately AUD\$6.0 million for the six months ended 31 December 2018 to approximately AUD\$6.9 million for the six months ended 31 December 2019. This increase in cost of sales was mainly due to costs incurred as a result from the increase in student enrolment, the completion of acquisition of SCOTS, and the increase in depreciation of new campus fit outs.

## **Gross Profit and Gross Profit Margin**

Gross profit increased by 21.4% from AUD\$6.3 million for the six months ended 31 December 2018 to AUD\$7.7 million for the six months ended 31 December 2019, primarily due to the increase in tuition revenue resulted from increases in tuition rates and EFTSL. The gross profit margin increased by 1.3% to 52.8% for the six months ended 31 December 2019 from 51.5% for the six months ended 31 December 2018.

## **Other Income and Gains**

Other income decreased by 54% from approximately AUD\$0.9 million for the six months ended 31 December 2018 to approximately AUD\$0.4 million for the six months ended 31 December 2019. The decrease primarily resulted from the decrease of the bank interest income and unrealised foreign exchange gain.

## **Administrative Expenses**

Administrative expenses primarily consist of salaries and other benefits for general and administrative staff, office-related expenses, depreciation and public company expenses.

Administrative expenses increased by 6.3% from approximately AUD\$3.9 million for the six months ended 31 December 2018 to approximately AUD\$4.1 million for the six months ended 31 December 2019. This increase was primarily due to the impact from the increase in depreciation in new campus fit outs.

## **Advertising and Marketing Expenses**

Advertising and marketing expenses primarily consist of salaries and other benefits for recruitment and marketing staff, advertising expenses and student recruitment expenses.

Advertising and marketing expenses increased by approximately 20.4% from approximately AUD\$0.8 million for the six months ended 31 December 2018 to approximated AUD\$0.9 million for the six months ended 31 December 2019, mainly due to the increase in recruitment promotion expenses.

## **Finance Costs**

Finance costs represent the interest expense on the lease liabilities.

Finance costs increased significantly by approximately AUD\$0.3 million from nil for the six months ended 31 December 2018 to approximately AUD\$0.3 million for the six months ended 31 December 2019. This increase was arising from lease liabilities due to the adoption of the new accounting standard — IFRS 16.

## **Profit for the Reporting Period**

As a result of the above factors, profit for the year of the Group increased by approximately 7.2% from approximately AUD\$2.6 million for the six months ended 31 December 2018 to approximately AUD\$2.8 million for the six months ended 31 December 2019.

The adoption of the new accounting standard — IFRS 16 has a negative effect on the Group's profit for the six months ended 31 December 2019 for approximately AUD\$ 120,000. Without this effect, the Group's profit for the Reporting Period will reach AUD\$2.9 million for the six months ended 31 December 2019, increased by 11.7% from the profit for six months ended 31 December 2018.

## **Capital Expenditure**

Our capital expenditures for the six months ended 31 December 2019 were approximately AUD\$0.5 million, consisted primarily of expenditures on (i) plant and equipment, (ii) classroom equipment and office and (iii) teachers reference books.

## **Liquidity, Financial Resources and Gearing Ratio**

As at 31 December 2019, the Group had cash on hand of AUD\$37.8 million (30 June 2019: AUD\$42.4 million) with no bank borrowings (30 June 2019: AUD\$0). During the six months ended 31 December 2019, the Group financed our working capital requirements and capital expenditures principally through net cash inflows from operating activities and the net proceeds raised from the initial public offering.

As at 31 December 2019, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Group was 0% (30 June 2019: 0%).

## **Significant Investments, Acquisitions and Disposals**

Save as disclosed in this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period, nor any plan authorized by the Board for other material investments or additions of capital assets during the six months ended 31 December 2019.

## **Foreign Exchange Risk Management**

The functional currency of the Group is AUD\$. The majority of the Group's revenue and expenditures are denominated in AUD\$, except that certain expenditures are denominated in HKD. As at 31 December 2019, certain bank balances and payables were denominated in USD and HKD. The Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

## **Charges on Assets**

There were no charges on the Group's assets as at 31 December 2019 (30 June 2019: Nil).

## **Contingent Liabilities**

As at 31 December 2019, the Group did not have any material contingent liabilities.

## **EMPLOYMENT AND REMUNERATION POLICIES**

During the six months ended 31 December 2019, including academic staff, the Company employed 152 staff (six months ended 31 December 2018: 129). The remuneration packages of the employees of the Company are determined with reference to their qualification, working experience, performance, contribution to the Company and prevailing market rate.

The Company's remuneration policy is formulated under the guidance of the Australian Law, industry award as well as various market factors. The Company pays its permanent staff with a basic annual salary plus superannuation and other standard entitlements under Australian employment law; and pays its casual staff on a sessional basis with an hourly basis plus standard entitlements.

A Remuneration Committee was set up for reviewing the Company's remuneration policy and structure for all Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices. None of the Directors will determine their own remuneration.

The Directors and senior management may also receive shares and/or options to be granted under the Share Option Scheme and/or Share Award Scheme.

The Company places great importance on the continuing development of professional knowledge and skills for our employees. The Company believes that the continued growth and success of our business is built upon employee excellence and their ability to provide quality of services to our students and corporate clients, and is also a key element on our objective to retain a team of quality and skilled core workforce.

The Company strongly encourages all employees to participate in systematic training and professional development. In addition, the Company provides comprehensive training programs to ensure that employees have the training required to fulfil the continuous professional training requirements of their respective profession.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the Reporting Period.

## **INTERIM DIVIDEND**

The Board does not recommend an interim dividend in respect of the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 42,700,000 Shares on the Stock Exchange at an aggregate consideration (before brokerage and expenses) of approximately HK\$13,116,100. As at 31 December 2019, 38,490,000 repurchased Shares have been cancelled. As at the date of this announcement, all the aforesaid repurchased Shares have been cancelled.

Month of repurchases	Total number of Shares repurchased	Highest price	Lowest price	Aggregate consideration
		paid per Share HK\$	paid per Share HK\$	
July 2019	8,140,000	0.360	0.325	2,773,750
August 2019	7,640,000	0.350	0.310	2,492,600
September 2019	550,000	0.280	0.265	149,500
October 2019	5,220,000	0.295	0.270	1,486,100
November 2019	12,110,000	0.310	0.285	3,562,300
December 2019	9,040,000	0.300	0.290	2,651,850

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the Reporting Period.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee reviewed the unaudited interim results of the Group for the six months ended 31 December 2019, including the accounting principles and practices adopted by the Group.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Board is of the view that during the six months ended 31 December 2019, the Company has complied with applicable code provisions of the CG Code as set out in Appendix 14 to the Rules Governing the Listing Rules except code provision A.2.1 as noted in the paragraph headed “Chairman and Chief Executive Officer”.

### *Chairman and Chief Executive Officer (“CEO”)*

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the Reporting Period, the roles of the chairman and CEO of the Company were both performed by Dr.

Minshen Zhu. The Board believes that the roles of both Chairman and CEO vested in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

Furthermore, in view of Dr. Minshen Zhu's extensive industrial experience and significant role in the historical development of the Company, the Board believes that it is beneficial to the business prospects of the Company that Dr. Minshen Zhu continues to act as both our Chairman and CEO, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors, and independent non-executive Directors.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they had complied with the Model Code throughout the six months ended 31 December 2019.

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

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.top.edu.au](http://www.top.edu.au). The interim report of the Company for the six months ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders of the Company and published on the above websites in due course.

## **DEFINITIONS**

“Academic Board”	the academic board of our Institute
“ACCA”	Association of Chartered and Certified Accountants
“Alliance Agreement”	the alliance agreement dated 27 May 2016 entered into between the Company and PwC Australia
“AQF”	the Australian Qualifications Framework, which specifies the standards for educational qualifications in Australia
“AUD\$”	Australian dollars, the lawful currency of Australia
“Audit Committee”	the audit committee of the Board
“Australia”	the Commonwealth of Australia
“award”	a qualification under levels 1 to 10 of the AQF
“Board”	the board of Directors

“CAANZ”	Chartered Accountants Australia and New Zealand
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this announcement and for geographical reference only, except where the context requires, does not include Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “Institute”, “TOP”, “we”, “us” or “our”	Top Education Group Ltd (ACN 098 139 176) 澳洲成峰高教集團有限公司, a public company registered in New South Wales, Australia with limited liability on 2 October 2001 with trading name as Top Education Institute as well as Australian National Institute of Management and Commerce
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Corporations Act”	the Corporations Act 2001 (Cth) of Australia, as amended, supplemented or otherwise modified from time to time, which is the principal legislation regulating companies in Australia
“Council”	Top Education Institute Council
“course”	a program of study that will confer an award upon completion
“CPA Australia”	CPA Australia Ltd
“Director(s)”	the director(s) of the Company
“EFTSL”	equivalent full-time student load, which is a measurement of student enrolment at an institution calculated by dividing the total number of units taken by students in a given year by the average number of units a single full-time student should take in a year
“ELICOS”	English Language Intensive Courses for Overseas Students
“Employee”	(a) any employee (including without limitation any executive Director) of the Company;  (b) any non-executive Director (including independent non-executive Directors);

(c) any member of the Council; and

(d) any consultant of the Company,

excluding any employee who is resident in a place where the award of Awarded Shares and/or the vesting of Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee

“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“higher education”	studies in pursuit of a qualification under levels 5 to 10 of the AQF, including a diploma, advanced diploma, associate degree, bachelor degree, graduate certificate, graduate diploma, master degree and doctoral degree
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“JSJ List”	the list of recognised Australian universities and higher education providers issued by the Ministry of Education of China on the Jiaoyu Shewai Jianguan Xinxu Wang (教育涉外監管信息網)
“Law School”	Sydney City School of Law, as the name adopted for the Company to provide degree courses in law
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“NEAS”	the National English Language Teaching (ELT) Accreditation Scheme, which is the global leader in quality assurance for ELT community
“NSW LPAB”	the Legal Profession Admission Board, New South Wales



“OCSC List”	the list of recognised Australian universities and higher education institutes published by the Office of the Civil Service Commission, Thailand
“pathway program”	a program by which students who complete certain required studies at one institution may become eligible to transfer to another institution to continue their studies and receive credit for work completed
“PwC Australia”	PricewaterhouseCoopers (ABN 52 780 433 757), Australia, chartered public accountants in Australia
“PwC Nominees”	PricewaterhouseCoopers Nominees (A.C.T.) Pty Ltd, a company registered in Australian Capital Territory, Australia with limited liability on 29 August 1969, which is owned as to 50% by PricewaterhouseCoopers Nominees (N.S.W.) Pty Ltd and 50% by PricewaterhouseCoopers Nominees (Victoria) Pty Ltd, a Shareholder
“Reporting Period”	The period from 1 July 2019 to 31 December 2019
“SAA”	Self-Accrediting Authority
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEQSA”	the Tertiary Education Quality and Standards Agency in Australia established under the Tertiary Education Quality and Standards Agency Act 2011
“US\$” or “USD”	United States dollars, the lawful currency of the United States

By order of the Board  
**Top Education Group Ltd**  
**Minshen Zhu**  
*Chairman of the Board*

Hong Kong, 27 February 2020

*As at the date of this announcement, the executive Directors are Dr. Minshen Zhu (Ms. Rongning Xu as his alternate) and Ms. Sumeng Cao, the non-executive Directors are Mr. Amen Kwai Ping Lee, Mr. Thomas Richard Seymour (Mr. Kai Zhang as his alternate) and Mr. Yi Dai, and the independent non-executive Directors are Professor Weiping Wang, Professor Brian James Stoddart, Mr. Tianye Wang and Professor Steven Schwartz.*