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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 2018

FINANCIAL HIGHLIGHTS

- Company's revenue increased by approximately 4% to approximately AUD\$12.3 million.
- Other income and gains, primarily interest income and foreign exchange gain, were approximately AUD\$0.9 million, rose by approximately 476%.
- Administrative expenses decreased by approximately 18% to approximately AUD\$3.9 million.
(Note)
- Profit for the period increased by approximately 117% to approximately AUD\$1.8 million.
(Note)

Note: The decrease of administrative expenses and the increase of profit for the year are primarily due to the absence of listing expenses in the Reporting Period.

The board (the “**Board**”) of directors (the “**Directors**”) of Top Education Group Ltd (the “**Company**”, “**we**” or “**TOP**”) is pleased to announce the unaudited interim results of the Company for the six months ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as set out below:

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2018

		Six months ended	
		31 December	
		2018	2017
	<i>Notes</i>	(Unaudited)	(Unaudited)
		AUD\$’000	AUD\$’000
REVENUE	4	12,268	11,825
Cost of sales		<u>(5,954)</u>	<u>(5,523)</u>
Gross profit		6,314	6,302
Other income and gains	4	939	163
Administrative expenses		(3,864)	(4,714)
Advertising and marketing expenses		<u>(776)</u>	<u>(517)</u>
PROFIT BEFORE TAX	5	2,613	1,234
Income tax expense	6	<u>(797)</u>	<u>(398)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,816</u>	<u>836</u>
Attributable to:			
Owners of the Company		<u>1,816</u>	<u>836</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share (<i>AUD cents</i>)	8	<u>0.070</u>	<u>0.047</u>
Diluted earnings per share (<i>AUD cents</i>)	8	<u>0.067</u>	<u>0.045</u>

CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2018 (Unaudited) AUD\$'000	30 June 2018 (Audited) AUD\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,874	980
Intangible assets		5,026	4,181
Prepayments and deposits		1,605	1,627
Deferred tax assets		2,380	2,905
Tax recoverable		<u>379</u>	<u>—</u>
Total non-current assets		<u>11,264</u>	<u>9,693</u>
CURRENT ASSETS			
Trade receivables	10	—	—
Prepayments and other receivables		1,902	1,266
Cash and cash equivalents		<u>47,326</u>	<u>47,367</u>
Total current assets		<u>49,228</u>	<u>48,633</u>
CURRENT LIABILITIES			
Trade payables	11	1,814	1,345
Other payables and accruals	12	2,144	2,804
Deferred income	13	3,701	2,626
Tax payable		<u>—</u>	<u>398</u>
Total current liabilities		<u>7,659</u>	<u>7,173</u>
NET CURRENT ASSETS		<u>41,569</u>	<u>41,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>52,833</u>	<u>51,153</u>
NON-CURRENT LIABILITIES			
Other payables and accruals	12	<u>260</u>	<u>217</u>
Net assets		<u>52,573</u>	<u>50,936</u>
EQUITY			
Share capital		44,315	45,133
Reserves		<u>8,258</u>	<u>5,803</u>
Total equity		<u>52,573</u>	<u>50,936</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Top Education Group Ltd 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.

The Company is principally engaged in providing private higher education services in Australia. The Company has no subsidiaries since its incorporation.

2.1 BASIS OF PREPARATION

The interim condensed financial statements for the six months ended 31 December 2018 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 financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim condensed 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 financial information are consistent with those used in the annual financial statements for the year ended 30 June 2018, except for the adoption of new standards and amendments, which are effective as of 1 July 2018 for the Company:

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendment to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the Company's condensed financial statements.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) Classification and measurement

Under IFRS 9, the classification and measurement of financial assets depend on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets.

The new classification and measurement of the Company's debt instruments are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). This category includes the Company's trade receivables, financial assets included in prepayments, deposits and other receivables.

The assessment of the Company's business model was made as of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments were solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 has no significant impacts on the recognition of financial instruments, has no material impact on opening balances as at 1 July 2018 and hence does not result in an adjustment of opening retained earnings as at 1 July 2018.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impact of the change in impairment methodology on the Company's retained earnings as at 1 July 2018 was immaterial and hence does not result in an adjustment of opening retained earnings as at 1 July 2018.

IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Company has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that were not completed as at 1 July 2018. The adoption of IFRS 15 has no significant impacts on the recognition of service income from the provision of education services, has no material impact on opening balances as at 1 July 2018 and hence does not result in an adjustment of opening retained earnings as at 1 July 2018. The comparative information was not restated and continues to be reported based on the requirements of IAS 18 and related interpretations.

3. OPERATING SEGMENT INFORMATION

The Company has identified the CEO and the Board of Directors as the chief operating decision makers. The Company has only one reporting segment being the provision of private higher education services in Australia.

During the period, the Company operated within one geographical segment because all of its revenue was generated in Australia. All of the non-current assets of the Company 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 Company'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 Company during the six months ended 31 December 2018 (six months ended 31 December 2017: nil).

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the value of services rendered, after deducting refunds, during the period.

An analysis of revenue and other income and gains is as follows:

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
Revenue		
Course fee income	11,685	11,317
Others service fee income	<u>583</u>	<u>508</u>
	<u>12,268</u>	<u>11,825</u>
Other income and gains		
Interest income	319	122
Realised foreign exchange gain, net	69	—
Unrealised foreign exchange gain, net	393	—
Others	<u>158</u>	<u>41</u>
	<u>939</u>	<u>163</u>

5. PROFIT BEFORE TAX

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

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
Amortisation of intangible assets	470	377
Depreciation	116	120
Minimum lease payments under operating leases	718	573
Auditors' remuneration	27	—
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages, salaries and other employee benefits	3,673	2,850
Share-based payments	269	—
Pension scheme contributions (defined contribution schemes)	304	243
Less: Amount capitalised	(516)	(199)
	<u>5,061</u>	<u>3,964</u>

6. INCOME TAX

The Company is subject to income tax on profits arising in or derived from the jurisdiction in which the Company is domiciled and operates. Profits tax has been provided at the Company's statutory tax rate of 27.5% for the six months ended 31 December 2018 (six months ended 31 December 2017: 27.5%) on the estimated assessable profits.

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

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
Current — Elsewhere		
Charge for the period	272	908
Deferred tax	525	(510)
	<u>797</u>	<u>398</u>

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

8. 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 period attributable to owners of the Company of AUD\$1,816,000 (six months ended 31 December 2017: AUD\$836,000) and the weighted average number of ordinary shares of 2,587,975,000 (six months ended 31 December 2017: weighted average number of ordinary shares of 1,764,720,000 and Class A shares of 22,024,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the 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 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 period.

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

	Six months ended 31 December	
	2018	2017
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
Earnings		
Profit attributable to owners of the Company	<u>1,816</u>	<u>836</u>

	Number of shares		
	Six months ended 31 December 2018	Six months ended 31 December 2017	
	Ordinary shares '000	Ordinary shares '000	Class A shares '000
Shares			
Weighted average number of shares in issue used in the basic earnings per share calculation taking into account the share subdivision	2,587,975	1,764,720	22,024
Effect of dilution — weighted average number of shares:			
Performance rights	<u>112,410</u>	<u>72,071</u>	<u>—</u>
	<u>2,700,385</u>	<u>1,836,791</u>	<u>22,024</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Company acquired assets with a cost of AUD\$1,010,000 (six months ended 31 December 2017: AUD\$104,000) as additions to property, plant and equipment.

10. TRADE RECEIVABLES

The Company's students are required to pay tuition fees in advance for upcoming semesters. The Company had no outstanding receivables during the period (30 June 2018: nil). The Company 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 Company's trade receivables relate to a large number of students, there is no significant concentration of credit risk. The Company does not hold any collateral or other credit enhancements over its trade receivable balances.

11. TRADE PAYABLES

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

	31 December 2018 (unaudited) AUD\$'000	30 June 2018 (audited) AUD\$'000
Over two months	<u>1,814</u>	<u>1,345</u>

12. OTHER PAYABLES AND ACCRUALS

	31 December 2018 (unaudited) AUD\$'000	30 June 2018 (audited) AUD\$'000
Sundry payables and accruals	980	1,714
Unpaid leave obligations	1,329	1,212
Accruals for reinstatement cost	<u>95</u>	<u>95</u>
	2,404	3,021
Less: Non-current portion	<u>(260)</u>	<u>(217)</u>
	<u>2,144</u>	<u>2,804</u>

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

13. DEFERRED INCOME

	31 December 2018 (unaudited) <i>AUD\$'000</i>	30 June 2018 (audited) <i>AUD\$'000</i>
Deferred income	<u>3,701</u>	<u>2,626</u>

Deferred income represents the amount paid by students at the end of the reporting period that relates to the future service provision.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction of the Company

Top Education Group Ltd trading as Top Education Institute (the “**Company**” or “**TOP**”) 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 (“**TEQSA**”) and also approved by TEQSA in May 2018 for Self-Accrediting Authority (“**SAA**”) in the Broad Field of Education in Business and Commerce from AQF levels 5 to 9 including undergraduate and postgraduate degree courses. In this Broad Field, TOP’s Sydney City School of Business provides quality programs at both undergraduate and postgraduate levels. The relevant courses are also accredited by major professional bodies, such as CPA Australia and CAANZ as well as received accreditation of the ACCA in the Reporting Period. 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. Additionally, 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.

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

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 academic courses and non-academic programs in Australia.

Operational Updates

International Cooperative Education Programs in China

During the Reporting Period, TOP’s existing pathway programs in China continued their operations.

As a formal program approved by China’s Ministry of Education, TOP’s 3+1 pathway program at Guangxi University of Finance and Economics was approved for renewal of a 5-year period, and successfully completed its in-quota intake in September 2018 through the China’s National Higher Education Entrance Examination (in quota) (“**Gaokao**”). The programs with the institutes in Shandong Province and Henan Province also successfully completed in-quota requirement in September 2018.

In the Reporting Period, TOP’s executives and managerial team also visited about more than 20 universities and other educational institutions in China to develop further joint pathway cooperative education programs in China as an extensive international platform for direct overseas student sources

and other educational cooperation. The above Chinese universities and institutions are owned by public or private enterprises, and are located in Beijing, Shanghai, Guangdong, Chongqing, Henan, Shandong, Hunan, Zhejiang, Hubei and other regions.

One new cooperation framework agreement was signed with Jiaxing University (“**Jiaxing**”) in Zhejiang Province on 22 August 2018, which initiated a direct pathway program from the Bachelor completion to TOP’s Master Programs. Two parties also launched the China-Australia International Accounting Institute at Jiaxing University on 24 December 2018, which will promote closer academic exchanges between two parties and provide international study experience for Jiaxing students.

On 20 December 2018, TOP signed a new cooperation agreement with Hubei University of Economics (“**HBUE**”) in Hubei Province. The agreement is for a period of five years and will be renewed with mutual consent. The agreement provides the cooperative opportunities between the two institutes including undergraduate programs, postgraduate programs and HBUE students’ short program in Australia for study and internal career skill development.

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 market.

The international students of TOP came from over 60 countries/regions. For the two intakes in the Reporting Period, the number of non-Chinese international students enrolled in July-August 2018 intake increased over 30% comparing to the same period of 2017, and the number of such enrolment in November 2018 intake increased over 15% comparing to the same period of 2017.

New Course Development

In the Reporting Period, TOP has been developing the new courses in Broad Field of Management and Commerce under the SAA including Master of Financial Planning, Graduate Diploma of FinTech Management and the management programs in the discipline of hotel and hospitality for the purpose of providing more attractive quality programs to meet students’ demands.

TOP also developed new courses outside of SAA scopes such as non-award Postgraduate Preparation Program, which was approved by TEQSA, a master program in the field of Information Technology as well as PhD program in Management and Commerce at AQF level 10, which will be submitted to TEQSA for assessment and approval.

Enhancement of the Interactive Technology

TOP has utilised interactive technology to meet the needs of today’s students for certain non-award units. TOP’s students now have more flexibility in the learning methodologies and participation in the classroom. Under such technology, TOP is able to expand the examination venues for these non-award units to other cities, such as Melbourne, Canberra, Hobart, etc.

Expansion of Campus in Australia

The construction of a new building at ATP is progressing smoothly on schedule, and is expected to be completed by the end of April 2019, in which TOP has leased a whole floor with designate fitout in Smart Campus concept as our new premises which provides more space for students. It will increase the student capacity by over 30% of current capacity.

TOP was, in the Reporting Period, also seeking for the expansion of campus and capacity outside of ATP, including the opportunities in Sydney central business district (“**CBD**”) and other major cities in Australia.

Mergers and Acquisitions (“M&A”)

TOP has developed its business mainly by organic power such as building up international cooperative platform, developing new programs under SAA and expanding by “light investment”. In parallel, TOP also sought M&A opportunities in or outside of Australia during the Reporting Period.

TOP has established an M&A potential target list by criteria serving the strategic goal, and attempted to approach the potential targets by its own investigation and also the professional services. TOP very cautiously selects the targets with respect to their education quality, regulatory compliance record and commercial valuation.

Student Enrolments

For the six months ended 31 December 2018, the total EFTSL increased by approximately 3.2% comparing with the corresponding period in last financial year.

	Six months ended	
	31 December	
	2018	2017
Bachelor of International Business ⁽¹⁾	205.8	211.5
Bachelor of Applied Finance and Accounting ⁽²⁾	79.3	54.3
Bachelor of Laws	40.6	39
Master of Professional Accounting and Business ⁽³⁾	212.9	258.3
Master of International Business ⁽⁴⁾	55.1	60.4
Others ⁽⁵⁾	36.1	0.4
Non-Award Unit Study	83.4	67
Total	<u>713.1</u>	<u>690.8</u>

Notes:

- (1) This includes nested courses namely Associate Degree of Business and Diploma of Business.
- (2) This includes nested courses namely Associate Degree of Applied Finance and Accounting and Diploma of Applied Finance and Accounting.
- (3) This includes nested courses 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 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 the 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		
	2017	2018	%	2017	2018	%
	AUD\$	AUD\$	Change	AUD\$	AUD\$	Change
Diploma in Applied Finance and Accounting	19,000	20,000	5%	17,000	17,000	0%
Associate Degree of Applied Finance and Accounting	38,000	40,000	5%	34,000	34,000	0%
Bachelor of Applied Finance and Accounting	57,000	60,000	5%	51,000	51,000	0%
Diploma of Business	19,000	20,000	5%	15,000	15,000	0%
Associate Degree of Business	38,000	40,000	5%	30,000	30,000	0%
Bachelor of International Business	57,000	60,000	5%	45,000	45,000	0%
Graduate Certificate in Accounting	10,900	11,500	6%	8,500	8,500	0%
Graduate Certificate in Business Management	10,900	11,500	6%	8,500	8,500	0%
Graduate Diploma of Accounting	21,800	23,000	6%	17,000	17,000	0%
Graduate Diploma of International Business	21,800	23,000	6%	17,000	17,000	0%
Graduate Diploma of Public Relations and Marketing	21,800	23,000	6%	17,000	17,000	0%
Master of International Business	32,700	34,500	6%	25,500	25,500	0%
Master of Marketing and Public Relations	32,700	34,500	6%	25,500	25,500	0%
Master of Professional Accounting	32,700	34,500	6%	25,500	25,500	0%
Master of Accounting Practice	32,700	34,500	6%	25,500	25,500	0%
Master of Professional Accounting and Business	43,600	46,000	6%	34,000	34,000	0%
Graduate Certificate in Business Research	18,000	18,000	0%	10,000	10,000	0%
Master of Business Research	72,000	72,000	0%	40,000	40,000	0%
Graduate Certificate in Business Administration	—	10,900	N/A	—	8,500	N/A
Graduate Diploma of Business Administration	—	21,800	N/A	—	17,000	N/A
Master of Business Administration	—	43,600	N/A	—	34,000	N/A
Bachelor of Laws	80,000	80,000	0%	48,000	48,000	0%
Master of Laws	20,000	20,000	0%	20,000	20,000	0%

Outlook

The Company is continuously growing along with its strategic goal to be an international leading private for profit provider in tertiary education based in Australia with respect to retaining its high quality and standing under Australian legislative and regulatory framework as well as achieving expected expansion regarding its revenue, student capacities and profitability.

The Company's growth approaches and methodologies are mainly driven by strong organic powers, and assisted by proper M&A activities.

Our strong and outstanding organic powers include following elements:

- The SAA allows TOP to create and accredit more attractive and demanding programs including undergraduate and postgraduate degrees under its own academic governance system, which enlarge our marketing competitive strength in international education sector. By the end of the financial year ending 30 June 2019, (the “**Next Reporting Period**”), TOP expects to offer the new courses under SAA, such as the Master of Financial Planning and Graduate Diploma of FinTech Management.
- As a highlighted character of the institute, TOP dedicates to providing its students with opportunities of developing employment and career skills as necessary capability by their experience, during study at TOP, in practice training at real environment of business and professional workplace. As a result, a good number of TOP’s graduates received job offers from various employers at the level as top accounting firms, major bankers, insurance groups or other large-sized enterprises. Such learning outcome makes TOP’s strength as to educate students in industries’ needs and “job-ready” direction. TOP will continuously develop along with this education demand.
- Top is highly recognised in China and has connection and network there nationwide, which greatly facilitated us for building up an international platform linking with Chinese universities, colleges and schools for transferring international students to Australia as well as generating its service income in China by providing academic support, for example the teaching staff trainings and the research and scholarship trainings. We expect to achieve total 8 to 10 cooperative educational programs by the end of the Next Reporting Period. China now proposes more opened policy for introduction of foreign educational resource, by which opportunity TOP will promote our cooperative programs or investments there. In the meantime, TOP’s efforts on diversity of international student sources have been well received in 2018 and will be going on in 2019.
- Additionally, the National Development and Reform Committee and the Ministry of Commerce of China jointly published *Encouraging Foreign Investment Industries (Consultation Paper)* on 1 February 2019, in which the foreign investment is encouraged in educational sectors of Preschool, High School and Higher Education in Central and Western China specifying in seven Provinces/Autonomous Region/Municipality, and the Higher Education sector in one Province. TOP has initiated its development and relationship in the above regions in China. The updated foreign investment policy and its implementation particularly in opening the education sectors should be potentially helpful to TOP’s future business in China for constructing a broader international cooperative platform in multiple approaches.
- Under the Alliance Agreement, PwC Australia provides services within Australia to the Company, which assists to further enhance the Company’s higher education programs. In particular, enhancement of TOP’s students in career development program, Career Edge, and provides TOP with a unique advantage in the higher education sector.

- The State Council of PRC published *the National Vocational Education Reform Implementation Plan* 國家職業教育改革實施方案 on 13 February 2019 that supports the undergraduate courses in industries' need and postgraduate courses in applied professions. As such, TOP's strength in the identical direction should be more attractive to the Chinese students and the cooperative pathway programs in China.
- Under the regulatory framework in Australian higher education sector, TOP is not requested to spend "heavy investment", such as purchase of land or building, and in expansion of campus premises. Instead, TOP is able to legally use the leased premises as the campus subject to authorities' approval to enlarge the student capacity. TOP received approval in February 2018 for increasing student capacity number from 920 to 1,500 by "light investment", and also will commence a lease at a new building at ATP in April 2019, and another lease at ATP scheduled in June 2020. TOP is also seeking further expansion of campus in Sydney CBD, Melbourne and other major cities in Australia without heavy investment but to double or triple the student capacity..

In addition to developing by organic powers, the Company also searches for proper M&A opportunity to "fill up" the supply chain of our international education business. The Company will keep the public updated when it has significant M&A progress.

FINANCIAL REVIEW

Revenue

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

The revenue of the Company increased by approximately 4% from approximately AUD\$11.8 million for the six months ended 31 December 2017 to approximately AUD\$12.3 million for the six months ended 31 December 2018. This increase was primarily due to the increase of the Company's average tuition rates.

Cost of Sales

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

The cost of sales for the six months ended 31 December 2018 increased by approximately AUD\$0.4 million, or approximately 7.8% to approximately AUD\$5.9 million from approximately AUD\$5.5 million for the six months ended 31 December 2017, primarily due to (i) an increase of approximately AUD\$0.2 million in staff costs, (ii) an increase of approximately AUD\$0.1 million in agent commissions due to the increase in tuition rates, and (iii) an increase of approximately AUD\$0.1 million in amortisation of intangible assets due to increase in intangible assets.

Gross Profit and Gross Profit Margin

Gross profit remained steady at approximately AUD\$6.31 million for the six months ended 31 December 2018 as compared to approximately AUD\$6.30 million for the six months ended 31 December 2017. The gross profit margin decreased from approximately 53.3% for the six months ended 31 December 2017 to approximately 51.5% for the six months ended 31 December 2018, mainly due to the increase in staff costs, commission and amortisation expenses as mentioned in paragraph headed “Cost of Sales” above.

Other Income and Gains

Other income primarily consists of interest income, foreign exchange gains and other miscellaneous income.

Other income increased by approximately 476% from approximately AUD\$0.16 million for the six months ended 31 December 2017 to approximately AUD\$0.94 million for the six months ended 31 December 2018. The increase primarily resulted from (i) approximately an increase of AUD\$0.5 million in foreign exchange gain, and (ii) approximately an increase of AUD\$0.2 million in interest income.

Administrative Expenses

Administrative expenses decreased by approximately 18% from approximately AUD\$4.7 million for the six months ended 31 December 2017 to approximately AUD\$3.9 million for the six months ended 31 December 2018, primarily due to the absence of listing expenses in the six months ended 31 December 2018.

Advertising and Marketing Expenses

Advertising and marketing expenses increased by approximately 50% from approximately AUD\$0.5 million for the six months ended 31 December 2017 to approximately AUD\$0.8 million for the six months ended 31 December 2018 as the Company took more efforts on advertising and student recruitment during the six months ended 31 December 2018.

Profit for the Period

As a result of the above factors, profit for the period of the Company increased by approximately 117% from approximately AUD\$0.8 million for the six months ended 31 December 2017 to approximately AUD\$1.8 million for the six months ended 31 December 2018.

Capital Expenditure

The Company’s capital expenditures for the six months ended 31 December 2018 were approximately AUD\$1.0 million, primarily consisted of expenditures on (i) plant and equipment, (ii) classroom equipment and office, (iii) teachers’ reference books, (iv) new enterprise resource planning (“ERP”) system, and (v) new campus fit outs.

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2018, the Company had cash on hand of approximately AUD\$47.3 million (30 June 2018: AUD\$47.4 million) with no bank borrowings (30 June 2018: Nil). During the six months ended 31 December 2018, the Company financed its working capital requirements and capital expenditures principally through net cash inflows from operating activities and the net proceeds raised from the Listing.

As at 31 December 2018, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Company was 0% (30 June 2018: 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 2018.

Foreign Exchange Risk Management

The functional currency of the Company is AUD\$. The majority of the Company's revenue and expenditures are denominated in AUD\$, except that certain expenditures are denominated in HK\$. As at 31 December 2018, certain bank balances and payables were denominated in US\$ and HK\$. The Company 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 Company's assets as at 31 December 2018 (30 June 2018: Nil).

Contingent Liabilities

As at 31 December 2018, the Company did not have any material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICIES

During the six months ended 31 December 2018, including academic staff, the Company employed 129 staff (six months ended 31 December 2017: 108). 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 for casual staff.

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

Bachelor of Law Re-accreditation and Reform of the Course Structure

The re-accreditation process of our Bachelor of Laws is now underway. The re-accreditation process involves considering any course features that we proposed. At the meantime, the current accreditation of the Bachelor of Laws remains on foot.

INTERIM DIVIDEND

The Board does not recommend an interim dividend in respect of the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company purchased a total of 25,450,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before brokerage and expenses) of approximately HK\$7,756,000. As at 31 December 2018, 16,730,000 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 paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration HK\$
October 2018	260,000	0.310	0.290	77,200
November 2018	3,930,000	0.345	0.300	1,234,450
December 2018	21,260,000	0.325	0.285	6,444,000

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 Company for the six months ended 31 December 2018, including the accounting principles and practices adopted by the Company.

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 2018, 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 have complied with the Model Code throughout the six months ended 31 December 2018.

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* and on the website of the Company at *www.top.edu.au*. The interim report of the Company for the six months ended 31 December 2018 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

“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
“ATP”	the Australian Technology Park
“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 and trading as Top Education Institute
“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
“CRICOS”	the Commonwealth Register of Institutions and Courses for Overseas Students
“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
“Employee”	<p>(a) any employee (including without limitation any executive Director) of the Company;</p> <p>(b) any non-executive Director (including independent non-executive Directors);</p> <p>(c) any member of the Council; and</p> <p>(d) any consultant of the Company,</p>

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

“HBUE”	Hubei University of Economics
“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\$”	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”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	11 May 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Minsheng Development”	Minsheng Education Development Company Limited (“ Minsheng Development ”), a direct whollyowned subsidiary of Minsheng Education Group Company Limited.

“Minsheng Education Group”	Minsheng Education Group Company Limited (民生教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005, listed on the Main Board of the Stock Exchange on 22 March 2017 with Stock Code 1569
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“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
“Pre-IPO Performance Right(s)”	a performance right under the pre-IPO performance rights plan conditionally adopted by our Board on 8 June 2017, a summary of the principal terms of which is set out in the section headed “Appendix IV — E. Pre-IPO Performance Rights Plan” in the prospectus issued on 27 April 2018
“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
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	The period from 1 July 2018 to 31 December 2018
“SAA”	Self-Accrediting Authority
“SCDP”	the Student Career Development Program
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the capital of the Company

“Share Award Scheme”	the post-IPO share award scheme conditionally adopted by the Company on 23 October 2018, the principal terms of which are set out in the announcement dated 23 October 2018
“Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Company on 18 April 2018, the principal terms of which are set out in the section headed “Appendix IV — F. Share Option Scheme” in the prospectus issued on 27 April 2018
“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
“Trust Deed”	a trust deed dated 23 October 2018 entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trustee”	Pacific Custodians Pty Ltd (ACN 009 682 866) (which is independent of and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed
“US\$”	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 2019

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