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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)**

# **REPURCHASE OF SHARES UNDER GENERAL MANDATE AND SUPPLEMENTAL INFORMATION IN RELATION TO THE PROPOSED ACQUISITION OF 85% EQUITY INTEREST IN SCOTS ENGLISH COLLEGE PTY LTD**

## **REPURCHASE OF SHARES UNDER GENERAL MANDATE**

This announcement is made by Top Education Group Ltd (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 23 October 2018 (the “**First Announcement**”), 28 November 2018, 22 January 2019, 28 May 2019 and 26 June 2019 (the “**Second Announcement**”), respectively (collectively, the “**Repurchase Announcements**”). Unless otherwise specified, capitalised terms used in this section have the same meanings as those defined in the Repurchase Announcements.

As disclosed in the Repurchase Announcements, pursuant to the Repurchase Mandate (as refreshed at the annual general meeting of the Company held on 28 November 2018, the “**Current Repurchase Mandate**”), the Board resolved to exercise its authority to repurchase up to 1.5% of the total number of issued Shares as of the date of the First Announcement (being 38,828,220 Shares) and further resolved to exercise its authority to repurchase up to an additional 1.0% of the total number of issued Shares as of the date of the Second Announcement (being 25,579,580 Shares) for such period of time until 28 October 2019. Since the date of the First Announcement, the Company has repurchased a total number of 59,870,000 Shares. On 28 October 2019, the Board resolved to exercise its authority to repurchase up to an additional 1.0% of the total number of issued Shares as at the date hereof (being 25,347,280 Shares) within a period commencing from 29 October 2019 until 28 January 2020, provided that any repurchase of Shares after the expiry of the Current Repurchase Mandate is subject to the same being refreshed at the next annual general meeting of the Company (the “**Proposed Share Repurchase**”). Payment of the Proposed Share Repurchase will be made out of the Company’s profits or, if authorised by the Constitution and subject to the Corporations Act, the Company’s capital.

The Proposed Share Repurchase will be conducted in compliance with the Constitution, the Listing Rules, the Corporations Act and all other applicable laws and regulations. The Proposed Share Repurchase will not result in the number of Shares held by the public falling below the relevant minimum percentage prescribed by the Listing Rules. The Company will subsequently cancel the repurchased Shares, if any.

Based on current market conditions and the recent trading price of the Shares, the Board is of the view that such trading price does not reflect the true value of the Company. The Board believes that the Proposed Share Repurchase reflects the Company’s confidence in its long term business prospects and would ultimately benefit the Company and the Shareholders. Taking into account the current financial position of the Company, the Directors are of the opinion that the Proposed Share Repurchase would not have any material adverse effect on the working capital requirements of the Company. In light of the above, the Board considers that the Proposed Share Repurchase is in the interests of the Company and the Shareholders as a whole.

**Shareholders and potential investors of the Company should note that the Proposed Share Repurchase is subject to market conditions and the Board’s absolute discretion. There is no assurance as to the timing, quantity or price of any Share so repurchased or whether the Proposed Share Repurchase would proceed at all. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Company’s securities.**

## **SUPPLEMENTAL INFORMATION IN RELATION TO THE PROPOSED ACQUISITION OF 85% EQUITY INTEREST IN SCOTS ENGLISH COLLEGE PTY LTD**

Reference is made to the announcement of the Company dated 23 September 2019 in relation to the proposed acquisition of 85% equity interest in Scots English College Pty Ltd (the “**Acquisition Announcement**”). Unless otherwise specified, capitalised terms used in this section have the same meanings as those defined in the Acquisition Announcement. The Board wishes to supplement the following information in relation to the Acquisition:

### **Base Purchase Price**

As disclose on page 3 of the Acquisition Announcement, the Base Purchase Price was determined by the Board after arm’s length negotiations, with reference to the financial and operating performance of the Target including its financial position and future prospects. In particular, the Board took into account the following factors:

- (a) the net profit after taxation of the Target for the financial year ended 30 June 2019 as disclosed on page 7 of the Acquisition Announcement, where the Base Purchase Price represents a multiple of less than six times thereof (taking into account a 85% interest acquired by the Purchaser in the Target), which the Company considers reasonable with reference to comparable transactions involving the higher education sector;
- (b) other financial and operating results of the Target including (i) its revenue for the two financial years ended 30 June 2018 and 30 June 2019 of approximately A\$3.27 million and A\$4.40 million respectively, which showed a substantial year-on-year growth and is a good indicator of the Target’s future prospects and (ii) its last twelve months earnings before interest, taxes, depreciation and amortisation as at 30 August 2019, based on the then latest financial management updates received from the Target; and
- (c) the Company’s assessment of the value of the Target to it including the synergies expected to be generated between the Group and the Target, as disclosed on page 7 of the Acquisition Announcement, particularly as the Acquisition allows the Company to tap into the English-language education training business and expand the scope of services available to international students in China, which is in line with its long term strategy to strengthen its reputation, presence and synergies in China.

The Company wishes to emphasise that the net asset value of the Target did not bear any significance to its determination of the Base Purchase Price, given that the Target which is principally a provider of English-language courses is an asset-light company with no owned properties and minimal capital expenditure, and the prospects of the education sector are mainly driven by the ability of service providers to promote student enrolment for generating revenue.

### **First Earn Out Amount**

As disclosed on page 4 of the Acquisition Announcement, payment of the First Earn Out Amount is dependent on the FY20 NPAT and (in the circumstances described in the Acquisition Announcement) the 1H FY21 NPAT. The Share Sale and Purchase Deed provides that the FY20 NPAT is “the value of net profit after tax of the [Target] for the financial year ending 30 June 2020, *as calculated in accordance with the Accounting Standards*, as set out in the FY20 Accounts” (emphasis added). Accordingly, the earn out calculation will strictly follow a proper application of the Australian Accounting Standards as to the inclusion or exclusion of one-off, non-operating or extraordinary items from the FY20 NPAT. There is no provision in the Share Sale and Purchase Deed which specifically excludes any item from the FY20 NPAT. The 1H FY21 NPAT is calculated on an identical basis, but based on the net profit after tax of the Target during the period from 1 July 2020 to 31 December 2021, as shown in the Target’s management accounts for that period.

### **Second Earn Out Amount**

As disclosed on page 5 of the Acquisition Announcement, payment of the Second Earn Out Amount is subject to the Second Earn Out Condition that the Target or the Seller provides written evidence of the Target’s re-registration with the ASQA on or prior to 31 December 2022. The ASQA is the Australian governmental body which is responsible for the approval and registration of English Language Intensive Courses for Overseas Students courses on the Commonwealth Register of Institutions and Courses for Overseas Students (“**CRICOS**”), which is an Australian government register that lists all Australian education providers offering courses to people studying in Australia on student visas and the courses offered. Registration with the ASQA on the CRICOS is required to be renewed periodically. The Target is currently registered on the CRICOS, but its existing registration will expire in 2021. The Second Earn Out Amount payment is conditional on the re-registration of the Target with the ASQA on the CRICOS, and will be withheld from the Seller pending completion of such administrative procedure.

Save as disclosed above, all other information set out in the Acquisition Announcement remains unchanged.

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

Hong Kong, 28 October 2019

*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.*