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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 ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Company's revenue for the year increased by 12.7% to AUD\$23.8 million.
- Gross profit was AUD\$12.8 million, rose by 14.9%.
- Gross profit margin for the year improved to 53.8%.
- The net profit for the year was AUD\$1.6 million, and the core net profit was AUD\$8.1 million.
(Note)
- Equivalent full-time student load was 1,151, rose by 4.2%.

Note: Core net profit is defined as profit for the year of the Company after adjusting for those items which are not indicative of the Company's operating performances, such as the Listing Expenses of AUD\$6.0 million. For net profit for the year and core net profit details, please refer to page 17 under the section headed "Financial Review" in this announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of Top Education Group Ltd (the “**Company**”, “**we**” or “**TOP**”) is pleased to announce the audited annual results of the Company for the year ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as set out below:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2018

	<i>Notes</i>	2018 <i>AUD\$’000</i>	2017 <i>AUD\$’000</i>
REVENUE	4	23,823	21,138
Cost of sales		<u>(10,996)</u>	<u>(9,977)</u>
Gross profit		12,827	11,161
Other income	4	1,109	315
Administrative expenses		(10,472)	(3,448)
Advertising and marketing expenses		(1,159)	(1,199)
Other operating expenses		<u>—</u>	<u>(60)</u>
PROFIT BEFORE TAX	5	2,305	6,769
Income tax expense	6	<u>(752)</u>	<u>(2,167)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,553</u>	<u>4,602</u>
Attributable to:			
Owners of the Company		<u>1,553</u>	<u>4,602</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share (<i>AUD cents</i>)	7	<u>0.079</u>	<u>0.258</u>
Diluted earnings per share (<i>AUD cents</i>)	7	<u>0.075</u>	<u>0.257</u>

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>Notes</i>	2018 <i>AUD\$'000</i>	2017 <i>AUD\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		980	750
Intangible assets		4,181	3,624
Prepayments and deposits		1,627	1,903
Deferred tax assets		2,905	202
Total non-current assets		9,693	6,479
CURRENT ASSETS			
Trade receivables	9	—	58
Prepayments and other receivables		1,266	1,389
Cash and cash equivalents		47,367	16,100
Total current assets		48,633	17,547
CURRENT LIABILITIES			
Trade payables	10	1,345	1,127
Other payables and accruals		2,804	2,335
Deferred income		2,626	2,348
Tax payable		398	533
Total current liabilities		7,173	6,343
NET CURRENT ASSETS		41,460	11,204
TOTAL ASSETS LESS CURRENT LIABILITIES		51,153	17,683
NON-CURRENT LIABILITIES			
Other payables and accruals		217	151
Net assets		50,936	17,532
EQUITY			
Share capital		45,133	8,480
Reserves		5,803	9,052
Total equity		50,936	17,532

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Australian dollars (“AUD\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12

None of the above amendments to IFRSs has had a significant financial effect on the Company’s financial performance and financial position. Disclosure has been made in the current year’s financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. OPERATING SEGMENT INFORMATION

The Company has identified the Chief Executive Officer (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 financial year, 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 financial year.

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2018 <i>AUD\$'000</i>	2017 <i>AUD\$'000</i>
Revenue		
Course fee income	22,806	20,263
Others service fee income	<u>1,017</u>	<u>875</u>
	<u>23,823</u>	<u>21,138</u>
Other income		
Interest income	237	165
Realised foreign exchange gain, net	169	—
Unrealised foreign exchange gain, net	590	—
Others	<u>113</u>	<u>150</u>
	<u>1,109</u>	<u>315</u>

5. PROFIT BEFORE TAX

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

	2018 <i>AUD\$'000</i>	2017 <i>AUD\$'000</i>
Amortisation of intangible assets	780	589
Depreciation	243	253
Minimum lease payments under operating leases	1,273	1,004
Listing expenses	<u>5,994</u>	<u>948</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 year ended 30 June 2018 (2017: 30%) 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 year.

	2018	2017
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Current — Elsewhere		
Charge for the year	2,022	2,273
Deferred	<u>(1,270)</u>	<u>(106)</u>
Total tax charge for the year	<u>752</u>	<u>2,167</u>

7. 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 year attributable to owners of the Company of AUD\$1,553,000 (2017: AUD\$4,602,000) and the weighted average number of ordinary shares of 1,977,977,000 (2017: weighted average number of ordinary shares of 1,764,720,000 and Class A shares of 22,024,000) in issue during the year, as adjusted retrospectively to reflect a share subdivision of the Company during the year.

In determining the weighted average number of ordinary shares in issue, the share subdivision of the Company during the year was deemed to have been completed on 1 July 2016.

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

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

	2018	2017
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>1,553</u>	<u>4,602</u>

	Number of shares		
	2018	2017	
	Ordinary	Ordinary	Class A
	shares	shares	shares
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Shares			
Weighted average number of shares in issue used in the basic earnings per share calculation taking into account the share subdivision	1,977,977	1,764,720	22,024
Effect of dilution — weighted average number of shares:			
Performance rights	<u>98,280</u>	<u>3,990</u>	<u>—</u>
	<u>2,076,257</u>	<u>1,768,710</u>	<u>22,024</u>

8. DIVIDENDS

	2018	2017
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Interim — AUD\$6.7 (2017: Nil) per ordinary share	<u>6,283</u>	<u>—</u>

The Board does not recommend the payment of a final dividend to the Shareholders of the Company for the year ended 30 June 2018.

9. TRADE RECEIVABLES

The Company's students are required to pay tuition fees in advance for upcoming semesters. The Company has no outstanding receivables during the year. 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.

An aged analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2018	2017
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Within 1 month	—	—
1 to 3 months	<u>—</u>	<u>58</u>
	<u>—</u>	<u>58</u>

10. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the year is as follows:

	2018	2017
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Over two months	<u>1,345</u>	<u>1,127</u>

Trade payables represent the amounts due to the Company's agents. The trade payables are matured and non-interest bearing. Under the agent contracts, the Company generally is required to pay commission within 45 days after the census date of each term, subject to receipt of an invoice from the relevant agent.

11. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 18 July 2018, a total of 25,781,938 share options were granted to a director and certain employees of the Company in respect of their services to the Company in the forthcoming year. These share options vest in three tranches in accordance with the following dates: (i) up to 33.33% of the share options shall be vested at any time after 17 July 2019; (ii) up to 33.33% of the share options shall be vested at 17 July 2020; (iii) up to 33.34% of the share options shall be vested at 17 July 2021 and have an exercise price of HK\$0.56 per share and an exercise period ranging from 17 July 2019 to 17 July 2028. The price of the Company's shares at the date of grant was HK\$0.54 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Introduction of the group

As one of Australia's primary, best-in-class private tertiary providers, the Company is nationally registered with Tertiary Education Quality and Standards Agency (TEQSA). TOP's Sydney City School of Business ("**Business School**") provides quality programs at both undergraduate and postgraduate levels. The relevant courses are also accredited by major professional bodies, such as CPA Australia Ltd ("**CPA Australia**") and Chartered Accountants Australia and New Zealand ("**CAANZ**"). The Company made history as it 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. As of 30 June 2018, the Company has 1151 students attending 23 programs across a range of diploma, Bachelor's, Master's and non-award training.

Additionally, up to date, the Company is the only private higher education provider listed by the Ministry of Education of the People's Republic of China ("**China**" or "**PRC**") on the Jiaoyu Shewai Jianguan Xinxiwang ("**JSJ list**") as one of the 42 recommended Australian universities and higher education institutes.

In May 2016, PricewaterhouseCoopers Nominees (A.C.T.) Pty Ltd. ("**PwC Nominees**"), as a nominee for PricewaterhouseCoopers (ABN 52 780 433 757), Australia ("**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 that agreement for a further period and may agree to vary its terms for the extension period. Under the alliance agreement, PwC Australia agreed to provide a variety of services to help expand our academic courses and non-academic programs in Australia.

Listing

On 11 May 2018, shares in the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an offer price of Hong Kong dollar ("**HK\$**") 0.33 (the "**Listing**"). Including the issue of over-allotment shares that was completed in May 2018, the Company issued a total of 703,520,000 new shares, representing 27.2% of enlarged share capital. Through the initial public offering ("**IPO**"), the Company raised a total of approximately HK\$172 million or AUD\$30 million.

Operational Updates

For the year ended 30 June 2018, the Company had 137 employees. Compared with last financial year, our total number of staff members has increased by approximately 26%.

The Company continues to invest in staff scholarship and research. As at 30 June 2018, the cost occupied 2% of the employee expenses.

Compared with last financial year, as at 30 June 2018, the company's total equivalent full-time student load ("EFTSL") was increased by 4.2%.

The Company was approved an increase to international student capacity on the Commonwealth Register of Institution and Courses for Overseas Students ("CRICOS") from 920 to 1,500 on 16 February 2018.

The Company has launched its Master of Business Administration program since March 2018.

The Company engaged and allocated approximately AUD\$1.1 million to develop a new Student and Staff Management platform in 2018 in response to the challenges of the changing environment and Smart Campus strategy.

Receive Self-Accreditation Authority

The Company received a letter from TEQSA on 16 May 2018 in relation to its approval for partial self-accreditation authority ("SAA") in the broad field of education of Management and Commerce, as classified by the Australian Standard Classification of Education, which covers the Australian Qualification Framework from level 5 (diploma) to level 9 (master's degree) Management and Commerce courses offered at TOP.

By obtaining the SAA, TOP is able to determine by itself whether its Management and Commerce courses adequately comply with regulatory standards rather than applying through TEQSA. While maintaining high quality of the courses, the time required for course accreditation will hence be significantly reduced. Accordingly, the partial SAA status not only allows TOP to more efficiently respond to market demand in coursework, but also constitutes a necessary step towards eventually achieving university specialization status.

Following the approval of partial SAA status, TOP enjoys the SAA status with 11 other non-university higher education providers, and has become one of the three non-university higher education providers with the SAA status that offer Management and Commerce higher education courses, and is the only non-university for-profit higher education provider offering courses in Management and Commerce.

Alliance with PwC Australia

Under the alliance agreement, PwC Australia has provided services which have assisted us to deliver initiatives in Australia including tertiary student career development and executive education programs, as well as designing 'smart campus' and digital education solutions.

Student Career Development

TOP has a strong belief that the education is more than just 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 it 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, which has been overlooked by many other providers.

For the half year ended 30 June 2018, the number of attendees of TOP's CareerFit increased by 41.9% to 52 compare to the year of 2017. For Career Pre Workshop, the number increased by 240.9% to 75 attendees. There are 36.8% more attendees of Work Placement compared to the year of 2017, being the total number as 52 for the half year ended 30 June 2018.

The conversion rate between CareerFit and Work Placement programs increased by 248.6% from 2016 to 2017. This rate interprets how many students attended career training and found find a work placement or full-time job subsequently.

Executive training

Since 2016, the Company has entered corporate training agreement with nearly 20 enterprises in Australia, including Bank of China Australia, Greenland (Australia) Investment Pty limited etc.

In China, TOP on 28 June 2016 met with the executives of Tsinghua University and Fudan University, two prestigious institutions in China and also listed within top 100 universities in the world, and signed agreements to deliver corporate training programs in China. The signings were also witnessed by Australian Education Counsellor in China and the China Ministry of Education. Thereafter, TOP has provided the following training programs in China as:

- On 25 March 2017 in Shanghai for one Chinese public company and one large-sized private enterprises group with 30 trainees attended;
- On 18 November 2017 in Nanning, Guangxi Province for 120 executives from the enterprises in Guangxi Province;
- On 8 June 2017 in Jiaxing, Zhejiang Province for 150 Financial Controllers from the enterprises in Zhejiang Province.

Student Enrolments

For the year ended 30 June 2018, the total EFTSL increased by 4.2% comparing with the last financial year.

	2018	2017
Bachelor of International Business ⁽¹⁾	365.6	368.1
Bachelor of Applied Finance and Accounting ⁽²⁾	97.9	53.1
Bachelor of Laws	74.6	51.0
Master of Professional Accounting and Business ⁽³⁾	391.4	459.5
Master of International Business ⁽⁴⁾	98.6	103.3
Others ⁽⁵⁾	5.8	0.5
Non-Award Unit Study	<u>117.2</u>	<u>68.8</u>
Total	<u><u>1,151.1</u></u>	<u><u>1,104.3</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 amount 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		
	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's growth strategy is to focus on organic growth with its SAA accreditation to deliver high quality higher education programs in Australia, in support of the long-term strategic goal of becoming the first private, for-profit University of Specialisation in the broad field of education of Management and Commerce in Australia.

Meanwhile, the Company intends to expand its network, build synergy effects with China education providers and increase its market share in the private higher education sector in Australia through merger and acquisition (“**M&A**”) activities.

Continue self-growth and rapid development:

- The Company will use the capital raised to improve the skills and efficiency of all our human resources including key academic teaching/research staff and administrative staff members to support future rapid growth in terms of student numbers and multiple campuses.
- The Company has established an institutional research fund that will support targeted research activities as a central part of creating a mature higher education culture. Building up research culture is also the key step towards to the Company’s long-term strategy goal.
- The Company is planning a new course development agenda in the field of Management and Commerce, and assessing expansion into other major fields like Information Technology, the latter subject to TEQSA’s approval, in order to meet identified student demand.
- Under the alliance agreement, PwC Australia provides services within Australia to the Company, which assists to further enhance our higher education programs. In particular, further enhancement and implementation of the jointly-delivered student career development program, Career Edge, provides TOP with a unique advantage in the higher education sector that enhances students’ work placement and career development prospects.
- The Company has commenced a development program to enable digitalised delivery of our non-award student career skill training programs.
- TOP will continue to diversify its student profile from among Australian domestic students and by a wider range of international source countries. At present, TOP conducts recruiting activities in 39 countries/regions.
- During the year ended 30 June 2018, the Company commenced delivery of non-award executive training programs in China, and that activity will be developed strongly in future as a major supplement to the Company’s core business.

Upgrading the infrastructure and development of new campus to support our rapidly growth:

- The Company continues to upgrade campus facilities and services at the Australian Technology Park (“**ATP**”), and will also do so at any potential new campus. This will be developed under TOP’s Smart-Campus Strategy that aims to provide our students with state-of-the-art digitalised teaching/learning experiences, and our staff with the most efficient technological support systems possible.

- The Company is also considering delivery of its programs in other areas of Sydney and in other major Australian cities. Some of the expansion may occur through M&A activity in relation to carefully selected prospects.
- We have signed the leasing proposal for two new premises in ATP which will be ready to use in the middle of 2019 and 2020 respectively. The new premises in ATP will provide tremendous opportunities not only to our students to learn, study, live, networking and experience, but also to our executive training and non-award courses to be delivered on site through a range of professional institutions.

Cooperation with overseas higher education universities and overseas market expansion

Along with the planned expansion in Australia, the Company is continuing to enlarge its overseas networks and capabilities to ensure strong student recruitment patterns. The main focus continues to be on the traditional market in China. Besides strengthening TOP's already approved joint cooperative programs, TOP is also working closely with several other Chinese universities, both public and private, that are emerging under new official policies. These new partnerships will be enhanced by the new research and student experience centres that TOP will develop in carefully selected Chinese cities with the cooperative universities.

Mergers and Acquisitions

The Company has established a strong M&A team, which is composed of experienced professionals with various background, including merger and acquisition, accounting, financial, legal and compliance, and industry experts etc. Presently, the team is working together to find potential targets and performance due diligence works on several at different stages.

Financial Review

Revenue

The Company's revenue reached AUD\$23.8 million for the year ended 30 June 2018, increased by 12.7% as compared to previous year's revenue. A breakdown of revenue is shown below:

	2018	2017	Change
	<i>AUD\$'000</i>	<i>AUD\$'000</i>	%
Course fee income	22,806	20,263	+12.5%
Overseas service fee	<u>1,017</u>	<u>875</u>	<u>+16.2%</u>
	<u><u>23,823</u></u>	<u><u>21,138</u></u>	<u><u>+12.7%</u></u>

The increase in revenue was primarily due to a 12.5% increase in course fee income from AUD\$20.3 million for the year ended 30 June 2017 to AUD\$22.8 million for the year ended 30 June 2018, resulting mainly from (i) increases in tuition rates that became effective in March 2018, and (ii) increased enrolment as the EFTSL increased by 4.2% from 1,104 for the year ended 30 June 2017 to 1,151 for the year ended 30 June 2018.

Tuition fee contributed over 95.7% of the Company's revenue while overseas service fee represented approximately 4.3% of the revenue.

Cost of Revenue

Cost of revenue increased by approximately AUD\$1 million, or 10%, from AUD\$10.0 million for the year ended 30 June 2017 to AUD\$11.0 million for the year ended 30 June 2018. This increase in cost of revenue was mainly attributable to (i) an increase of AUD\$0.6 million in agent commissions due to the increase in tuition rates and EFTSL, (ii) an increase of AUD\$0.2 million in amortisation of intangible assets due to increase in intangible assets, and (iii) an increase of AUD\$0.2 million in lease payments due to new leasing agreements signed during the year.

Gross Profit and Gross Profit Margin

Gross profit increased by 14.9% from AUD\$11.2 million for the year ended 30 June 2017 to AUD\$12.8 million for the year ended 30 June 2018, primarily due to the increase in tuition revenue resulted from increases in tuition rates and EFTSL. The gross profit margin increased to 53.8% for the year ended 30 June 2018 from 52.8% for the year ended 30 June 2017, which was primarily due to the increase in revenue was higher than the increase in costs.

Other Income

Other income increased by 252.1% from approximately AUD\$0.3 million for the year ended 30 June 2017 to approximately AUD\$1.1 million for the year ended 30 June 2018. The increase primarily resulted from an increase of AUD\$0.8 million in foreign exchange gain.

Administrative Expenses

Administrative expenses increased significantly from approximately AUD\$3.5 million for the year ended 30 June 2017 to AUD\$10.5 million for the year ended 30 June 2018. This increase was mainly attributable to (i) an increase in listing expenses from approximately AUD\$0.9 million for the year ended 30 June 2017 to approximately AUD\$6.0 million for the year ended 30 June 2018, (ii) an increase of AUD\$0.8 million being the accounting treatment for employee share scheme, and (iii) an increase in auditors' remuneration from approximately AUD\$0.1 million for the year ended 30 June 2017 to approximately AUD\$0.3 million for the year ended 30 June 2018.

Listing Expenses

Listing expenses for the year ended 30 June 2018 consists of professional fees directly charged in relation to the IPO in May 2018. The amount of AUD\$6.0 was expensed while the amount of AUD\$1.7 was capitalised.

Profit for the year and Core Net Profit

Profit for the year of the Company decreased from AUD\$4.6 million for the year ended 30 June 2017 to around AUD\$1.6 million for the year ended 30 June 2018.

The Company defines its core net profit as profit for the year after adjusting for unrealised foreign exchange gain and normalisation expenses, which consists of non-recurring expenses and non-cash items that are not indicative of the Company's operating performances, including (i) the listing expenses for professional fees directly charged in relation to the IPO in May 2018, (ii) share-based payment, (iii) performance bonus awarded to the Company's Chief Executive Officer, and (iv) professional fees directly charged in relation to the employee share schemes.

The Company has presented this item because the Company considers it an important supplemental measure of the Company's operational performance used by the Company's management as well as analysts or investors.

Core net profit for the year ended 30 June 2018 increased by 45.5% from AUD\$5.6 million to AUD\$8.1 million as compared with the year ended 30 June 2017. A breakdown of core net profit is shown below:

	Year ended 30 June	
	2018	2017
	AUD\$'000	AUD\$'000
Statutory net profit after tax	1,553	4,601
Add:		
Listing expenses	5,994	948
Share-based Payment	827	37
Employee share scheme service fees	82	—
One-off pre-IPO performance related bonus*	243	—
Less:		
Unrealised foreign exchange gain	590	—
Core net profit	<u>8,109</u>	<u>5,586</u>

* AUD\$243,000 comprises performance related bonus of AUD\$222,000 and AUD\$21,000 of pension scheme contributions.

Capital Expenditures

The Company's capital expenditures for the year ended 30 June 2018 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 30 June 2018, the Company had cash on hand of AUD\$47 million (30 June 2017: AUD\$16 million) with no bank borrowings (30 June 2017: AUD\$0). During the year ended 30 June 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 IPO.

As at 30 June 2018, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Company was 0% (30 June 2017: 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 year, nor any plan authorized by the Board for other material investments or additions of capital assets during the year ended 30 June 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 30 June 2018, certain bank balances and payables were denominated in United States dollar ("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 the Company's Assets

There were no charges on the Company's assets as at 30 June 2018 and 2017.

Contingent Liabilities

As at 30 June 2018, the Company did not have any material contingent liability.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 11 to the financial statements, the Company has the following significant events after the reporting period:

- (a) The Company has signed agreement of cooperative framework with Jiaying University on 22 August 2018, to promote Undergraduate to Postgraduate pathway program, short term students exchange program and establishing international cooperative centre.
- (b) On 5 September 2018, we received a formal advice from Legal Profession Admission Board of New South Wales (“NSW LPAB”) that the re- accreditation process of our Bachelor of Laws will commence in September 2018 and may take more than six months to complete.

This accreditation follows the normal cycle of re-accreditation. In A Framework for the accreditation of Law Course by NSW LPAB, TOP has been scheduled in accreditation cycle in 2018, 2020 and 2023.

- (c) On 12 September 2018, TEQSA has approved the Company to increase its Business School’s annual tuition fee by 4% to 5% for international coursework students from March 2019 (Semester 1, 2019).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to the Shareholders of the Company for the year ended 30 June 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on 28 November 2018. A notice convening the annual general meeting and all other relevant documents will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Wednesday, 28 November 2018, the register of members of the Company will be closed from Friday, 23 November 2018 to Wednesday, 28 November 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 November 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 30 June 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Constitution, or under the Corporations Act in Australia where the Company is registered, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares are held by the public as at the date of this announcement.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Net proceeds from the Listing (including the over-allotment option and after deducting underwriting fee and relevant expenses) amounted to approximately HK\$172 million. As at 30 June 2018, a total amount of AUD\$272,000 out of net proceeds had been used by the Company according to the allocation set out in the prospectus.

Proposed Use of Proceeds	Amount utilised from Listing to 30 June 2018	Amount utilised from Listing to 30 June 2018	Proposed use for the year ended 30 June 2019	Expected timeframe
	<i>HK\$'000</i>	<i>AUD\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
● Acquire or invest in educational groups/institutions in the PRC and in Australia	70,386	—	—	300 To be used by the end of 2019.
● Establish six students experience centres in the PRC	45,836	—	—	4,000 Flagship center is expected to be completed by the end of 2019 and other five centers are expected to be completed from 2020–2023.

Proposed Use of Proceeds	Amount utilised from Listing to 30 June 2018	Amount utilised from Listing to 30 June 2018	Proposed use for the year ended 30 June 2019	Expected timeframe
<i>HK\$'000</i>	<i>AUD\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
● Upgrade our existing campus				
16,137	—	—	7,650	To be used in two to three years. Upgrading campus facilities may take six to twelve months to complete.
● Expanding our campus locations, which include acquiring new potential location in ATP, Sydney central business district, and in other Australian states				
9,442	74	429	4,236	To be used in two to three years. New premise development including acquiring relevant authorities' approval may take one to two years to complete.
● Further development of SCDP as on online program				
8,412	—	—	4,000	To be used in two years. Development of the course content and the conversion to online model may take six to twelve months.
● Expanding our research program and develop PhD towards to our University strategic goal				
5,321	—	—	1,200	To be used in three to four years. The preparation of PhD course proposal to TEQSA may take 12 to 18 months.
● Expanding our marketing activities				
7,554	18	—	1,200	To be used in three to four years. The development of the new marketing network may take one to two years.
● Working capital and general corporate purposes				
8,584	180	—	4,000	To be used in two to three years.

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 Company is of the view that since the Listing Date and up to 30 June 2018, the Company has complied with applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) except code provisions A.2.1 and C.2.5 as noted in the paragraph headed “Chairman and Chief Executive Officer” and “Internal Audit Function”.

Chairman and Chief Executive Officer

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 year ended 30 June 2018, 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 our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

Furthermore, in view of Dr. Zhu’s extensive industrial experience and significant role in the historical development of our Company, the Board believes that it is beneficial to the business prospects of our Company that Dr. Zhu continues to act as both our Chairman and CEO after the Listing, 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.

Internal Audit Function

The Company does not have an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management and internal control systems. The risk management and internal controls are self-assessed by the management and reviewed by the Board or a delegated committee on an on-going basis. The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary. The arrangement of engaging with an external expert instead of having an internal audit function is considered to be cost-effective based on the Company’s size, nature and complexity of the business. Furthermore, outsourcing to specialist could ensure the independence of the internal audit work, together with flexibility to cater for the ever-changing regulatory environment.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 period from the Listing Date up to 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of four independent non-executive Directors. The Audit Committee has reviewed the annual results of the Company for the year ended 30 June 2018, including the accounting principles and practices adopted by the Company.

The figures in respect of the Company’s statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2018 as set out in the preliminary announcement have been agreed by the Company’s auditors, Ernst & Young, to the amounts set out in the Company’s draft financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for the year ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Company’s management and staff members for their dedication and hard work and our shareholders for their trust and support.

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

Hong Kong, 24 September 2018

As at the date of this announcement, the executive directors of the Company are Dr. Minshen Zhu 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.