



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)
(Stock Code: 1752)



INTERIM REPORT 2020

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	13
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Interim Condensed Consolidated Statement of Financial Position	24
Interim Condensed Consolidated Statement of Changes in Equity	25
Interim Condensed Consolidated Statement of Cash Flows	26
Notes To The Condensed Consolidated Financial Statements	27
Glossary	48



CORPORATE INFORMATION

Board of Directors

Executive Directors:

Dr. Minshen Zhu (*Chairman and Chief Executive Officer*)
(Ms. Rongning Xu as his alternate)
Ms. Sumeng Cao

Non-executive Directors:

Mr. Thomas Richard Seymour (Mr. Kai Zhang as his alternate)
Mr. Amen Kwai Ping Lee
Mr. Yi Dai

Independent non-executive Directors:

Professor Brian James Stoddart
Professor Steven Schwartz
Mr. Tianye Wang
Professor Weiping Wang

Audit Committee

Mr. Tianye Wang (*Chairman*)
Professor Brian James Stoddart
Professor Steven Schwartz
Professor Weiping Wang

Remuneration Committee

Professor Steven Schwartz (*Chairman*)
Mr. Tianye Wang
Mr. Amen Kwai Ping Lee

Nomination Committee

Professor Brian James Stoddart (*Chairman*)
Dr. Minshen Zhu
Professor Weiping Wang

Joint Company Secretaries

Ms. Min Ying
Ms. Ivy Yuk Yin Chow

Authorised Representatives

Dr. Minshen Zhu
Ms. Ivy Yuk Yin Chow

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Registered Office, Principal Place of Business and Head Office in Australia

Suite 1, Biomedical Building
1 Central Avenue
Australian Technology Park
Eveleigh, New South Wales 2015
Sydney
Australia

Place of Business in Hong Kong Registered Under Part 16 of the Companies Ordinance

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Australia Principal Share Registrar

Top Education Group Ltd
Suite 1, Biomedical Building
1 Central Avenue
Australian Technology Park
Eveleigh, New South Wales 2015
Sydney
Australia

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Website

www.top.edu.au

Stock Code

1752

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Strategic Development

Innovation towards Intelligent Education — From TOP 2.0 towards TOP3.0

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

- **Course Innovation** — upgrading the courses in traditional Management & Commerce field to innovative programs integrating with digitalised technologies, including data analytics, artificial intelligence (“AI”), FinTech and blockchain, to meet the requirements of Industry 4.0 and Society 5.0 with respect of the graduate attributes and life career capability, and developing interdisciplinary courses based on the students’ demands.
- **Digitalised Methodology** — the traditional teaching and learning model towards the intelligent education, including upgrading the Smart-campus facilities, digitising student/management information system, as well as creating intelligent interaction between lecturers and students.
- **Moving from onshore pathway programs to more direct recruitment through the international cooperative platform, from Sydney focused to more establishments of interstate campuses, from Australia to international investment and development, such as establishing presence in China, the largest education market in the world.**

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Updates

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

Course Innovation

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

Smart-Campus and Intelligent Educational

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

Alliance with PwC Australia

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

Student Career Development

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

Accounting Professional Year Program

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interstate campus

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

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

Diversity of International Student Sources

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

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

Acquisition Completed During the Reporting Period

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

The economic footprint of ELICOS students grew by 1.4% year over year. The overall contribution of the ELICOS sector to the Australian economy equalled AUD\$2.35 billion. The Directors believe that the transaction marks the Group's continuous efforts to expand its international education network and increase market penetration. The Directors consider that SCOTS is an independent ELICOS provider, which provides English language courses to international students in Australia, located in the middle of the Sydney central business district with quality endorsement (re-accreditation) by NEAS and has rapidly grown since 2018.

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

New Course Development & Accreditation

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

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

Student Enrolments

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Tuition fee

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

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

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

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

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

Other Income and Gains

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

Administrative Expenses

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

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

Advertising and Marketing Expenses

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

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

Finance Costs

Finance costs represent the interest expense on the lease liabilities.

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

Profit for the Reporting Period

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

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

Capital Expenditure

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

Liquidity, Financial Resources and Gearing Ratio

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments, Acquisitions and Disposals

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

Foreign Exchange Risk Management

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

Charges on Assets

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

Contingent Liabilities

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

Employment and Remuneration Policies

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

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

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

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

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

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

Interim Dividend

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

Purchase, Sales or Redemption of Listed Securities of the Company

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

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

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

OTHER INFORMATION

Use of Net Proceeds from the Company's Listing

Net proceeds from the Listing (including the over-allotment option and after deducting underwriting fee and relevant expenses) amounted to approximately HK\$171.7 million or AUD\$30 million. As at 31 December 2019, a total amount of approximately HK\$51.4 million of the net proceeds had been used by the Company according to the allocation set out in the Prospectus as follows:

Purpose	Percentage to total amount	Net proceeds HK\$ (million)	Utilised	Unutilised
			amount as at 31 December 2019 HK\$ (million)	amount as at 31 December 2019 HK\$ (million)
Acquiring or investing in educational groups/institutions in the PRC and in Australia	41.0%	70.4	9.9	60.5
Establishing six students experience centres in the PRC ^(Note)	26.7%	45.8	—	45.8
Upgrading TOP's existing campus	9.4%	16.1	13.4	2.7
Expanding TOP's campus locations, which include acquiring new potential location in ATP, Sydney central business district, and in other Australian states	5.5%	9.5	9.5	—
Further developing SCDP as an online program ^(Note)	4.9%	8.4	—	8.4
Expanding TOP's research program and developing PhD towards our strategic goal	3.1%	5.3	2.4	2.9
Expanding TOP's marketing activities	4.4%	7.6	7.6	—
Working capital and general corporate purposes	5.0%	8.6	8.6	—
Total	100.0%	171.7	51.4	120.3

Note: As disclosed in the announcement of the Company regarding change in use of proceeds dated 27 February 2020 (the "Announcement"), after due and careful consideration of the current business environment and development needs of the Group (in particular, the current business appetite and the combined economic and health circumstances in the PRC), the Board has resolved to change the use of the unutilised net proceeds of HK\$120.3 million by reallocating a certain portion of these to the new business initiatives of establishing a virtual student experience centre and developing "Intelligent Education", and the remainder towards general working capital. For more details, please refer to the Announcement.

Audit Committee and Review of Financial Information

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares and Underlying Shares ⁽¹⁾	Approximate % of Shareholding in the Company ⁽²⁾
Dr. Minshen Zhu	Beneficial owner/Interest held jointly with other persons	975,788,000 ^{(3), (4)}	38.79%
Mr. Amen Kwai Ping Lee	Beneficial owner/Interest held jointly with other persons	855,468,000 ⁽⁵⁾	34.01%
Mr. Thomas Richard Seymour	Interested in a controlled corporation	21,008,000 ⁽⁶⁾	0.83%
Mr. Kai Zhang (as alternate director to Mr. Thomas Richard Seymour)	Beneficial owner	20,976,000	0.83%
Professor Brian James Stoddart	Beneficial owner	4,592,000 ⁽⁷⁾	0.18%
Professor Steven Schwartz	Beneficial owner	4,592,000 ⁽⁸⁾	0.18%
Ms. Sumeng Cao	Beneficial owner	7,294,274 ⁽⁹⁾	0.29%
Ms. Rongning Xu (as alternate director to Dr. Minshen Zhu)	Beneficial owner	7,294,274 ⁽¹⁰⁾	0.29%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 2,515,228,000 Shares in issue as at 31 December 2019.
- (3) The members of the Controlling Shareholders Group are parties acting in concert and on 13 October 2017, they entered into a confirmation deed to, among others, confirm that they have been acting together with an aim to achieving decisions at general meetings of the Company on a unanimous basis. Members of the Controlling Shareholders Group are the founding Shareholders or have invested in the Company at an early stage. Dr. Zhu and Mr. Lee are the members of the Controlling Shareholders Group. As at 31 December 2019, all the members of the Controlling Shareholders Group together controlled 855,468,000 Shares. Under the SFO, each of Dr. Zhu and Mr. Lee is deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.
- (4) Apart from 228,426,000 Shares beneficially owned by Dr. Zhu and 625,912,000 Shares held by other members of the Controlling Shareholders Group, such interest includes Dr. Zhu's entitlement to receive up to 120,320,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights.
- (5) Mr. Lee beneficially owned 150,002,000 Shares and is also deemed to be interested in the Shares held by other members of the Controlling Shareholders Group.
- (6) Mr. Thomas Richard Seymour controls more than one-third of the voting rights of TD Seymour Pty Ltd (ACN 609 660 139). As such, Mr. Thomas Richard Seymour is deemed to be interested in 21,008,000 Shares held by TD Seymour Pty Ltd (ACN 609 660 139).
- (7) This represents Professor Brian James Stoddart's entitlement to receive up to 4,592,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights. Such interest includes 1,530,000 Shares which have been issued to him pursuant to the exercise of vested performance rights.

OTHER INFORMATION

- (8) This represents Professor Steven Schwartz's entitlement to receive up to 4,592,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights. Such interest includes 1,530,000 shares which have been issued to him pursuant to the exercise of vested performance rights on 12 November 2018.
- (9) This represents Ms. Sumeng Cao's entitlement to receive up to 1,294,274 Shares pursuant to the exercise of options granted to her under the Share Option Scheme, subject to the conditions (including vesting conditions) of those options, and the entitlement to receive up to 6,000,000 Shares pursuant to the exercise of Awarded Shares granted to her under the Share Award Scheme, subject to the conditions (including vesting conditions) of those Awarded Shares.
- (10) This represents Ms. Rongning Xu's entitlement to receive up to 1,294,274 Shares pursuant to the exercise of options granted to her under the Share Option Scheme, subject to the conditions (including vesting conditions) of those options, and the entitlement to receive up to 6,000,000 Shares pursuant to the exercise of Awarded Shares granted to her under the Share Award Scheme, subject to the conditions (including vesting conditions) of those Awarded Shares.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, so far as the Directors are aware, the following persons (other than Directors or chief executives of the Company) or corporations have interests or short positions in the Shares and the underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Position	Number of Shares	Approximate percentage ⁽¹⁾
Ms. Xing Shi Huang	Interest of a spouse ^{(2), (3)}	Long	975,788,000	38.79%
Mr. Qingquan Yang	Beneficial owner ⁽⁴⁾ ; interest in controlled corporation ⁽⁴⁾ ; interest held jointly with other persons ⁽²⁾	Long	855,468,000	34.01%
Ms. Shuling Chen	Interest of a spouse ⁽⁵⁾	Long	855,468,000	34.01%
Billion Glory	Beneficial owner ⁽⁴⁾ ; interest held jointly with other persons ⁽²⁾	Long	855,468,000	34.01%
Tristar United	Beneficial owner ⁽⁶⁾ ; interest held jointly with other persons ⁽²⁾	Long	855,468,000	34.01%
Ms. Josephine Kam Shan Lam	Interest of a spouse ⁽⁷⁾	Long	855,468,000	34.01%
Mr. Xin Wang	Beneficial owner ⁽⁸⁾ ; interest held jointly with other persons ⁽²⁾	Long	855,468,000	34.01%
Ms. Zhuo Liu	Interest of a spouse ⁽⁹⁾	Long	855,468,000	34.01%
Xinjiang Guoli	Beneficial owner	Long	351,180,000	13.96%
PwC Australia	Beneficial owner ⁽¹⁰⁾	Long	264,708,000	10.52%
Loyal Creation	Beneficial owner	Long	224,096,000	8.90%
Minsheng Education Group	Interest in a controlled corporation ⁽¹¹⁾	Long	209,000,000	8.30%

Notes:

- (1) The calculation is based on the total number of 2,515,228,000 Shares in issue as at 31 December 2019.

- (2) Members of the Controlling Shareholders Group are parties acting in concert and on 13 October 2017, they entered into a confirmation deed to, among others, confirm their acting-in-concert agreement. At 31 December 2019, all the members of the Controlling Shareholders Group together controlled 855,468,000 Shares. Under the SFO, each Ms. Xing Shi Huang, Mr. Qingquan Yang, Ms. Shuling Chen, Tristar United, Ms. Josephine Kam Shan Lam and Mr. Xin Wang of the Controlling Shareholders Group are deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.
- (3) Ms. Xing Shi Huang is the spouse of Dr. Minshen Zhu and is deemed to be interested in the shareholding interests of Dr. Zhu by virtue of the disclosure requirements of the SFO.
- (4) Mr. Qingquan Yang directly holds 151,102,000 Shares and Billion Glory, which is wholly-owned by Mr. Yang, directly holds 59,524,000 Shares. Accordingly, Mr. Yang is deemed to be interested in 59,524,000 Shares held by Billion Glory by virtue of the disclosure requirements of the SFO. Mr. Yang and Billion Glory are members of the Controlling Shareholders Group and are also deemed to have interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.
- (5) Ms. Shuling Chen is the spouse of Mr. Qingquan Yang and is deemed to be interested in the shareholding interests of Mr. Yang by virtue of the disclosure requirements of the SFO.
- (6) Tristar United beneficially owned 150,002,000 Shares and is also deemed to have interests in Shares held by the other members of the Controlling Shareholders Group.
- (7) Ms. Josephine Kam Shan Lam is the spouse of Mr. Amen Kwai Ping Lee and is deemed to be interested in the shareholding interests of Mr. Lee by virtue of the disclosure requirements of the SFO.
- (8) Mr. Xin Wang beneficially owned 116,382,000 Shares and is also deemed to have interests in Shares held by the other members of the Controlling Shareholders Group.
- (9) Ms. Zhuo Liu is the spouse of Mr. Xin Wang and is deemed to be interested in the shareholding interests of Mr. Wang by virtue of the disclosure requirements of the SFO.
- (10) PwC Nominees is the registered owner of the Shares and holds the Shares as a bare trustee for PwC Australia as the sole beneficiary of a trust under a trust arrangement between PwC Nominees and PwC Australia. Accordingly, PwC Australia is deemed to be interested in 264,708,000 Shares held by PwC Nominees as nominee and bare trustee by virtue of the disclosure requirements of the SFO.
- (11) Minsheng Education Group is the sole shareholder of Minsheng Development which directly holds 209,000,000 Shares, and accordingly, Minsheng Education Group is deemed to be interested in 209,000,000 Shares held by Minsheng Development by virtue of the disclosure requirements of the SFO.

OTHER INFORMATION

Pre-IPO Performance Rights Plan, Share Option Scheme and Share Award Scheme

The Company has adopted Pre-IPO Performance Rights Plan, Share Option Scheme and Share Award Scheme for the purpose of motivating eligible participants to optimise their future contributions to the Company and/or to reward them for their past contributions.

Pre-IPO Performance Rights Plan

The following sets out details of the Pre-IPO Performance Rights for the subscription of 143,282,000 Shares in aggregate:

Grantee	Balance as at 30 June 2019 (number of underlying Shares)	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Balance as at 31 December 2019 (number of underlying Shares)
Directors					
Dr. Minshen Zhu	120,320,000	—	—	—	120,320,000
Mr. Jing Li (resigned on 24 June 2019)	3,062,000 ⁽¹⁾	—	—	—	3,062,000
Prof. Brian James Stoddart	3,062,000	—	—	—	3,062,000
Prof. Steven Schwartz	3,062,000	—	—	—	3,062,000
Council Members					
Prof. Stephen Nicholas	2,066,000	—	—	—	2,066,000
Prof. John Hearn	2,066,000	—	—	—	2,066,000
Dr. Le Ma	462,000	—	—	—	462,000

Note:

- (1) Pursuant to the Pre-IPO Performance Rights Plan rules, the Board approved Mr. Jing Li to retain his unvested Performance Rights based on the condition that he is a Good Leaver and his contribution to the Company during his tenure.

The Pre-IPO Performance Rights granted to Dr. Minshen Zhu will vest on the fifth anniversary of the date of grant, being 10 June 2022, subject to the satisfaction of the vesting conditions.

The Pre-IPO Performance Rights granted to the grantees other than Dr. Minshen Zhu will vest subject to the satisfaction of the vesting conditions as (i) the Listing of the Company; and (ii) that on the applicable vesting dates (the first being on 12 November 2018), the grantee remains a council member or non-executive Director of the Company and the Company has not taken steps to remove the grantee from that role.

The Pre-IPO Performance Rights granted to the grantees other than Dr. Minshen Zhu will be vested during a 3-year period, during which 33% of the total rights will be vested in each year. The grantee may exercise in whole or in part of all vested Pre-IPO Performance Rights at any time during the 15 years commencing from the date the Pre-IPO Performance Rights were issued.

The grantees of the performance rights granted under the Pre-IPO Performance Rights Plan above is/are not required to pay for the grant of any performance rights under the Pre-IPO Performance Rights Plan.

Save and except as disclosed above, no other rights have been granted or agreed to be granted by the Company under the Pre-IPO Performance Rights Plan.

A summary of the principal terms of the Pre-IPO Performance Rights were disclosed in the section headed "Report of the Directors" of the 2019 Annual Report of the Company.

Share Option Scheme

On 18 July 2018 ("Date of Grant"), the Company granted share options (the "Share Options") to subscribe for a total of 25,781,938 Shares under the Share Option Scheme, among which, the options to subscribe for 1,294,274 Shares were granted to Ms. Sumeng Cao, our executive Director, and to Ms. Rongning Xu, the alternate Director to Dr. Minshen Zhu, respectively.

The consideration for the acceptance of the Share Options was AUD\$1.00. The exercise price of the Share Options granted is HK\$0.560, which represents no less than the highest of the following: (i) the closing price of HK\$0.540 per Share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; (ii) the average of the closing prices as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant of HK\$0.560 per Share; and (iii) the nominal value of the Share.

The validity period of the Share Options is 10 years from the Date of Grant, i.e. from 18 July 2018 to 17 July 2028 (both days inclusive), and the Share Options shall lapse at the expiry of the validity period.

OTHER INFORMATION

The Share Options shall be vested in three tranches in accordance with the following dates: (i) up to 33.33% of the Share Options shall be vested to each Grantee at any time after expiration of 12 months from the Date of Grant, i.e. 17 July 2019; (ii) up to 33.33% of the Share Options shall be vested to each Grantee at any time after expiration of 24 months from the Date of Grant, i.e. 17 July 2020; (iii) up to 33.34% of the Share Options shall be vested to each Grantee at any time after expiration of 36 months from the Date of Grant, i.e. 17 July 2021.

Details of the movement of Share Options granted under the Share Option Scheme for six months ended 31 December 2019 are as follows:

Grantee	Balance as at 1 July 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Balance as at 31 December 2019
Directors					
Ms. Sumeng Cao	1,294,274	—	—	—	1,294,274
Ms. Rongning Xu	1,294,274	—	—	—	1,294,274
Employees in aggregate	23,193,390	—	—	—	23,193,390
Total	25,781,938	—	—	—	25,781,938

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Share Option Scheme.

A summary of the principal terms of the Share Option Scheme were disclosed in the section headed "Report of the Directors" of the 2019 Annual Report of the Company.

Share Award Scheme

On 23 October 2018, the Company adopted the Share Award Scheme in which the Employees will be entitled to participate. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Company; and (ii) to attract suitable personnel for further development of the Company.

Subject to any early termination as may be determined by the Board pursuant to the Share Award Scheme rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date (i.e., 23 October 2018).

The Share Award Scheme shall be subject to the administration of the Board, the share award committee and the Trustee in accordance with the Share Award Scheme rules and the Trust Deed.

The Board shall not make any further award which will result in the aggregate number of Shares awarded by the Board under the Share Award Scheme exceeding 1.5% of the total number of the issued Shares as at the Adoption Date, being 38,828,220 Shares.

For the six months ended 31 December 2019, the Trustee of the Share Award Scheme pursuant to the Trust Deed and Share Award Scheme purchased an aggregate of 18,700,000 Shares from the market at a total consideration (excluding all related expenses, brokerage, duties and levies, etc.) of approximately HK\$5,827,000.

Details of the grant of Awarded Shares to the Directors and other employees of the Company are as follows:

Grantee	Balance as at 1 July 2019	Granted during the Period	Exercised, lapsed or cancelled during the Period	Balance as at 31 December 2019
Directors				
Ms. Sumeng Cao	6,000,000	—	—	6,000,000
Ms. Rongning Xu	6,000,000	—	—	6,000,000
Employees (in aggregate)	19,000,000	—	—	19,000,000
Total				31,000,000

A summary of the principal terms of the Share Option Scheme were disclosed in the section headed "Report of the Directors" of the 2019 Annual Report of 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 2019, the Company has complied with applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules except code provision A.2.1 as noted in the paragraph headed "Chairman and Chief Executive Officer".

OTHER INFORMATION

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. 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. Zhu continues to act as both our Chairman and CEO, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors, and independent non-executive Directors.

Model Code for Securities Transactions

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

Events After the Reporting Period

There were no significant events after the Reporting Period.

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

For the six months ended 31 December 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 (unaudited) AUD\$'000	30 June 2019 (audited) AUD\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,422	5,023
Intangible assets		9,370	5,728
Right-of-use assets	2.2	8,005	—
Prepayments and deposits	12	1,162	1,020
Goodwill		829	—
Deferred tax assets		1,555	1,714
Total non-current assets		26,343	13,485
CURRENT ASSETS			
Prepayments, other receivables and other assets	12	3,103	2,173
Tax receivable		1,882	1,210
Cash and cash equivalents		37,789	42,352
Total current assets		42,774	45,735
CURRENT LIABILITIES			
Trade payables	13	1,848	1,450
Other payables and accruals	14	4,734	2,091
Contract liabilities	15	3,370	2,202
Total current liabilities		9,952	5,743
NET CURRENT ASSETS		32,822	39,992
TOTAL ASSETS LESS CURRENT LIABILITIES		59,165	53,477
NON-CURRENT LIABILITIES			
Other payables and accruals	14	8,139	288
Net assets		51,026	53,189
EQUITY			
Share capital	16	41,031	43,221
Treasury shares	16	(2,214)	(1,140)
Reserves		11,706	11,108
Non-controlling interests		503	—
Total equity		51,026	53,189

Minshen Zhu
Director

Sumeng Cao
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Notes	Issued capital AUD\$'000	Treasury shares AUD\$'000	Share-based payment reserve AUD\$'000	Retained profits AUD\$'000	Non-controlling interest AUD\$'000	Total equity AUD\$'000
As at 1 July 2019 (audited)		43,221	(1,140)	2,617	8,491	—	53,189
Profit and total comprehensive income for the period		—	—	—	1,944	22	1,966
Acquisition of subsidiary	22	—	—	—	—	481	481
Dividends declared		—	—	—	(1,902)	—	(1,902)
Repurchase of shares	16	—	(1,074)	—	—	—	(1,074)
Cancellation of shares	16	(2,190)	—	—	(22)	—	(2,212)
Equity-settled performance rights arrangements	17	—	—	578	—	—	578
At 31 December 2019 (unaudited)		41,031	(2,214)	3,195	8,511	503	51,026

For the six months ended 31 December 2018

	Notes	Issued capital AUD\$'000	Treasury shares AUD\$'000	Share-based payment reserve AUD\$'000	Retained profits AUD\$'000	Non-controlling interest AUD\$'000	Total equity AUD\$'000
As at 1 July 2018 (audited)		45,133	—	1,518	4,285	—	50,936
Profit and total comprehensive income for the period		—	—	—	1,816	—	1,816
Issue of shares	16	133	—	(133)	—	—	—
Cancellation of shares	16	(951)	—	—	—	—	(951)
Equity-settled performance rights arrangements	17	—	—	772	—	—	772
At 31 December 2018 (unaudited)		44,315	—	2,157	6,101	—	52,573

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Notes	Six months ended 31 December	
		2019 (unaudited) AUD\$'000	2018 (unaudited) AUD\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,801	2,613
Adjustments for:			
Interest income	4	(169)	(319)
Finance costs	5	257	—
Share-based payments	17	578	772
Depreciation of property, plant and equipment		275	116
Depreciation of right-of-use assets		886	—
Amortisation of intangible assets		606	470
		5,234	3,652
Increase in prepayments, other receivables and other assets		(87)	(615)
Increase in trade payables		398	469
Increase/(decrease) in other payables and accruals		2,157	(616)
Increase in contract liabilities		1,167	1,075
		8,869	3,965
Cash generated from operations		8,869	3,965
Interest received		169	319
Income tax paid		(1,379)	(1,049)
		7,659	3,235
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	22	(1,770)	—
Purchases of items of property, plant and equipment		(447)	(1,010)
Additions to intangible assets		(4,248)	(1,315)
		(6,465)	(2,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cancellation of shares		(2,212)	—
Repurchase of shares	16	(1,074)	(951)
Principal and interest portion of lease payments		(569)	—
Dividend paid		(1,902)	—
		(5,757)	(951)
		(4,563)	(41)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,563)	(41)
Cash and cash equivalents at beginning of period		42,352	47,367
		37,789	47,326
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		37,789	47,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. Corporate Information

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

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

2.1 Basis of Preparation

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2014–2017 cycle</i>	Amendments to a number of IFRSs

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.2 Changes in Accounting Policies and Disclosures (Continued)

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

(a) IFRS 16 Leases

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) IFRS 16 Leases (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) IFRS 16 Leases (Continued)

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) IFRS 16 Leases (Continued)

Summary of new accounting policies (Continued)

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

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

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

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

(b) IFRIC 23 Uncertainty over Income Tax Treatments

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

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. Operating Segment Information

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

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

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

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

4. Revenue and Other Income and Gains

An analysis of revenue is as follows:

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

(ii) Performance obligations

Provision of private higher education services in Australia

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. Revenue and Other Income and Gains (Continued)

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

5. Finance Cost

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

6. Profit Before Tax

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

	Six months ended 31 December	
	2019 (unaudited) AUD\$'000	2018 (unaudited) AUD\$'000
Amortisation of intangible assets	606	470
Depreciation of property, plant and equipment	275	116
Depreciation of right-of-use assets	886	—
Minimum lease payments under operating leases	—	718
Auditors' remuneration	36	27
Employee benefit expense (excluding directors' and chief executive's remuneration (note 19)):		
Wages, salaries and other employee benefits	3,994	3,673
Share-based payments	307	269
Pension scheme contributions (defined contribution schemes)	337	304
Less: Amount capitalised	(534)	(516)
	5,907	5,061

7. Income Tax

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

8. Interim Dividends

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

9. Earnings Per Share Attributable to Owners of the Company

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

10. Property, Plant and Equipment

During the six months ended 31 December 2019, the Group acquired assets with a cost of AUD\$459,000 (six months ended 31 December 2018: AUD\$1,010,000) as additions to property, plant and equipment, excluding property, plant and equipment acquired through a business combination disclosed in note 22 to the interim condensed consolidated financial information.

11. Trade Receivables

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

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

12. Prepayments, Other Receivables and Other Assets

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

13. Trade Payables

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

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

14. Other Payables and Accruals

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

15. Contract Liabilities

Details of contract liabilities balance are as follows:

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

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

16. Share Capital

Shares

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

Treasury shares

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

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

16. Share Capital (Continued)

Treasury shares (Continued)

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

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

17. Share-Based Payments

The Group has adopted three share schemes, namely Pre-IPO Performance Rights Plan, Share Option Scheme and Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Group's employee, director or member of the Council of one or more members of the Company and its subsidiaries selected by the Board of Directors in its absolute discretion to participate in the Scheme.

Pre-IPO Performance Rights Plan

The Pre-IPO Scheme (the "Scheme") was adopted under written resolutions of the Board of Directors passed on 8 June 2017. As at 31 December 2019, 60,160 performance rights had been granted to the CEO of the Company under this plan. The Group has on 20 April 2018 granted an additional 11,481 performance rights under the Pre-IPO Performance Rights Plan to certain members of the Council and certain Directors, including (i) Mr. Jing Li, being our former non-executive Director; and (ii) Professor Brian James Stoddart and Professor Steven Schwartz, being our independent non-executive Directors and members of the Council. The shareholding of each of Professor Brian James Stoddart and Professor Steven Schwartz in the Group will not be more than 1% of the enlarged share capital of the Group upon completion of the Global Offering assuming that their performance rights above are fully vested.

The maximum aggregate number of shares underlying all grants of performance rights pursuant to the Pre-IPO Performance Rights Plan is 143,282,000 shares, assuming the total of 71,641 performance rights granted under the Pre-IPO Performance Rights Plan are fully vested after the completion of the share split, which would incur a dilution of approximately 5.5% of the shareholding of the Shareholders immediately following the Listing. No further performance rights will be granted under the Pre-IPO Performance Rights Plan on or after the date of the Listing.

CEO's performance rights plan

The CEO's performance rights plan became effective in June 2017 and, unless otherwise cancelled or amended, will remain in force for 15 years from that date.

Performance rights granted to the CEO of the Company are subject to approval in advance by the directors. Provided that the CEO remains employed until the later of the fifth anniversary of the grant of the performance rights and a liquidity event (defined as a listing, a business sale or a share sale in the plan rules), the performance rights will vest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

17. Share-Based Payments (Continued)

Pre-IPO Performance Rights Plan (Continued)

CEO's performance rights plan (Continued)

There is no exercise price payable by the CEO. Performance rights do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The details of the CEO's performance rights granted are shown below:

Exercise price	—
Vesting condition	5-year service and a liquidity event
Vesting period	8 June 2017 to 7 June 2022
Expiry date	7 June 2032

Certain Council and Board members' performance rights plan (the "Council and Board members' performance rights plan")

The Council and Board members performance rights plan became effective in April 2018 and, unless otherwise cancelled or amended, will remain in force for 15 years from that date.

Provided that the participants remain a council member or non-executive director of the Company and the Company has not taken steps to remove them from that role on the applicable vesting dates (the first being within 6 months, on 12 November 2018) and the listing of the Company, the performance rights will vest.

There is no exercise price payable by the participants. Performance rights do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The details of the performance rights granted are shown below:

Exercise price	—
Vesting condition	Remained employment of the same role and the Listing
Dates of vesting	12 November 2018, 33% of award 12 November 2019, 33% of award 12 November 2020, 33% of award
Expiry date	19 April 2033

17. Share-Based Payments (Continued)

Pre-IPO Performance Rights Plan (Continued)

Certain Council and Board members' performance rights plan (the "Council and Board members' performance rights plan") (Continued)

The following shares were outstanding under the Scheme during the Period:

	For the six months ended			
	2019		2018	
	Weighted average exercise price HK\$ per share	Number of rights	Weighted average exercise price HK\$ per share	Number of rights
At 1 July	—	134,100,000	—	143,282,000
Granted during the period	—	—	—	—
Lapsed	—	—	—	(4,592,000)
Exercised	—	—	—	(3,060,000)
At 31 December	—	134,100,000	—	135,630,000
Weighted average exercise period		15 years		15 years
Exercisable as at end of the period		7,654,000		3,062,000

No share option has been granted, exercised, cancelled or lapsed during the current Reporting Period.

Post-IPO Schemes

Share Option Scheme

The Share Option Scheme was adopted under written resolutions of the Board of Directors passed on 18 April 2018. On 18 July 2018, 25,781,938 ordinary shares had been granted to one director, one alternate director and a total of 40 employees of the Group under this plan, including Ms. Sumeng Cao, being the Executive Director of the Company, and Ms Rongning Xu, being the alternate Director to Mr. Minshen Zhu. The grant of the share options to Ms. Sumeng Cao would not result in the shares issued and to be issued upon exercise of all the share options already granted and to be granted to her, collectively in the 12-month period in aggregate over 0.1% of the shares in issue or having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5 million.

The details of the performance rights granted are shown below:

Exercise price	HK\$0.560
Vesting condition	Services of the employees
Dates of vesting	17 July 2019, 33% of award
	17 July 2020, 33% of award
	17 July 2021, 33% of award
Expiry date	17 July 2028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

17. Share-Based Payments (Continued)

Post-IPO Schemes (Continued)

Share Option Scheme (Continued)

The following shares were outstanding under the Share Option Scheme during the Reporting Period:

	For the six months ended			
	2019 Weighted average exercise price HK\$ per share	Number of rights	2018 Weighted average exercise price HK\$ per share	Number of rights
At 1 July	0.56	25,781,938	—	—
Granted during the period	—	—	0.56	25,781,938
Lapsed	0.56	(2,381,464)	—	—
Exercised	—	—	—	—
At 31 December	0.56	23,400,474	0.56	25,781,938
Weighted average exercise period		10 years		10 years
Exercisable as at end of the period		7,800,158		—

Share Award Scheme

The Share Award Scheme was adopted under written resolutions of the Board of Directors passed on 23 October 2018. The aggregate number of Shares awarded by the Board of Directors under the Scheme shall not exceed 1.5% of the total number of the issued shares as at the adoption date of the Share Award Scheme (the "Adoption Date"), being 38,828,220 Shares. On 28 February 2019, 12,000,000 awarded shares had been granted to one director and one alternate director of the Company under this plan for nil consideration, including (i) Ms. Sumeng Cao, being the Executive Director of the Company, and (ii) Ms. Rongning Xu, being the Alternate Director to Dr Minshen Zhu, an Executive Director and Vice President (Regulatory & Compliance). The 12,000,000 Awarded Shares represent 0.46% of the total number of issued Shares as at the Adoption Date.

On 24 May 2019, 19,000,000 awarded shares had been granted to four employees of the Group under this plan for nil consideration. The 19,000,000 awarded shares represent approximately 0.73% of the total number of issued Shares as at the Adoption Date. Based on the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on 24 May 2019 (being the date of the Grant), the aggregate market value of the awarded shares granted under the grant amounts to approximately HK\$5.04 million.

The details of the performance rights granted are shown below:

Grant date	28 February 2019	24 May 2019
Exercise price	—	—
Vesting condition	Services of employees and remained employed for management positions	Services of employees and remained employed for management positions
Vesting period	28 February 2019 to 27 February 2024	24 May 2019 to 23 May 2024
Expiry date	27 February 2029	27 February 2029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

17. Share-Based Payments (Continued)

Post-IPO Schemes (Continued)

Share Award Scheme (Continued)

The following shares were outstanding under the Share Award Scheme during the Reporting Period:

	2019	
	Weighted average exercise price HK\$ per share	Number of rights
At 1 July	–	31,000,000
Granted during the period	–	–
Lapsed	–	–
Exercised	–	–
At 31 December	–	31,000,000
Weighted average exercise period		10 years
Exercisable as at end of the period		–

The fair value of the share-based payments in relation to the Scheme is calculated as the total value of the ordinary shares in the Group less the present value of the projected dividends over the expected term of the awards. The fair value of the CEO's performance rights as at the measurement date is AUD\$2,298,000 and the fair value of the Certain Council and Board members' performance rights as at the measurement date is AUD\$800,000. The following table lists the inputs to the model used for the Scheme:

	2018
Adjusted total value of the ordinary shares of the Company (AUD\$'000)	89,914–120,920
Present value of the projected dividends (AUD\$'000)	12,849–120,920

The fair value of the share-based payments in relation to the Share Option Scheme was estimated as at the date of grant using Black-Scholes model. The fair value of the Share Option Scheme as at the measurement date is AUD\$843,000. The following table lists the inputs to the model used for the Share Option Scheme:

	2019
Dividend yield (%)	1.41%
Expected volatility (%)	50–60
Risk-free interest rate (%)	2.08
Expected life of options (year)	3.8
Weighted average share price (HK\$ per share)	0.54

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

17. Share-Based Payments (Continued)

Post-IPO Schemes (Continued)

Share Award Scheme (Continued)

The fair value of the share-based payments in relation to the Share Award Scheme is calculated as the value of the ordinary shares in the Group less the present value of the projected dividends over the expected term of the awards. The fair value of the Share Award Scheme as at the measurement date is AUD\$1,633,000. The following table lists the inputs to the model used for the Share Award Scheme:

	2019
Adjusted value of the ordinary shares of the Company per share (AUD\$)	0.049–0.065
Present value of the projected dividends per share (AUD\$)	0.002

The expected life of the performance rights is based on the historical data over the past years and is not necessarily indicative of the exercise patterns that may occur. No other feature of the performance rights granted was incorporated into the measurement of fair value.

The Group recognised share-based payments of AUD\$578,000 (for the six months ended 31 December 2018: AUD\$772,000) during the six months ended 31 December 2019.

As at 31 December 2019, the Group had 188,500,474 shares outstanding under the various schemes mentioned above. The exercise in full of the outstanding performance rights would, under the present capital structure of the Group, result in the issue of 157,500,474 additional ordinary shares of the Group.

18. Commitments

At the end of the Reporting Period, the Group did not have any significant commitments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

19. Related Party Transactions

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transaction with a related party during the Period:

During the six months ended 31 December 2019, the Group used AUD\$239,047 (six months ended 31 December 2018: AUD\$180,164) of the service allowance from PwC Australia.

- (b) Compensation of key management personnel of the Group:

	Six months ended 31 December	
	2019 (unaudited) AUD\$'000	2018 (unaudited) AUD\$'000
Fees	432	376
Other emoluments:		
Salaries	247	230
Share-based payment	272	503
Pension scheme contributions	49	48
	568	781
	1,000	1,157

20. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

	31 December 2019 (unaudited) AUD\$'000	30 June 2019 (audited) AUD\$'000
Financial assets at amortised cost		
Financial assets included in deposits and other receivables	1,918	639
Cash and cash equivalents	37,789	42,352
	39,707	42,991
Financial liabilities at amortised cost		
Trade payables	1,848	1,450
Financial liabilities included in other payables and accruals	11,214	676
	13,062	2,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

21. Fair Value and Fair Value Hierarchy of Financial Instruments

At the end of the Reporting Period, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely because the maturities are short term or there are no fixed terms of repayment of these instruments or the effect of discounting is not material.

22. Acquisitions of Businesses

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

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

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

22. Acquisitions of Businesses (Continued)

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

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

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

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

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

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

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

23. Events after the Reporting Period

There are no significant events after the reporting period.

24. Approval of the Interim Financial Statements

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 27 February 2020.

GLOSSARY

"Academic Board"	the academic board of our Institute
"ACCA"	Association of Chartered and Certified Accountants
"Alliance Agreement"	the alliance agreement dated 27 May 2016 entered into between the Company and PwC Australia
"AQF"	the Australian Qualifications Framework, which specifies the standards for educational qualifications in Australia
"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
"Awarded Share(s)"	such number of rights awarded by the Board to acquire Shares subject to the Share Award Scheme rules, where each Awarded Share represents the right to acquire one Share
"Billion Glory"	Billion Glory Group Holdings Limited 兆隆集團控股有限公司, a company incorporated under the laws of Hong Kong with limited liability on 8 June 2016, which is wholly-owned by Mr. Yang
"Board"	the board of Directors
"Business School"	Sydney City School of Business, as the name adopted for the Company's academic division covering higher education courses in the field of Management and Commerce
"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

“controlling shareholder(s)”	has the meaning given to it in the Listing Rules and, unless the context otherwise requires, refers to the controlling shareholder(s) of our Company, being the Controlling Shareholders Group
“Controlling Shareholders Group”	collectively, Dr. Zhu, Mr. Yang, Tristar United, Mr. Lee, Mr. Wang and Billion Glory, being a group of six individuals and entities
“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
“Dr. Zhu”	Dr. Minshen Zhu 祝敏申, an executive Director, the chairman of the Board, the chief executive officer and the appointed representative of the Controlling Shareholders Group
“EFTSL”	equivalent full-time student load, which is a measurement of student enrolment at an institution calculated by dividing the total number of units taken by students in a given year by the average number of units a single full-time student should take in a year
“ELICOS”	English language Intensive Courses for Overseas Students
“Employee”	<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> <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</p>
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“higher education”	studies in pursuit of a qualification under levels 5 to 10 of the AQF, including a diploma, advanced diploma, associate degree, bachelor degree, graduate certificate, graduate diploma, master degree and doctoral degree

GLOSSARY

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	person(s) or company(ies) which, to the best of our Directors’ knowledge having made all due and careful enquiries, is/are not connected (within the meaning of the Listing Rules) with the Company
“INED”	the independent non-executive Directors
“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 Xinxi 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 Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loyal Creation”	Loyal Creation Investment Ltd, a company incorporated under the laws of Hong Kong with limited liability on 30 October 2015, and is a Shareholder
“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, a direct wholly-owned 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
“Mr. Lee”	Amen Kwai Ping Lee 李桂平, a non-executive Director and one of the members of the Controlling Shareholders Group
“Mr. Liu”	Chaohui Liu 劉朝暉, a Shareholder
“Mr. Wang”	Xin Wang 王新, one of the members of the Controlling Shareholders Group
“Mr. Yang”	Qingquan Yang 楊清泉, one of the members of the Controlling Shareholders Group

“NEAS”	the National English Language Teaching (ELT) Accreditation Scheme, which is the global leader in quality assurance for ELT community
“Nomination Committee”	the nomination committee of the Board
“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
“Pre-IPO Performance Rights Plan”	the pre-IPO performance rights plan conditionally adopted by the 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
“Prospectus”	the prospectus of the Company dated 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 2019 to 31 December 2019
“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

GLOSSARY

“Share Option Scheme”	the postHPO 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
“share split”	a share split on 24 April 2018 pursuant to which each Share was subdivided and designated as 2,000 fully paid Shares in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“TEQSA”	the Tertiary Education Quality and Standards Agency in Australia established under the Tertiary Education Quality and Standards Agency Act 2011
“Tristar United”	Tristar United Investment Limited, a company incorporated under the laws of New Zealand with limited liability on 12 November 2001, and is a Shareholder
“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\$” or “USD”	United States dollars, the lawful currency of the United States
“Xinjiang Guoli”	Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司), a company established under the laws of the PRC with limited liability on 6 November 2000, and is a substantial Shareholder