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TOP EDUCATION GROUP LTD

澳洲成峰高教集團有限公司

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

(ACN 098 139 176)

(Stock code: 1752)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Top Education Group Ltd (the “**Company**” or “**TOP**”, together with its subsidiaries, the “**Group**”) dated 27 April 2018 (the “**Prospectus**”) and the annual report of the Company for the year ended 30 June 2019 (the “**Annual Report**”) dated 19 September 2019 in relation to, among others, the utilisation of the net proceeds from the Global Offering. Unless otherwise specified, terms defined in the Prospectus have the same meanings when used in this announcement.

USE OF PROCEEDS

The actual net proceeds raised from the Global Offering, including the Over-allotment option and after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK\$171.7 million (the “**Net Proceeds**”). As at the date of this announcement, the Group had utilised approximately HK\$51.4 million of the Net Proceeds, representing approximately 29.9% of the Net Proceeds.

The following table shows the intended use of the Net Proceeds as disclosed in the Prospectus, and the respective utilised amounts as at the date of this announcement:

Intended use of Net Proceeds	Percentage to total amount	Net Proceeds allocated HK\$ (million)	Utilised amount up to the date of this announcement HK\$ (million)	Unutilised amount up to the date of this announcement 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	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	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

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$120.3 million (“**Unutilised Net Proceeds**”). 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 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 as follows:

Intended use of Net Proceeds	Net Proceeds allocated HK\$ (million)	Utilised amount up to the date of this announcement HK\$ (million)	Unutilised amount up to the date of this announcement HK\$ (million)	Revised allocation of Unutilised Net Proceeds HK\$ (million)
Acquiring or investing in educational groups/institutions in the PRC and in Australia	70.4	9.9	60.5	60.5
Establishing six students experience centres in the PRC	45.8	-	45.8	-
Upgrading TOP's existing campus	16.1	13.4	2.7	2.7
Expanding TOP's campus locations, which include acquiring new potential location in ATP, Sydney central business district, and in other Australian states	9.5	9.5	-	-
Further developing of SCDP as an online program	8.4	-	8.4	-
Expanding TOP's research program and developing PhD towards our strategic goal	5.3	2.4	2.9	2.9
Expanding TOP's marketing activities	7.6	7.6	-	-
Working capital and general corporate purposes	8.6	8.6	-	5.4
Establishing virtual student experience centre	-	-	-	1.0
Developing "Intelligent Education", which includes utilising digital education solutions for course contents, infrastructure of campuses and offices, and teaching and learning methods	-	-	-	47.8
Total	171.7	51.4	120.3	120.3

THE NEW BUSINESS INITIATIVES AND REASONS FOR CHANGE IN USE OF PROCEEDS

As disclosed in the Annual Report, the Board has noted that information sharing via virtual methods has become more common and efficient due to the rapid development of digital technology. To meet the current demands from industry and society, and to counterbalance the risks associated with the traditional education solutions, TOP has updated its strategic plan to focus on innovation, intelligence and internationalisation, which includes developing intelligent education and expanding its business by utilising digitised technologies. Upon further consideration and assessment of the current environment and changing market conditions, instead of establishing physical student experience centres and developing the SCDP online program, the Board believes that establishing a virtual student experience centre and adopting an innovative approach towards the development of a more comprehensive "Intelligent

Education” will assist with mitigating the risks associated with the Group’s traditional education business model and implementing its updated growth strategy. As at the date of this announcement, no physical student experience centres had been set up and the development of SCDP as an online program had been halted.

As disclosed in the Annual Report, the Group commenced developing a mobile application (the “App”) as a virtual student experience centre during the year ended 30 June 2019 to host an online platform for students’ preparation of future studies in Australia. The App is expected to enhance the Group’s international education platform by providing students with an easily accessible and efficient means to gain a better experience and knowledge of the Group’s programs and general offerings. Artificial intelligence (“AI”) technology will be used in the App to analyse student demand, and effective use of such data is expected to improve targeting and increase the conversion rate of students who participate in our cooperative education programs in China. The reallocated proceeds will be used for developing the App by our internal staff, with the cooperation of external consultants and third-party service providers.

The strategic update towards “Intelligent Education” aims to use an innovative approach to integrate digitalised-tech based elements throughout existing and proposed education curriculum and digitalise campus infrastructure and offices as well as teaching and learning methodologies and institutional management system, which are expected to be implemented in the next three years and will continue to be updated thereafter as the business environment changes. The reallocated proceeds will be used for engaging internal staff, leading universities and institutions, professionals and cutting-edge technology companies to conduct research and development.

In terms of curriculum development, TOP has devised a Course Innovation Plan to review and upgrade existing courses and to develop new courses which will be implemented in the next two to three years, and thereafter regularly reviewed and updated, along with the continued development of business practice and the technologies. Up to the date of this announcement, TOP has developed several cutting-edge courses such as Graduate Certificate in Financial Technologies Management, Graduate Diploma of Financial Technologies Management, Master of Financial Planning, Master of Accounting with Digital Applications and Artificial Intelligence, Master of Auditing with Big Data Analytics and Master of Applied FinTech and

Blockchain, with the assistance of internal academic staff and external experts from leading international universities, research institutions and relevant industries. TOP also held an international conference on 8 September 2019 in Beijing, the PRC and the Australia-China Symposium on Accounting Curricula Innovation on 11 November 2019 in Sydney, Australia, both of which were attended by professionals from world class universities in Australia as well as from major accounting professional bodies and by industrial leaders, so as to discuss the feature, trend and practice in educational innovation and to assist TOP in implementing its Course Innovation Plan.

In addition, TOP has entered into a memorandum of understanding on potential cooperation with each of Iflytek Co., Ltd. (“**iFLYTEK**”) and Jingle Magic (Beijing) Technology Co., Ltd. (“**Jingle Magic**”), pursuant to which TOP will be able to leverage on technological abilities offered by iFLYTEK and Jingle Magic (such as AI) for upgrading the infrastructure and delivery methods around “Intelligent Education”.. The working team of iFLYTEK and Jingle Magic visited TOP in September 2019 to follow up on the implementation plan, and the executives and technicians of iFLYTEK and Jingle Magic visited again in November 2019 for site work and signing of another letter of intention. Such potential cooperation represents a good starting point for TOP in working with companies specialising in digitalised technology. Up to the date of this announcement, TOP has developed digitalised delivery methods such as cloud classroom which connects pathway programs in China with the online teaching/learning model adopted for non-award program. The Group has also cooperated with several leading research institutions and universities for potential research and development in education technology such as utilising AI and/or machine learning for interactions between teaching staff and students.

The Board is of the view that reallocations of the Unutilised Net Proceeds will be able to better meet the Company’s current business and operational needs and are in line with the Group’s latest business development plan. The Board also considers that the changes in the use of the Unutilised Net Proceeds will not have any material adverse effect on the existing business and operations of the Group, and are in the best interests of the Company and its shareholders as a whole.

The Board will continuously assess its plans for use of the Unutilised Net Proceeds, and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes in the use of the Net Proceeds.

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

Sydney, Australia, 27 February 2020

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