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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)

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the prospectus of Top Education Group Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 April 2018 in relation to its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Prospectus**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

As disclosed in the Prospectus, on 27 May 2016, the Company and PwC Australia entered into the Alliance Agreement. Pursuant to the Alliance Agreement, PwC Australia agreed to assist the Company to deliver initiatives in Australia including tertiary student career development and executive education programs, as well as designing Smart-campus and digital education solutions. Please refer to the sections headed “Business – Alliance with PwC Australia and Related Programs” and “Connected Transactions – B. Non-exempt Continuing Connected Transactions – The Alliance Agreement” in the Prospectus for further details.

Annual caps on transactions entered into under the Alliance Agreement for the three years ended 30 June 2020 had been set by the Company, as disclosed in the Prospectus. The Group intends to continue to procure services from PwC Australia in accordance with the Alliance Agreement and as such, the Board has resolved to set new annual caps for the remainder of the initial term of the Alliance Agreement.

Set out below is a summary of the principal terms of the Alliance Agreement.

THE ALLIANCE AGREEMENT

Date

27 May 2016

Parties

- (1) The Company
- (2) PwC Australia

As at the date of this announcement, PwC Nominees was interested in 264,708,000 Shares (representing approximately 10.85% of the total number of issued Shares) and a substantial Shareholder. Such Shares are held on trust by PwC Nominees as a bare trustee for PwC Australia. As such, PwC Australia is a connected person of the Company.

Term

An initial term commencing from 27 May 2016 and ending on 31 March 2023, unless terminated earlier by either party. The parties may agree to extend the term of the agreement.

Pricing basis

The performance of services under the Alliance Agreement is subject to the standard engagement terms of PwC Australia, which are separately entered into with the Group from time to time as and when such services are required. The fees payable are calculated with reference to the nature of the services provided, PwC Australia's rates as applicable at the relevant time as well as the estimated number of chargeable hours to be incurred. In addition, the parties will offer each other certain preferred terms including, but not limited to, trading terms not less favourable than those offered or proposed to be offered by PwC Australia to any other party in the higher education sector and a first option to take up opportunities to work together, in respect of higher education and executive education services.

The terms of the Alliance Agreement were negotiated between the parties on an arm's length basis.

Historical transaction amounts

Set out below are the transaction amounts paid by the Group to PwC Australia for services rendered under the Alliance Agreement during the three years ended 30 June 2020:

	Year ended 30 June		
	2018 <i>(AUD\$'000)</i>	2019 <i>(AUD\$'000)</i>	2020 <i>(AUD\$'000)</i>
Total service fees	735	430	583

Proposed annual caps

Set out below are the proposed annual caps (the "**New Caps**") on the service fees payable by the Group to PwC Australia under the Alliance Agreement for the two years ending 30 June 2022 and the nine months ending 31 March 2023 (the "**Relevant Period**"):

	Year ending 30 June		Nine months ending 31 March
	2021 <i>(AUD\$'000)</i>	2022 <i>(AUD\$'000)</i>	2023 <i>(AUD\$'000)</i>
Total service fees	1,300	1,300	1,000

In arriving at the New Caps, the Company took into account the historical transaction amounts and the anticipated demand for PwC Australia's services based on: (i) the number of ongoing and proposed projects in respect of which PwC Australia may provide services to the Group as at the date of this announcement, which is expected to remain steady throughout the Relevant Period; (ii) the continuous development of its intelligent education; and (iii) the level of professional services which it expects to be required from PwC Australia during the Relevant Period. The transaction amount incurred in the year ended 30 June 2020 was lower than expected due to the COVID-19 pandemic, which slowed demand for the Company's education programs and services. Once the COVID-19 pandemic ceases and related restrictions are lifted, the Company will be able to fully resume these education programs and services and demand is expected to increase. The Company also contemplates that additional services, including advisory services, with respect to potential mergers and acquisitions and other professional services to support the continued digitisation and course development under the intelligent education focus, will be required from PwC Australia.

REASONS FOR AND BENEFITS OF THE ALLIANCE AGREEMENT

The alliance arrangement under the Alliance Agreement has provided the Group with a unique advantage by enhancing its standing, marketing position and future development prospects within 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, as well as designing Smart-campus and digital education solutions. The Company has a strong belief that education is more than what students learn in the classroom. Through the 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 students to be outstanding candidates in today's highly competitive employment market. Pursuant to the Alliance Agreement, PwC Australia also provided services to the Company which have assisted the Company to deliver digitised research and course innovation.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Alliance Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of the Group, the terms of which (together with the New Caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Save for Mr. Thomas Richard Seymour, who abstained from voting on the relevant resolution(s) of the Board approving the New Caps in view of his position as PwC Australia's Chief Executive Officer, none of the Directors has a material interest in the transactions contemplated under the Alliance Agreement and was required to abstain from voting.

INFORMATION ON THE PARTIES

The Company is a company registered in New South Wales, Australia. The Group is principally engaged in the business of private higher education specialising in offering business and accounting courses that are recognised by major accounting bodies in Australia at an undergraduate and postgraduate level. The Company also offers a bachelor of laws degree that is fully accredited by the *NSW Legal Profession Admission Board*.

PwC Australia is part of the PwC network, being a global network of firms delivering audit, assurance, tax and consulting services, each of which is a separate legal entity.

LISTING RULES IMPLICATIONS

As at the date of this announcement, PwC Nominees was interested in 264,708,000 Shares (representing approximately 10.85% of the total number of issued Shares) and a substantial

Shareholder. Such Shares are held on trust by PwC Nominees as a bare trustee for PwC Australia. As such, PwC Australia is a connected person of the Company and the transactions contemplated under the Alliance Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the New Caps exceed 0.1% but are all less than 5%, the transactions contemplated under the Alliance Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from independent shareholders' approval.

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

Sydney, Australia, 27 October 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), Mr. Yi Dai and Mr. Edward Chiang, and the independent non-executive Directors are Professor Weiping Wang, Professor Brian James Stoddart, Mr. Tianye Wang and Professor Steven Schwartz.