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TOP EDUCATION GROUP LTD

澳洲成峰高教集團有限公司

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

(ACN 098 139 176)

(Stock code: 1752)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Group's revenue was approximately AUD\$13.4 million.
- Gross profit was approximately AUD\$6.3 million.
- Profit for the Reporting Period was approximately AUD\$0.9 million.

The Board of Directors of Top Education Group Ltd (“**the Company**”), together with its subsidiaries (“**the Group**”), is pleased to announce the consolidated unaudited interim results of the Company for the six months ended 31 December 2020 together with the comparative figures for the corresponding period in 2019 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

		Six months ended	
		31 December	
	<i>Notes</i>	2020	2019
		(unaudited)	(unaudited)
		AUD\$'000	AUD\$'000
REVENUE	4	13,406	14,534
Cost of sales		<u>(7,063)</u>	<u>(6,866)</u>
Gross profit		6,343	7,668
Other income and gains	4	1,466	432
Administrative expenses		(4,969)	(4,108)
Advertising and marketing expenses		(1,212)	(934)
Finance costs	5	<u>(424)</u>	<u>(257)</u>
PROFIT BEFORE TAX	6	1,204	2,801
Income tax expense	7	<u>(257)</u>	<u>(835)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>947</u>	<u>1,966</u>
Attributable to:			
Owners of the Company		933	1,944
Non-controlling interests		<u>14</u>	<u>22</u>
		<u>947</u>	<u>1,966</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share (<i>AUD cents</i>)	9	<u>0.038</u>	<u>0.077</u>
Diluted earnings per share (<i>AUD cents</i>)	9	<u>0.036</u>	<u>0.073</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,048	7,684
Intangible assets		10,995	10,635
Right-of-use assets		14,868	7,157
Prepayments and deposits	<i>11</i>	1,408	1,593
Goodwill		1,533	1,533
Deferred tax assets		237	450
		<hr/>	<hr/>
Total non-current assets		40,089	29,052
CURRENT ASSETS			
Inventories		162	164
Trade receivables	<i>10</i>	137	229
Prepayments, other receivables and other assets	<i>11</i>	3,654	3,095
Tax receivable		431	–
Cash and cash equivalents		29,830	34,416
		<hr/>	<hr/>
Total current assets		34,214	37,904
CURRENT LIABILITIES			
Trade payables	<i>12</i>	2,431	1,951
Other payables and accruals	<i>13</i>	3,067	3,145
Lease liabilities		735	778
Contract liabilities	<i>14</i>	2,396	1,896
Tax payable		–	73
		<hr/>	<hr/>
Total current liabilities		8,629	7,843
NET CURRENT ASSETS		<hr/> 25,585 <hr/>	<hr/> 30,061 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 65,674 <hr/>	<hr/> 59,113 <hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		15,571	6,786
Other payables and accruals	<i>13</i>	346	838
		<hr/>	<hr/>
Total non-current liabilities		15,917	7,624
Net assets		<hr/> 49,757 <hr/>	<hr/> 51,489 <hr/>
EQUITY			
Share capital	<i>15</i>	36,491	38,371
Treasury shares	<i>15</i>	(2,236)	(2,236)
Reserves		15,023	14,889
Non-controlling interests		479	465
		<hr/>	<hr/>
Total equity		<hr/> 49,757 <hr/>	<hr/> 51,489 <hr/>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP 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 2020, 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 2020 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 2020, 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 2020, except for the adoption of the new and revised IFRSs effective as of 1 July 2020.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group has identified the Chief Executive Officer (“CEO”) and the Board of Directors as the chief operating decision makers. The Group is principally engaged in the provision of education services in Australia.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the CEO and directors, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the CEO and directors reviewed the financial results of the Group as a whole. Therefore, no further information about operating segments is presented.

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 2020 (six months ended 31 December 2019: nil).

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 31 December	
	2020 (unaudited) AUD\$'000	2019 (unaudited) AUD\$'000
<i>Revenue from contracts with customers</i>		
Course fee income	12,699	13,545
Others service fee income	707	989
	13,406	14,534
	13,406	14,534

Revenue from contracts with customers

(i) *Disaggregated revenue information*

<i>Geographical markets</i>		
Australia	13,406	14,534
	13,406	14,534

Timing of revenue recognition

Course fee income recognised over time	12,699	13,545
Others service fee income recognised over time	707	989
	13,406	14,534
	13,406	14,534

(ii) *Performance obligations*

Provision of private higher education services and English course 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. The Group's contracts with students for English courses are normally between 8 weeks and 20 weeks depending on the education programs. Tuition fees are determined and paid by the students before the start of each school term.

	Six months ended 31 December	
	2020 (unaudited) AUD\$'000	2019 (unaudited) AUD\$'000
Other income and gains		
Interest income	39	169
Realised foreign exchange gains, net	20	169
Unrealised foreign exchange gains, net	–	56
Remeasurement of contingent liabilities	543	–
Government grants	846	–
Others	18	38
	1,466	432
	1,466	432

5. FINANCE COST

	Six months ended 31 December	
	2020 (unaudited) AUD\$'000	2019 (unaudited) AUD\$'000
Interests on lease liabilities	424	257
	<u>424</u>	<u>257</u>

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	Six months ended 31 December	
		2020 (unaudited) AUD\$'000	2019 (unaudited) AUD\$'000
Amortisation of intangible assets		858	606
Depreciation of property, plant and equipment		506	275
Depreciation of right-of-use assets		1,012	886
Auditors' remuneration		51	36
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other employee benefits		4,178	3,994
Share-based payments		482	307
Pension scheme contributions (defined contribution schemes)		361	337
Less: Amount capitalised		(372)	(534)
		<u>7,076</u>	<u>5,907</u>

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 26% for the six months ended 31 December 2020 and 27.5% for the six months ended 31 December 2019 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	
	2020 (unaudited) AUD\$'000	2019 (unaudited) AUD\$'000
Current		
Charge for the period	144	676
(overprovision) for current tax of prior periods	(100)	–
Deferred tax	213	159
	<u>257</u>	<u>835</u>
Total tax charge for the period	<u>257</u>	<u>835</u>

8. INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: 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\$912,000 (six months ended 31 December 2019: AUD\$1,944,000) and the weighted average number of ordinary shares of 2,446,003,000 (six months ended 31 December 2019: 2,524,956,000) 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	
	2020	2019
	(unaudited)	(unaudited)
	AUD\$'000	AUD\$'000
Earnings		
Profit attributable to owners of the Company	933	1,944
	Number of shares	
	2020	2019
	(unaudited)	(unaudited)
	Ordinary shares	Ordinary shares
	'000	'000
Shares		
Weighted average number of shares in issue used in the basic earnings per share calculation taking into account the share subdivision	2,446,003	2,524,956
Effect of dilution – weighted average number of shares:		
Performance rights	134,844	122,980
	2,580,847	2,647,936

10. TRADE RECEIVABLES

The Group's students are required to pay tuition fees in advance for upcoming semesters. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fee. There is no fixed term for delayed payments. 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. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date is as follows:

	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Trade receivables (neither past due nor impaired)	<u>137</u>	<u>229</u>
Within 1 month	–	–
Within 1 year	<u>137</u>	<u>229</u>

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Non-current assets		
Prepayments	1,205	1,227
Lease deposits	<u>203</u>	<u>366</u>
	<u>1,408</u>	<u>1,593</u>
Current assets		
Prepayments	1,187	1,100
Long term deposit	841	535
Other assets	371	410
Other receivables	<u>1,255</u>	<u>1,050</u>
	<u>3,654</u>	<u>3,095</u>

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.

12. 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 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Over two months	<u>2,431</u>	<u>1,951</u>

13. OTHER PAYABLES AND ACCRUALS

	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Current liabilities		
Other payables	1,483	1,751
Unpaid leave obligations	<u>1,584</u>	<u>1,394</u>
Other payables and accruals	<u>3,067</u>	<u>3,145</u>
Non-current liabilities		
Other payables	–	543
Unpaid leave obligations	199	185
Accruals for reinstatement cost	<u>147</u>	<u>110</u>
Other payables and accruals	<u>346</u>	<u>838</u>

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

14. CONTRACT LIABILITIES

Details of contract liabilities balance are as follows:

	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Short-term advances received from students		
Course fees	<u>2,396</u>	<u>1,896</u>

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.

15. SHARE CAPITAL

Shares

	31 December 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Issued and fully paid: 2,436,150,000 (30 June 2020: 2,468,478,000) ordinary shares	<u>36,491</u>	<u>38,371</u>

Treasury shares

	Number of shares	Total AUD\$'000
At 30 June 2020 (audited)	38,820,000	2,236
Shares held for share-based payments	—	—
At 31 December 2020 (unaudited)	<u>38,820,000</u>	<u>2,236</u>

During the six months ended 31 December 2020, the Trust acquired nil shares.

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 2020 (audited)	2,468,478	38,371
Issue of new shares upon exercise of the pre-IPO rights	3,062	133
Cancellation of shares	(35,390)	(2,013)
At 31 December 2020	<u>2,436,150</u>	<u>36,491</u>

16. 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 2020 (unaudited) AUD\$'000	30 June 2020 (audited) AUD\$'000
Financial assets at amortised cost		
Trade receivables	137	229
Financial assets included in deposits and other receivables	2,230	1,392
Cash and cash equivalents	<u>29,830</u>	<u>34,416</u>
	<u>32,197</u>	<u>36,037</u>
Financial liabilities at amortised cost		
Trade payables	2,431	1,951
Financial liabilities included in other payables and accruals	<u>1,460</u>	<u>1,004</u>
	3,891	2,955
Financial liabilities at fair value		
Contingent considerations on acquisition	<u>534</u>	<u>1,087</u>
	<u>4,425</u>	<u>4,042</u>

17. EVENTS AFTER THE REPORTING PERIOD

In January 2021, the Group received approval of increasing 190 student capacity of regional campus in Hobart, Tasmania, which brings the total capacity in Hobart campus from 150 to 340.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Top Education Group Ltd (“**TOP**”) trading as Australian National Institute of Management and Commerce (“**IMC**”) as well as Top Education Institute 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.

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 in 2016 ceasing on 31 March 2023. Under the Alliance Agreement, PwC Australia provides services to TOP, which have assisted TOP to deliver initiatives including tertiary student career development and executive education programs including academic and non-academic courses in Australia, as well as designing ‘smart campus’ and digital education solutions. Prior to the end of the initial term of the Alliance Agreement, 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.

Operational Updates

Operations under COVID-19

During the Reporting Period, TOP had followed the updated strategies to develop and launch new courses to adapt to evolving market and capitalise on emerging revenue growth opportunities. The development of innovative short courses provides an avenue for working professionals to upskill in particular areas of interest in their own time. Learners of these courses can stand out from the crowd and be able to meet the emerging market and professional skill demands in particular areas. TOP has been improving the course delivery model to be more suitable for remote students under current environment.

Effective management of the Group delivered outperformance in cash inflows with approximately AUD\$30 million cash on hand at 31 December 2020. The balance sheet and cash position has remained strong with zero bank debt providing a high level of resiliency in the business during the COVID-19 pandemic, with positive momentum in revenue from regional campus to some extent offsetting the short-term challenges in the international student market. Such position gives us the ability to weather an extended period of uncertainty.

The Group has also initiated ongoing cost management measures including rationalising of campus and office property portfolio, for example Scots English College Pty Ltd (“**SCOTS**”) exited from the previous premise lease and relocated to TOP’s existing premises in October 2020. All executives of the Group reached a consensus to have their salary package frozen until the international students return. In addition, the CEO has voluntarily reduced his salary package.

During this period with tremendous changes, the Group has been putting the safety protection of students and staff members as the highest priority, and comprehensively enhancing public health protection on campus.

Course Innovation

- TOP had been developing innovative and cutting-edge courses during the Reporting Period along with its strategic plan. On 13 November 2020, the following extended streams under Master of Business Administration were approved by the Commonwealth Register of Institutions and Courses for Overseas Students (“**CRICOS**”):
 - Master of Business Administration (Digital Business Applications)
 - Master of Business Administration (Data Analytics)
 - Master of Business Administration (FinTech Management)
 - Master of Business Administration (Professional Accounting)
- The staff development and training programs in digitalised knowledge had been continuously conducted during the Reporting Period for our staff with academic background in Management and Commerce.

Interstate campus

During the Reporting Period, the revenue from TOP’s regional campus in Hobart, Tasmania had grown faster than expected, which helps deliver revenue in near AUD\$2 million. This is an increase of approximately 1622% as compared with the corresponding period in 2019.

Smart-Campus and Intelligent-Digitalised Educational

The classrooms and offices at Bay 16, Locomotive Workshop were relocated to new premises at Bay 3, Locomotive Workshop in July 2020. The infrastructure of the new premises is equipped with upgraded facilities and the most cutting-edge digital technologies to lead an innovative pattern of education delivery method in Australia along with our innovative and intelligent education strategy.

In line with the Group’s strategy TOP 3.0, the Group has been building up its infrastructures and has proven its online learning delivery capabilities through the COVID-19 pandemic. We have changed our delivery mode to online promptly without sacrificing students experience, but rather enhancing student support services and learning experiences through intensive student support system. Meanwhile, the Group is exploring and expanding other possible new addressable markets through domestic and international network for our degree programs with online delivery model in the future.

New Course Accreditation

During the Reporting Period, ACCA provided its accreditation of the following programs:

- Master of Professional Accounting
- Master of Professional Accounting Services
- Master of Business Administration (Professional Accounting)

- Master of Big Data Auditing
- Master of Accounting Intelligence programs
- Master of Taxation (with data analytics and artificial intelligence)

In addition, the Group signed memorandum of understanding (“**MoU**”) with ACCA to include an ACCA stream alongside the CPA Australia stream in the Master of Accounting Practice. This allows students to complete the ACCA strategic professional syllabus within their postgraduate program in preparation for ACCA examinations.

Student Enrolments

For the six months ended 31 December 2020, the total EFTSL of Top Education Institute decreased slightly by 1.4% comparing with the corresponding period in the last financial year.

	Six months ended	
	31 December	
	2020	2019
Bachelor of International Business ⁽¹⁾	116.8	177.3
Bachelor of Applied Finance and Accounting ⁽²⁾	75.0	76.1
Bachelor of Laws	16.4	25.1
Master of Professional Accounting and Business ⁽³⁾	185.1	181.1
Master of International Business ⁽⁴⁾	41	43.9
Master of Business Administration ⁽⁵⁾	199.9	–
Others ⁽⁶⁾	9.8	65.6
Non-Award Unit Study	83.2	168.5
	<hr/>	<hr/>
Total	727.2	737.6
	<hr/> <hr/>	<hr/> <hr/>

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 courses that are part of the same track, namely Master of Business Administration, Graduate Certificate of Business and Graduate Diploma of Business Management.
- (6) This includes all other postgraduate courses.

Tuition fee

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

Course Name	International		Domestic	
	2021 AUD\$	2020 AUD\$	2021 AUD\$	2020 AUD\$
Diploma in Applied Finance and Accounting	21,000	21,000	17,000	17,000
Associate Degree of Applied Finance and Accounting	42,000	42,000	34,000	34,000
Bachelor of Applied Finance and Accounting	63,000	63,000	51,000	51,000
Diploma of Business	21,000	21,000	15,000	15,000
Associate Degree of Business	42,000	42,000	30,000	30,000
Bachelor of International Business	63,000	63,000	45,000	45,000
Graduate Certificate in Accounting	11,960	11,960	8,500	8,500
Graduate Certificate in Business Management	11,960	11,960	8,500	8,500
Graduate Certificate in Business Research	18,000	18,000	10,000	10,000
Graduate Certificate in Business	11,960	11,960	8,500	8,500
Graduate Certificate in Financial Planning	11,960	11,960	8,500	8,500
Graduate Certificate in Financial Technologies Management	11,960	11,960	8,500	8,500
Graduate Diploma of Accounting	23,920	23,920	17,000	17,000
Graduate Diploma of International Business	23,920	23,920	17,000	17,000
Graduate Diploma of Marketing	23,920	23,920	17,000	17,000
Graduate Diploma of Marketing and Public Relations	23,920	23,920	17,000	17,000
Graduate Diploma of Business Administration	23,000	23,000	17,000	17,000
Graduate Diploma of Financial Planning	23,920	23,920	17,000	17,000
Graduate Diploma of Financial Technologies Management	23,920	23,920	17,000	17,000
Master of International Business	35,880	35,880	25,500	25,500
Master of Marketing and Public Relations	35,880	35,880	25,500	25,500
Master of Professional Accounting	35,880	35,880	25,500	25,500
Master of Accounting Practice	35,880	35,880	25,500	25,500
Master of Professional Accounting Services (formerly known as Master of Professional Accounting and Business)	47,840	47,840	34,000	34,000
Master of Business Research	72,000	72,000	40,000	40,000
Master of Business Administration	46,000	46,000	34,000	34,000
Master of Business Administration (Professional Accounting)	46,000	46,000	34,000	34,000
Master of Business Administration (FinTech Management)	46,000	46,000	34,000	34,000
Master of Financial Planning	47,840	47,840	34,000	34,000
Master of Accounting Intelligence	47,840	47,840	34,000	34,000
Master of Applied Financial Technology and Blockchain	47,840	47,840	34,000	34,000
Bachelor of Laws	80,000	80,000	48,000	48,000
Master of Laws	20,000	20,000	20,000	20,000

Outlook

Our business practices in the Reporting Period demonstrated that TOP's principal strategy as *Innovation towards Intelligent Education* could guide us continuously weathering the uncertainty under the COVID-19 pandemic and growing along with innovative approach towards TOP's goal in the future.

- As the pandemic period continues, TOP is still facing significant challenges. We believe that the innovative approach towards intelligent education represents the trend of higher education development in digital economy, thus shall not change for the foreseeable future years. TOP has committed to develop the digitalised education to deliver through on-campus or in distance, while to further diversify by delivering to overseas students in their locations through our international presence.
- As an eligible FEE-HELP provider, TOP's courses were approved for FEE-HELP student tuition loans. With the impact of pandemic and our enhanced capability of online delivery with innovative courses, TOP will be able to attract domestic students through FEE-HELP authority.
- The Group will keep transferring digital resources and capabilities to accelerate growth in new revenue channel, such as online delivery of programs and domestic markets in Australia, while awaiting for international borders to reopen.
- The Group is actively seeking merger and acquisition (“M&A”) or direct investment opportunity on target in domestic market, including reputable institutes and domestic recruitment partners, to expand and diversify the Group's business. Meanwhile, the Group will keep assessing potential opportunities on online study technologies and cooperation with organisations in other countries and regions, which can bring business synergy to the Group and support our direction of internationalisation with respect of transnationally diversifying student sources, as well as localising the education assets in China and other regions in Southeast Asia.

FINANCIAL REVIEW

Revenue

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

Revenue decreased by approximately 7.8% from approximately AUD\$14.5 million for the six months ended 31 December 2019 to approximately AUD\$13.4 million for the six months ended 31 December 2020, mainly due to the decrease in the course fee income affected by the COVID-19 pandemic. A breakdown of revenue is shown below:

	Six months ended 31 December		Change %
	2020 (Unaudited) AUD\$'000	2019 (Unaudited) AUD\$'000	
Course fee income	12,699	13,545	-6.2%
Other service fee income	707	989	-28.5%
	<u>13,406</u>	<u>14,534</u>	<u>-7.8%</u>

Tuition fee contributed over 94.7% of the Group's revenue while other service fee represented approximately 5.3% of the revenue.

Cost of Revenue

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

Cost of revenue increased by approximately AUD\$0.2 million, or 2.9%, from approximately AUD\$6.9 million for the six months ended 31 December 2019 to approximately AUD\$7.1 million for the six months ended 31 December 2020. The increase primarily resulted from the net effect of the increase in student related costs, the increase in amortisation, the increase in depreciation of new campus fit outs, and the decrease in employee and consulting services.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 17.3% from AUD\$7.7 million for the six months ended 31 December 2019 to AUD\$6.3 million for the six months ended 31 December 2020, and the gross profit margin decreased from approximately 52.8% for the six months ended 31 December 2019 to approximately 47.3% for the six months ended 31 December 2020, primarily due to the impact of the COVID-19 pandemic on course fee income.

Other Income and Gains

Other income increased by 239.4% from approximately AUD\$0.4 million for the six months ended 31 December 2019 to approximately AUD\$1.5 million for the six months ended 31 December 2020. The increase primarily resulted from the increase in rent waiver, government grants and other income.

Administrative Expenses

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

Administrative expenses increased by 21.0% from approximately AUD\$4.1 million for the six months ended 31 December 2019 to approximately AUD\$5.0 million for the six months ended 31 December 2020. This increase was primarily due to the increase in depreciation in new campus fit outs, rental related expenses and employee expenses.

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 29.8% from approximately AUD\$0.9 million for the six months ended 31 December 2019 to approximated AUD\$1.2 million for the six months ended 31 December 2020, mainly due to the increase in recruitment promotion expenses.

Finance Costs

Finance costs represent the interest expense on the lease liabilities.

Finance costs increased by 65.0% from approximately AUD\$0.3 million for the six months ended 31 December 2019 to approximately AUD\$0.4 million for the six months ended 31 December 2020. This increase was arising from lease liabilities due to the adoption of the accounting standard IFRS 16.

Profit for the Reporting Period

As a result of the above factors, the Group's net profit after tax for the period decreased by approximately 51.8% from approximately AUD\$2.0 million for the six months ended 31 December 2019 to approximately AUD\$0.9 million for the six months ended 31 December 2020.

Capital Expenditure

Our capital expenditures for the six months ended 31 December 2020 were approximately AUD\$4.0 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 2020, the Group had cash on hand of AUD\$29.8 million (30 June 2020: AUD\$34.4 million) with no bank borrowings (30 June 2020: AUD\$0). During the six months ended 31 December 2020, 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 2020, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Group was 0% (30 June 2020: 0%).

Significant Investments, Acquisitions and Disposals

Save as disclosed in this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the 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 2020.

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 2020, 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.

Charges on the Group's Assets

There were no charges on the Group's assets as at 31 December 2020 (30 June 2020: Nil).

Contingent Liabilities

Except of the contingent considerations relates to the acquisition of SCOTS (refer to note 16), at the end of the reporting period, the Group did not have any other significant commitments.

EMPLOYMENT AND REMUNERATION POLICIES

During the six months ended 31 December 2020, including academic staff, the Company employed 119 staff (six months ended 31 December 2019: 152). 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.

EVENTS AFTER THE REPORTING PERIOD

In January 2021, TOP received approval of increasing 190 student capacity of regional campus in Hobart, Tasmania, which brings the total capacity in Hobart campus from 150 to 340.

INTERIM DIVIDEND

The Board does not recommend an interim dividend in respect of the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 35,470,000 Shares on the Stock Exchange at an aggregate consideration (before brokerage and expenses) of approximately HK\$10,341,150. As at 31 December 2020, 35,390,000 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 <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration <i>HK\$</i>
July 2020	10,000,000	0.300	0.270	2,825,200
August 2020	13,890,000	0.325	0.270	4,073,350
September 2020	930,000	0.300	0.285	271,900
October 2020	4,800,000	0.315	0.290	1,454,300
November 2020	2,530,000	0.310	0.285	749,350
December 2020	3,320,000	0.300	0.285	967,050

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

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\$172 million or AUD\$30 million. As at 31 December 2020, a total amount of approximately HK\$96 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 <i>HK\$ (million)</i>	Utilised Amount as at 31 December 2020 <i>HK\$ (million)</i>	Unutilised amount as at 31 December 2020 <i>HK\$ (million)</i>	Expected timeline for utilising the unutilised amount
Acquiring or investing in educational groups/institutions in the PRC and in Australia	41.0%	70.4	20.7	49.7	by the end of 2022
Developing "Intelligent Education", which includes utilising digital education solutions for course contents, infrastructure of campuses and offices, and teaching and learning method	27.8%	47.8	23.1	24.7	by the end of 2022
Upgrading TOP's existing campus	9.4%	16.1	16.1	–	–
Expanding TOP's campus locations	5.5%	9.5	9.5	–	–
Establishing virtual student experience centre	0.6%	1.0	1.0	–	–
Expanding TOP's research program and developing PhD towards our strategic goal	3.1%	5.3	4.0	1.3	by the end of 2022
Expanding TOP's marketing activities	4.4%	7.6	7.6	–	–
Working capital and general corporate purposes	8.2%	14.0	14.0	–	–
Total	100.0%	171.7	96.0	75.7	

AUDIT AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee reviewed the unaudited interim results of the Group for the six months ended 31 December 2020, including the accounting principles and practices adopted by the Group.

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 2020, the Company had 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”.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the 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. Minshen 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. Minshen 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 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.top.edu.au. The interim report of the Company for the six months ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders of the Company and published on the above websites in due course.

DEFINITIONS

“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
“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
“Board”	the board of Directors
“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 with trading name as Top Education Institute as well as Australian National Institute of Management and Commerce
“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
“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
“Director(s)”	the director(s) of the Company
“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
“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
“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
“Law School”	Sydney City School of Law, as the name adopted for the Company to provide degree courses in law
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

“NSW LPAB”	the Legal Profession Admission Board, New South Wales
“PwC Australia”	The Australian partnership of PricewaterhouseCoopers (ABN 52 780 433 757), Australia, a member of the global network of PricewaterhouseCoopers firms, each of which is a separate and independent legal entity
“PwC Nominees”	PricewaterhouseCoopers Nominees (A.C.T.) Pty Ltd (ACN 008 780 433 757), 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
“Reporting Period”	The period from 1 July 2020 to 31 December 2020
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEQSA”	the Tertiary Education Quality and Standards Agency in Australia established under the Tertiary Education Quality and Standards Agency Act 2011
“US\$” or “USD”	United States dollars, the lawful currency of the United States

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

Sydney, Australia, 25 February 2021

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.