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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 2022

FINANCIAL HIGHLIGHTS

- Group's revenue was approximately AUD\$10.8 million, increased by approximately 14.4%.
- Gross profit rose by approximately 24.6% to approximately AUD\$4.3 million.
- Total EFTSL of the students increased by approximately 30.9% to 695.0.
- EFTSL of commencing students increased by approximately 129.1% to 254.4.

The Board of Directors of Top Education Group Ltd (“**the Company**”, together with its subsidiaries “**the Group**”), hereby announces the consolidated unaudited interim results of the Company for the six months ended 31 December 2022 together with the comparative figures for the corresponding period in 2021 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

| | | Six months ended | |
|---|--------------|-------------------------|----------------|
| | | 31 December | |
| | <i>Notes</i> | 2022 | 2021 |
| | | (unaudited) | (unaudited) |
| | | AUD\$'000 | AUD\$'000 |
| REVENUE | 4 | 10,757 | 9,407 |
| Cost of sales | | <u>(6,433)</u> | <u>(5,937)</u> |
| Gross profit | | 4,324 | 3,470 |
| Other income and gains | 4 | 392 | 1,079 |
| Administrative expenses | | (3,399) | (3,972) |
| Advertising and marketing expenses | | (1,109) | (1,104) |
| Finance costs | 5 | <u>(404)</u> | <u>(420)</u> |
| LOSS BEFORE TAX | 6 | (196) | (947) |
| Income tax credit | 7 | <u>31</u> | <u>230</u> |
| LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>(165)</u> | <u>(717)</u> |
| Loss Attributable to: | | | |
| Owners of the Company | | (158) | (701) |
| Non-controlling interests | | <u>(7)</u> | <u>(16)</u> |
| | | <u>(165)</u> | <u>(717)</u> |
| EARNINGS PER SHARE FOR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Basic loss per share (<i>AUD cents</i>) | 9 | <u>(0.007)</u> | <u>(0.029)</u> |
| Diluted loss per share (<i>AUD cents</i>) | 9 | <u>(0.007)</u> | <u>(0.029)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | | 31 December 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 9,371 | 9,824 |
| Intangible assets | | 10,550 | 11,165 |
| Right-of-use assets | | 11,497 | 12,456 |
| Prepayments and deposits | 11 | 1,188 | 1,188 |
| Goodwill | | 1,533 | 1,533 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 34,139 | 36,166 |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 627 | 550 |
| Prepayments, other receivables and other assets | 11 | 3,039 | 3,249 |
| Tax receivable | | 723 | 793 |
| Cash and cash equivalents | | 36,316 | 33,225 |
| | | <hr/> | <hr/> |
| Total current assets | | 40,705 | 37,817 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 2,255 | 2,022 |
| Other payables and accruals | 13 | 2,658 | 3,432 |
| Lease liabilities | | 1,179 | 1,179 |
| Contract liabilities | 14 | 6,085 | 3,862 |
| Deferred tax liability | | 460 | 561 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 12,637 | 11,056 |
| NET CURRENT ASSETS | | <hr/> 28,068 <hr/> | 26,761 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 62,207 <hr/> | 62,927 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 14,349 | 15,056 |
| Other payables and accruals | 13 | 309 | 348 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 14,658 | 15,404 |
| Net assets | | <hr/> 47,549 <hr/> | <hr/> 47,523 <hr/> |
| EQUITY | | | |
| Share capital | 15 | 36,414 | 36,414 |
| Treasury shares | 15 | (2,236) | (2,236) |
| Reserves | | 12,944 | 12,911 |
| Non-controlling interests | | 427 | 434 |
| | | <hr/> | <hr/> |
| Total equity | | <hr/> 47,549 <hr/> | <hr/> 47,523 <hr/> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Top Education Group Ltd 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, Eveleigh, New South Wales 2015, Australia. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2018.

During the six months ended 31 December 2022, the Company and its subsidiaries 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 2022 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 2022, 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 2022, except for the adoption of the following revised IFRSs effective as of 1 July 2022.

| | |
|--|---|
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Annual Improvements to IFRSs 2018-2020 | <i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i> |

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

Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

As there was no business combination occurred during the Reporting Period, the amendments did not have any impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss.

Since there was no sale of items produced while making property, plant and equipment available for use during the Reporting Period, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 2022 (six months ended 31 December 2021: nil).

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | Six months ended 31 December | |
|--|-------------------------------------|------------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | AUD\$'000 | AUD\$'000 |
| <i>Revenue from contracts with customers</i> | | |
| Course fee income | 10,023 | 8,717 |
| Others service fee income | 734 | 690 |
| | <u>10,757</u> | <u>9,407</u> |

Revenue from contracts with customers

(i) Disaggregated revenue information

Geographical markets

Australia

10,757

9,407

Timing of revenue recognition

Course fee income recognised over time

10,023

8,717

Others service fee income recognised over time

734

690

10,757

9,407

(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 | |
|--------------------------------------|-------------------------------------|------------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | AUD\$'000 | AUD\$'000 |
| Other income and gains | | |
| Interest income | 197 | 23 |
| Realised foreign exchange gains, net | - | 7 |
| Government grants | 166 | 850 |
| Others | 29 | 199 |
| | <u>392</u> | <u>1,079</u> |

5. FINANCE COST

| | Six months ended 31 December | |
|--------------------------------|------------------------------|-------------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | <i>AUD\$'000</i> | <i>AUD\$'000</i> |
| Interests on lease liabilities | <u>404</u> | <u>420</u> |
| | <u>404</u> | <u>420</u> |

6. LOSS BEFORE TAX

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

| | Six months ended 31 December | |
|---|------------------------------|---------------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | <i>AUD\$'000</i> | <i>AUD\$'000</i> |
| Amortisation of intangible assets | 1,079 | 1,012 |
| Depreciation of property, plant and equipment | 513 | 550 |
| Amortisation of right-of-use assets | 959 | 959 |
| Auditors' remuneration | 39 | 42 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | |
| Wages, salaries and other employee benefits | 2,965 | 3,331 |
| Share-based payments | 191 | 56 |
| Pension scheme contributions (defined contribution schemes) | 285 | 291 |
| Less: Amount capitalised | <u>(117)</u> | <u>(283)</u> |
| | <u>5,914</u> | <u>5,958</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 25% for the six months ended 31 December 2022 and 2021 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 | |
|--|------------------------------|--------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | AUD\$'000 | AUD\$'000 |
| Current | | |
| (Credit)/charge for the period | (132) | (443) |
| Deferred tax | 101 | 213 |
| | <u>101</u> | <u>213</u> |
| Total tax (credit)/charge for the period | <u>(31)</u> | <u>(230)</u> |

8. INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period of the Company of AUD\$158,000 (six months ended 31 December 2021: AUD\$701,000) and the weighted average number of ordinary shares of 2,394,512,000 (six months ended 31 December 2021: 2,392,399,000) in issue during the period.

The calculation of the diluted earnings or loss per share amount is based on the profit or loss 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 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 period.

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

| | Six months ended 31 December | |
|--|------------------------------|--------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | AUD\$'000 | AUD\$'000 |
| Earnings | | |
| Loss attributable to owners of the Company | <u>(158)</u> | <u>(701)</u> |

| | Number of shares | |
|--|-------------------------|-----------------|
| | 2022 | 2021 |
| | (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

2,394,512 2,392,399

Effect of dilution – weighted average number of shares:

Performance rights

| | |
|------------------|------------------|
| — | — |
| 2,394,512 | 2,392,399 |

Due to the Group's negative financial results for the period ended 31 December 2022 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the period ended 31 December 2022 and 2021 is equivalent to the basis loss per share.

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 | 30 June |
|---|--------------------|-----------|
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | AUD\$'000 | AUD\$'000 |
| Trade receivables (neither past due nor impaired) | 627 | 550 |

| | 31 December | 30 June |
|---------------|--------------------|-----------|
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | AUD\$'000 | AUD\$'000 |
| Within 1 year | 627 | 550 |

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 31 December 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|---------------------------|---|---|
| Non-current assets | | |
| Prepayments | <u>1,188</u> | <u>1,188</u> |
| | <u>1,188</u> | <u>1,188</u> |
| Current assets | | |
| Prepayments | 208 | 461 |
| Term deposits | 1,741 | 1,740 |
| Other assets | 109 | 110 |
| Other receivables | <u>981</u> | <u>938</u> |
| | <u>3,039</u> | <u>3,249</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

| | 31 December 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|----------------|---|---|
| Trade payables | <u>2,255</u> | <u>2,022</u> |

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

13. OTHER PAYABLES AND ACCRUALS

| | 31 December 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|---------------------------------|---|---|
| Current liabilities | | |
| Other payables | 1,185 | 2,104 |
| Unpaid leave obligations | <u>1,473</u> | <u>1,328</u> |
| Other payables and accruals | <u>2,658</u> | <u>3,432</u> |
| Non-current liabilities | | |
| Unpaid leave obligations | 162 | 150 |
| Accruals for reinstatement cost | <u>147</u> | <u>198</u> |
| Other payables and accruals | <u>309</u> | <u>348</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 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|--|---|---|
| Short-term advances received from students | | |
| Course fees | <u>6,085</u> | <u>3,862</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 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|---|---|---|
| Issued and fully paid: 2,433,332,000 (30 June 2022: 2,433,332,000) ordinary shares | 36,414 | 36,414 |

Treasury shares

| | Number of shares | Total AUD\$'000 |
|--------------------------------------|-----------------------------|----------------------------|
| At 30 June 2022 (audited) | 38,820,000 | 2,236 |
| Shares held for share-based payments | — | — |
| At 31 December 2022 (unaudited) | 38,820,000 | 2,236 |
| | Number of shares | Total AUD\$'000 |
| At 30 June 2021 (audited) | 38,820,000 | 2,236 |
| Shares held for share-based payments | — | — |
| At 31 December 2021 (unaudited) | 38,820,000 | 2,236 |

During the six months ended 31 December 2022, the Trust acquired nil shares (31 December 2021: nil).

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

| | Number of shares in issue (in thousands) | Share capital AUD\$'000 |
|--------------------------|---|------------------------------------|
| At 1 July 2022 (audited) | 2,433,332 | 36,414 |
| At 31 December 2022 | 2,433,332 | 36,414 |

16. FINANCIAL INSTRUMENTS BY CATEGORY

| | 31 December 2022 (unaudited) AUD\$'000 | 30 June 2022 (audited) AUD\$'000 |
|---|---|---|
| Financial assets at amortised cost | | |
| Trade receivables | 627 | 550 |
| Financial assets included in deposits and other receivables | 2,702 | 2,344 |
| Cash and cash equivalents | <u>36,316</u> | <u>33,225</u> |
| | <u>39,645</u> | <u>36,119</u> |
| Financial liabilities at amortised cost | | |
| Trade payables | 2,255 | 2,022 |
| Financial liabilities included in other payables and accruals | <u>1,147</u> | <u>930</u> |
| | 3,402 | 2,952 |
| Financial liabilities at fair value | | |
| Contingent considerations on acquisition | <u>–</u> | <u>543</u> |
| | <u>3,402</u> | <u>3,495</u> |

17. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Top Education Group Ltd, trading as Australian National Institute of Management and Commerce (“**IMC**”) as well as Top Education Institute, is one of Australia’s primary and best-in-class private tertiary education providers. TOP has been nationally registered with the TEQSA and also approved in May 2018 for Self-Accrediting Authority (“**SAA**”) by TEQSA in the Broad Field of Education in Management and Commerce from AQF levels 5 to 9, which includes bachelor and master’s degree courses. In this Broad Field, TOP’s Business School provides quality programs at both undergraduate and postgraduate levels. The relevant courses are also accredited by major professional bodies, such as ACCA, CPA Australia and CAANZ. TOP also founded the first Law School within a private higher education institute when both TEQSA and NSW LPAB officially accredited its Bachelor of Laws that enables its graduates to apply for admission as professional lawyers.

PwC

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

PwC Australia and the Company entered into an Alliance Agreement ceasing on 31 March 2023. Under the Alliance Agreement, PwC Australia provides services to the Company, which have assisted the Company 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.

Operational Updates

Course Development

New Field – Information Technology

One of the strategic initiatives of the Group is to offer courses within the Broad Field of Education 02, Information Technology. The Group’s very first IT course, Master of Data Analytics, was accredited by TEQSA, for seven years from 4 October 2022.

Such accreditation provides students with an assurance that high-quality education will be delivered. There is a resurgence of interest in IT courses in Australia, with data science-related courses having enhanced career opportunities.

Hence, the Group can now offer courses in three fields of education, Management and Commerce, Information Technology and Law.

Management and Commerce

Within the Broad Field of Education 08, Management and Commerce, in which the Group holds SAA granted by TEQSA, initiatives have occurred. At the whole-of-course level, the Master of Accounting Intelligence was recognised by the major Australian professional accounting bodies as meeting their professional accreditation requirements allowing graduates to proceed to professional qualifying exams to achieve full recognition within the accounting profession. A feature of the Master of Accounting Intelligence is the integration of content on data and visual analytics with the core body knowledge required by professional accounting organisations for course recognition.

Under the Group's SAA in the Management and Commerce field of education, the Group's governance committees approved offering an updated Master of Applied Financial Technology and Blockchain. This course combines existing and newly developed content in fintech, analytics, blockchain, cryptography and data security into a master's level award for learners interested in, or intending to work in, the digital economy of the 21st century.

New Horizons

Regulatory Trend

Late in 2022, the Australian Government announced a Review of Australia's Higher Education System. This is the first major review in over a decade and will likely lead to substantial reform. The Group responded to a general invitation and made a strong submission on behalf of the private higher education sector on the terms of reference for the review. As that sector accounts for 8.64% of currently enrolled students in Australian higher education, the Group's submission emphasised the sector's relevance to the reform process. The Review is expected to conclude in late 2023, with outcomes reported in 2024.

Diversification of Students

The Group continues diversifying its student profile by engaging with higher education infrastructure in other countries. Of particular note is the visit to the Sydney campus in August 2022 of the Consul General of the Consulate General of Vietnam in Sydney. Discussions with the Consul General and consulate staff focused on the potential for deep cooperation between Vietnamese and Australian higher education institutes. The Group continues developing connections in Vietnam and expects to attract more students from that area.

Campus Expansion

In addition to the Group's locations in Sydney and Hobart, a third campus has been established in Perth, Western Australia, with the commencement of courses scheduled for March 2023. Perth is a major city and the capital of Western Australia. It represents a desirable study location for international students owing to its climate, time zone, lower accommodation costs and the policy for Western Australia graduates to stay.

Operational Plans

Two operational plans continue to drive change in the content and modes of delivery of the Group's award courses at bachelor's and master's degree levels: the Curriculum Innovation Plan and the Digital Learning Plan.

Curriculum Innovation Plan

Emerging in 2019, the Curriculum Innovation Plan is a clear statement endorsed at all levels within the Group that education delivery must focus on student employability in the technology and data-centric world of the 21st century. An expected outcome of this plan is to position the Group as a place for specialist study in these fields and be attractive to domestic and international postgraduate students. This plan is the genesis for new courses, outlined below, and the motivation to update established courses to ensure that applications of digital technology permeate all delivered learning content. Recently developed units in, for example, digital marketing, technology and law, and data analytics in finance embedded within established courses ensure the relevance of learning content in those courses.

Digital Learning Plan

The Digital Learning Plan, now in its fourth iteration, provides the imprimatur for a blended learning education system where both online and in-class learning environments combine to provide students with a learning experience that suits their needs and aspirations. Following the pandemic-induced online learning system, it is clear that students want elements of online learning to continue owing to its convenience and the innovative ways it can be used to enhance student interest. It is also known that students want to return to campus, not only for learning but for social interaction and a campus experience. The Digital Learning Plan is a cornerstone of the blended learning system where synchronous learning in class is combined with self-paced asynchronous online learning before and after class to provide a learning environment for students that is both convenient and engaging.

Student Enrolments

For the six months ended 31 December 2022, the total EFTSL of higher education services of the Group increased by approximately 30.9% comparing with the corresponding period in the last financial year.

| | Six months ended | |
|-----------------------|-------------------------|-------|
| | 31 December | |
| | 2022 | 2021 |
| Undergraduate Courses | 177.9 | 147.6 |
| Postgraduate Courses | 409.5 | 323.6 |
| Non-Award Unit Study | 107.6 | 59.8 |
| Total | 695.0 | 531.0 |

The EFTSL of commencing students during the Reporting Period increased by approximately 129.1% to 254.4 comparing with the corresponding period in the past financial year.

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 management teams subject to market conditions. During the Reporting Period, the tuition fee had been remained flat comparing with the corresponding period in the last financial year.

| Course Name | International | | Domestic | |
|---|---------------|---------------|---------------|---------------|
| | 2023 AUD\$ | 2022 AUD\$ | 2023 AUD\$ | 2022 AUD\$ |
| Diploma in Applied Finance and Accounting | 21,000 | 21,000 | 17,200 | 17,200 |
| Associate Degree of Applied Finance and Accounting | 42,000 | 42,000 | 34,400 | 34,400 |
| Bachelor of Applied Finance and Accounting | 63,000 | 63,000 | 51,600 | 51,600 |
| 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 | 8,600 | 8,600 |
| Graduate Certificate in Business | 11,960 | 11,960 | 8,600 | 8,600 |
| Graduate Certificate in Business Management | 11,960 | 11,960 | 8,600 | 8,600 |
| Graduate Certificate in Data Analytics | 13,200 | – | 8,600 | – |
| Graduate Certificate in Financial Technologies Management | 11,960 | 11,960 | 8,600 | 8,600 |
| Graduate Diploma of Accounting | 23,920 | 23,920 | 17,200 | 17,200 |
| Graduate Diploma of International Business | 23,920 | 23,920 | 17,200 | 17,200 |
| Graduate Diploma of Marketing | 23,920 | 23,920 | 17,200 | 17,200 |
| Graduate Diploma of Business Administration | 23,000 | 23,000 | 17,200 | 17,200 |
| Graduate Diploma of Data Analytics | 26,400 | – | 17,200 | – |
| Graduate Diploma of Financial Technologies Management | 23,920 | 23,920 | 17,200 | 17,200 |
| Master of International Business | 35,880 | 35,880 | 25,800 | 25,800 |
| Master of Marketing | 35,880 | 35,880 | 25,800 | 25,800 |
| Master of Professional Accounting | 35,880 | 35,880 | 25,800 | 25,800 |
| Master of Accounting Practice | 35,880 | 35,880 | 25,800 | 25,800 |
| Master of Professional Accounting Services | 47,840 | 47,840 | 34,400 | 34,400 |
| Master of Business Administration | 46,000 | 46,000 | 34,400 | 34,400 |
| Master of Business Administration (Digital Business Applications) | 46,000 | 46,000 | 34,400 | 34,400 |
| Master of Business Administration (Business Analytics) | 46,000 | 46,000 | 34,400 | 34,400 |

| Course Name | International | | Domestic | |
|---|---------------|---------------|---------------|---------------|
| | 2023 AUD\$ | 2022 AUD\$ | 2023 AUD\$ | 2022 AUD\$ |
| Master of Business Administration (Professional Accounting) | 46,000 | 46,000 | 34,400 | 34,400 |
| Master of Business Administration (FinTech Management) | 46,000 | 46,000 | 34,400 | 34,400 |
| Master of Data Analytics | 52,800 | – | 34,400 | – |
| Master of Accounting Intelligence | 47,840 | 47,840 | 34,400 | 34,400 |
| Master of Applied Financial Technology and Blockchain | 47,840 | 47,840 | 34,400 | 34,400 |
| Master of Big Data Auditing | 47,840 | 47,840 | 34,400 | 34,400 |
| Master of Taxation (with Data Analysis and Artificial Intelligence) | 47,840 | – | 34,400 | 34,400 |
| Bachelor of Laws | 96,000 | 80,000 | 48,000 | 48,000 |

Outlook

Operations in the Reporting Period continued to be adversely affected by conditions arising from the COVID-19 pandemic. However, conditions eased toward the end of 2022, and the outlook is brighter in early 2023.

International students are returning to Australia with encouragement from the Australian Government, evidenced by open borders and the relaxation of conditions limiting the working rights of persons holding an Australian student visa.

From March 2023, the Group plans to have students returning to on-campus lessons while at the same time offering students learning support through online means. The delivery of blended education will be a feature of the Group's activities moving forward. A lot has been learned from the switch to online education arising from the pandemic in 2020. A future combining the best of online learning with active classroom learning will position the Group as an attractive study destination for students who have changed their outlook on what a modern education facility should offer.

Meanwhile, the strategies of the Group to enhance national presence and promoting qualified courses within both international and local markets will remain, especially with recently accredited course under the new Broad Field of Information Technology and innovative courses embedding contents of data and visual analytics under the Broad Field of Management and Commerce.

With the current strong cash reserve, the Group will continue to actively seek for investment opportunities which will bring synergy and expansion of our business.

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 approximately 14.4% from approximately AUD\$9.4 million for the six months ended 31 December 2021 to approximately AUD\$10.8 million for the six months ended 31 December 2022. A breakdown of revenue is shown below:

| | Six months ended 31 December | | Change % |
|--------------------------|------------------------------|--------------------------|---------------|
| | 2022 | 2021 | |
| | (Unaudited) AUD\$'000 | (Unaudited) AUD\$'000 | |
| Course fee income | 10,023 | 8,717 | +15.0% |
| Other service fee income | 734 | 690 | +6.4% |
| | <u>10,757</u> | <u>9,407</u> | <u>+14.4%</u> |

The increase in revenue was primarily due to a 15.0% increase in course fee income from approximately AUD\$8.7 million for the six months ended 31 December 2021 to approximately AUD\$10.0 million for the six months ended 31 December 2022, resulting mainly from the increase in student enrolment.

Tuition fee contributed over 93.2% of the Group's revenue while other service fee represented approximately 6.8% 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\$0.5 million, or 8.4%, from approximately AUD\$5.9 million for the six months ended 31 December 2021 to approximately AUD\$6.4 million for the six months ended 31 December 2022. The increase in cost of revenue was mainly due to costs incurred as a result from the increase in student enrolment.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 24.6% from AUD\$3.5 million for the six months ended 31 December 2021 to AUD\$4.3 million for the six months ended 31 December 2022, and the gross profit margin increased from approximately 36.9% for the six months ended 31 December 2021 to approximately 40.2% for the six months ended 31 December 2022. Primarily due to the increase in tuition revenue resulted from increases in student enrolment.

Other Income and Gains

Other income decreased by 63.7% from approximately AUD\$1.1 million for the six months ended 31 December 2021 to approximately AUD\$0.4 million for the six months ended 31 December 2022. The decrease primarily resulted from the decrease in government support for COVID-19 pandemic.

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 decreased by 14.4% from approximately AUD\$4.0 million for the six months ended 31 December 2021 to approximately AUD\$3.4 million for the six months ended 31 December 2022. This decrease was primarily due to the decrease in office operation, consulting and employee related expenses.

Advertising and Marketing Expenses

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

Advertising and marketing expenses remains stable at AUD\$1.1 million for the six months ended 31 December 2022 and six months ended 31 December 2021.

Finance Costs

Finance costs represent the interest expense on the lease liabilities.

Finance costs remains stable at AUD\$0.4 million for the six months ended 31 December 2022 and six months ended 31 December 2021.

Loss for the Reporting Period

As a result of the above factors, the Group recorded approximately AUD\$0.2 million loss for the six months ended 31 December 2022 (31 December 2021: AUD\$0.7 million).

Capital Expenditure

Our capital expenditures for the six months ended 31 December 2022 were approximately AUD\$0.6 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 2022, the Group had cash on hand of AUD\$36.3 million (30 June 2022: AUD\$33.2 million) with no bank borrowings (30 June 2022: nil). During the six months ended 31 December 2022, 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 IPO.

As at 31 December 2022, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Group was 0% (30 June 2022: 0%).

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 2022.

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 2022, 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 the Group's Assets

There were no charges on the Group's assets as at 31 December 2022 (30 June 2022: Nil).

Contingent Liabilities

Details of the contingent liabilities relate to the acquisition of SCOTS are set out in Note 16 of the consolidated financial statements. As at the end of Reporting Period, the Group did not have any other significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICIES

During the six months ended 31 December 2022, including academic staff, the Company employed 91 staff (six months ended 31 December 2021: 101). 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

There were no significant events after the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend an interim dividend in respect of the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2022, a total amount of approximately HK\$122.3 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 | Unutilised | Expected timeline for utilising the unutilised amount ⁽¹⁾ |
|--|----------------------------|---------------------------------------|--|--|--|
| | | | amount as at 31 December 2022 <i>HK\$ (million)</i> | amount as at 31 December 2022 <i>HK\$ (million)</i> | |
| Acquiring or investing in educational groups/institutions in the PRC and in Australia | 41.0% | 70.4 | 21.0 | 49.4 | by the end of 2023 ⁽²⁾ |
| 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 | 47.8 | – | – |
| 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 | 5.3 | – | – |
| 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 | 122.3 | 49.4 | |

Note:

- (1) The expected timeline for utilising the remaining amount of proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of market and environment conditions.
- (2) The unutilised proceeds are currently expected to be used by the end of 2023 and the delay in the use of such proceeds is primarily due to additional time required for (i) conducting detailed research and feasibility studies on potential investment targets under current complex, uncertain and volatile international environment, and (ii) discussions and negotiations regarding potential cooperative opportunities due to travel and other restrictions imposed by and commercial uncertainties arising out of the pandemic.

AUDIT AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee reviewed the unaudited interim results of the Group for the six months ended 31 December 2022, 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 2022, the Company had complied with applicable code provisions of the CG Code.

COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.27A OF THE LISTING RULES

As disclosed in the announcement of the Company dated 17 November 2022, following the resignation of Professor Brian James Stoddart as an independent non-executive Director, the chairperson and member of the Nomination Committee, and a member of the Audit Committee, the Company did not meet the requirement under Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules during the six months ended 31 December 2022.

On 15 February 2023, with the appointment of Mr. Jonathan Richard O’Dea as an independent non-executive Director, the chairperson and member of the Nomination Committee, and a member of the Audit Committee, the Company has complied with the requirements of the abovementioned Listing Rules. Details of his biography have been disclosed in the Company’s announcement dated 10 February 2023.

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 2022.

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 2022 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

| | |
|--|---|
| “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 |
| “Business School” | Australian National Institute of Management and Commerce, (formerly 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 |
| “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 Australian National Institute of Management and Commerce and Top Education Institute |

| | |
|--|---|
| “Council” | the Council of Australian National Institute of Management and Commerce/Top Education Institute |
| “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” | 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 |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| “Nomination Committee” | the nomination committee of the Board |
| “Prospectus” | the prospectus of the Company dated 27 April 2018 |
| “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 2022 to 31 December 2022 |
| “SCOTS” | Scots English College Pty Ltd, a private education institution established in Australia providing English language courses |
| “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
Min Ying
Company Secretary

Sydney, Australia, 27 February 2023

As at the date of this announcement, the executive director is Ms. Rongning Xu, the non-executive Directors are Mr. Amen Kwai Ping Lee, Mr. Yi Dai, Mr. Edward Chiang and Ms. Xing Shi Huang, and the independent non-executive Directors are Mr. Tianye Wang, Professor Steven Schwartz and Mr. Jonathan Richard O’Dea.