# Top Education Group Ltd
# 澳洲成峰高教集團有限公司

(Registered in New South Wales, Australia with limited liability)
(Stock Code: 1752)

# 2021
## ANNUAL REPORT

創新引領
智慧教育

Innovation towards
Intelligent Education

The Group commits to be a leading innovative and high quality education provider internationally, and to deliver students with knowledge of practical skills required by the emerging market.

The key words of the Group are:

**Innovation, Intelligence** and **Internationalisation**

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# CORPORATE INFORMATION

## Board of Director

### Executive Director:

Ms. Sumeng Cao
*(Chairperson and Chief Executive Officer)*

### Non-executive Directors:

Mr. Thomas Richard Seymour
*(Mr. Kai Zhang as his alternate)*
Mr. Amen Kwai Ping Lee
Mr. Yi Dai
Mr. Edward Chiang
Ms. Xing Shi Huang

### Independent non-executive Directors:

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

Professor Brian James Stoddart *(Chairman)*
Ms. Sumeng Cao
Professor Weiping Wang

## Company Secretary

Ms. Min Ying

## Authorised Representatives

Ms. Sumeng Cao
Ms. Min Ying

## Auditor

Ernst & Young
Recognised Public Interest Entity Auditor
200 George Street
Sydney, NSW 2000
Australia

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

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

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

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

## Australia Principal Share Registrar

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

## Hong Kong Share Registrar

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

## Company Website

www.top.edu.au

## Stock Code

1752

## Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual report of the Group for the year ended 30 June 2021 ("FY2021").

## Business Under the Pandemic

FY2021 was a challenging year, an unprecedented period for the industry in which the Group operates. Operating in one of the sectors hardest hit by COVID-19, the Group's priority during these extraordinary times is the safety and wellbeing of our team and students who attend TOP, and to leverage the value of established digitalised campus to provide the best learning experience to our students.

The Group's financial viability, specifically the cash flow, liquidity, and balance sheet remain resilient to the current complexities. From a cash perspective, the Company had approximately AUD$30 million cash on the balance sheet as at 30 June 2021 and ZERO debt. The strong cash position supports the business to be competitive in the market during the pandemic as well as allowing the Company to prioritise any sensible opportunities that may emerge from this challenging period.

For the first six months, the Group reported revenue decreased by approximately 7.8% due to the decline of student number and course fee income affected by the COVID-19 pandemic. Such impact accelerated rapidly over the past six months as various measures were escalated to slow the infection rate, for example to shelve plans to bring international students back to Australia.

Given the uncertainty of the timing when students return, the Group took many proactive measures, including establishing the first study hub in China through our digitalised learning mode and platform. The study hub serves us with two goals: one is the short-term goal to provide a solid solution of network instability and lack of experience that students encounter when studying online alone; the other one is the long-term goal to collaborate with overseas partner institutions to explore new teaching models, optimise and integrate the educational resources of both sides, and jointly create a new model of international education and communication. Through the combination of online and offline modes of the study centre, students can adapt to the study mode and living atmosphere of Australia in advance, thus reducing the uncertainty factors when coming to Australia to study.

In April 2021, the Australian Government announced the Innovation Fund for eligible private education providers to apply for funding up to AUD$150,000, to support product innovation and investment in infrastructure, curriculum design, digital teaching solutions and staff expertise. Scots English College Pty Ltd ("SCOTS") took responsive action to demonstrate the effect of border closures on business turnover, outline the efforts to adapt and succeed in the current operating environment, and demonstrate how SCOTS would benefit from the grant. On 27 July 2021, SCOTS was approved for the grant and successfully achieved 99.6% of the maximum funding of AUD$150,000, which will support SCOTS to develop its online courses.

## Strategic Update

The strategies focusing on innovation which have been implemented since 2019 have definitely improved the Group's financial and operational resilience to encounter with the most impactive global pandemic in the past decades. Such implementations include the establishment of the study hub and the approval of Innovation Fund.

When the pandemic happened, the management team has quickly shifted their attention to domestic market and applied for the funding by the Australian Government for short course places. These funded places are to give additional options for domestic students and the recently unemployed to undertake higher education. On 10 September 2021, we were successfully granted 684 short course places out of 2,500 places being allocated to non-university higher education providers, which will assist us to step into domestic market, diversify revenue composition and mitigate the risk of indefinite border closure. The fund will be used on subsidising domestic students to upskill and be more competitive on the job market. The 684 places will be available to five short courses of TOP and lead the pathway to our degree programs.

## Responding to the Future

The Board has made the agile decision to implement cost saving initiatives in the following year. Under the impact by COVID-19 pandemic, our responses have been guided by two phases and four strategies:

### Phase One: Short-Term Survival Plan

***Agility in Adapting Pandemic Challenges***

Although the Group still has approximately AUD$30 million cash on hand to deal with any unprecedented challenges or opportunities, the Board has passed swift and rigorous cost saving initiatives across the business for the financial year 2022 to improve the financial viability as well as to reflect the changed trading conditions and business focus. The student portfolio is to be diversified through expanding our business to domestic market and focusing on creating job opportunities for domestic students, which will definitely benefit our international students at current stage and also when they return to Australia.

### Phase Two: Long-Term Strategies

Meanwhile, the Group remains focused on our longer-term strategic goals.

***Keep Students' Experience at the Centre of Our Decision***

Our decision-making process has been heavily evolving around our students' study life and their perspective and demand. Our student experience committee has proposed many measures to design and deliver student experiences that authentically engage with each learner's abilities, aspirations, and circumstances. Prospective students will increasingly make evidence-based decisions on what qualification to choose from any particular institution. On an annual basis, our students' and graduates' overall satisfaction with what they have received from us is remarkably high.

### *Remain Focused on Long-term Strategic Goals with High Quality Standard*

We will continue to put our student experience as priority through high quality teaching and learning governance. Being one of only 9 SAA providers out of total 139 higher education providers in Australia, maintaining and striving for better quality and reputation is a main focus and long-term strategy in our way of pursuing university college status.

### *Step into Future Intelligent Digitalised Education*

With no doubt, to be more domestically and globally competitive, we are not only making enhancement on digitalising the facilities and learning platform, but also investing on human capital, such as recruiting e-learning director to be able to adapt to the post-pandemic world with more deepened connection with students, staffs and community through online activities, more experiences on creating online user-friendly curriculum and better learning outcome for our students. Nevertheless, the real overseas experience is still an inseparable part for international education, which we strongly believe the market will rebound to a more favourable level after the pandemic.

## Sincere Acknowledgement

On behalf of the Board, I take this opportunity to sincerely thank all students for your trust, and to the Shareholders for your support and confidence in the Group in this difficult year. The international education will rebuild and rebound after COVID-19 as people will desire for embracing the world and upgrading their skills and knowledge to be prepared for the new environment. We will be dedicating ourselves to achieve our short-term and long-term strategic goals and be ready for the rebound.

I also would like to express my sincere appreciation to all staff members for your fantastic contributions throughout the financial year ended 30 June 2021. Your passion, dedication and skill make all of us very proud and with confidence of being a better education provider.

**Sumeng Cao**
*Chairperson*

Australia, 24 September 2021

## Business Review

### Introduction of the Group

As one of Australia's primary and best-in-class private tertiary education providers, TOP has been nationally registered with Tertiary Education Quality and Standards Agency ("TEQSA") since January 2012, and in May 2018 was also approved by TEQSA for Self-Accrediting Authority in the Broad Field of Education in Management and Commerce from AQF levels 5 to 9 including bachelor and master's degree courses. TOP is one of only 9 institutes out of total 139 Australian higher education providers to be awarded this status. 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. The Company 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.

In line with the core field of TOP's higher education provision and the strategic development goal, TOP completed the process of registering the new trading name as Australian National Institute of Management and Commerce ("IMC") with the relevant regulatory authorities in Australia and China.

#### *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. Prior to the expiry 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.

#### *Intelligent Education*

Since 2020, to meet the demand for talents in the digital economy, TOP has cooperated with Alibaba Cloud, Fintech Australia, and other leading financial technology organisations to introduce digital technologies such as big data analysis, artificial intelligence, blockchain and financial technology into the programs. Through our own research and development, expert review and industry feedback, the Group has established a set of leading-edge courses with cross-industry innovation in Australia. It is the first set of digital innovative master's programs accredited by the Association of International Accountants across Australia.

### *Accreditation*

On 28 June 2020, TEQSA made the decision of extending TOP's registration for an additional three-year period until 5 March 2025 with an exemption from application renewal and TEQSA's assessment. In the meantime, TOP's accreditation of Master of Laws has also been extended from 23 October 2022 to 23 October 2025.

## Operational Updates

TOP's business operation had been impacted amid the pandemic due to various government restrictions across all areas during the Reporting Period. From an operational perspective the impact was primarily a decline in student enrolments compared to the year ended 30 June 2020, which resulted in a reduction in the total revenue and an increase in total expenses primarily emanating from the sudden shift of study mode from offline to online, as well as from the investment in promotion to retain competitiveness in the onshore market. However, the management team of the Group is actively managing the impact and risks arising from the pandemic by intensifying its efforts in exploring new markets for its business.

During the Reporting Period, the operations and goals following the strategies under the tremendous changes were developed as below:

### *Agility in Adapting to COVID-19 Challenges*

*A COVID-safe Campus*


Since the pandemic outbreak in March 2020, the Group proactively donated personal protective equipment to many international students within Australia and was the very first institute in Australian higher education sector to take the initiative of transitioning to online delivery of all courses. The Group understands how important it is to students and staff as well as to their family to feel safe and have a rewarding experience while living and studying in Australia. The Group has been putting the safety and wellbeing of its students and staff first, dealing with it as its highest priority and thus comprehensively enhancing public health protection on campus.

*Cost Saving Initiatives*

The Group has also initiated ongoing cost management measures including rationalising of campus and office property portfolio, employment expenses, and other administrative expenses. All executives of the Group reached a consensus to have their salary package frozen until the international students return.

*Diversification of Student Portfolio*

The Group has been continuously focusing on diversifying our students' nationality mix, rather than being heavily dependent on recruiting international students from a single country/region.

The percentage of non-Chinese international students enrolled in the Reporting Period is approximately 63% of all international students, which increased by approximately 8% compared to the year ended 30 June 2020.

The number of international students from countries/regions like Vietnam, Brazil and Mongolia has seen the most significant increase, consistent with our feasibility study and analysis. The achievement of such diversification was the product of working with key agents to establish a local office, provision of COVID-19 Relief Support and offering special incentives to students, agents, and recruiting staff with background from the markets they represent for the Institutes to be more efficient on market expansion.

To respond to the outbreak of COVID-19, the Group has been seeking opportunities to appeal to the domestic market and has conducted market research to analyse current trends. The cutting-edge courses developed, and the digitalised technologies used under our innovative approach towards intelligent education represent the trend of higher education development in a digital economy, which would boost TOP's competitive power in the higher education sector.

In addition, the Group has also been working on measures to relieve the financial stress of people willing to pursue their study during the pandemic by applying for available government funding. If successful, that will assist TOP in pivoting to and expanding in the domestic students' market.

***Students as the Centre of Our decision making***

*Historical-high Student Returning Rate*

During the Reporting Period, TOP reached a historical high rate of students returning which benefits from the continuous provision of positive day-to-day experiences and motivation to our students. The management team was bent on providing students with services of the highest standard. Therefore, even with the uncertainty during the lockdown, TOP had managed to achieve the highest returning rate of current students with extra investment on enhancing their online learning experience.

*Excellence on Student Services*

The Group believes that caring, support, and connection are vital features to enhance the students' sense of loyalty and belonging. During this challenging period, maintaining connections between the Institutes and students is a priority. Enriching students' experience via various support channels is essential to help our students, particularly international students, adapt to the new environment and continue their study during and post COVID-19.

During the Reporting Period, the Group applied the following approaches ("CMRF model") to implement the above. TOP aims to provide comprehensive support to our students. CMRF model consists of Communication, Monitoring, Resource, and Feedback. Through this model, TOP has successfully maintained a connection with most of our students.

**C**ommunication:

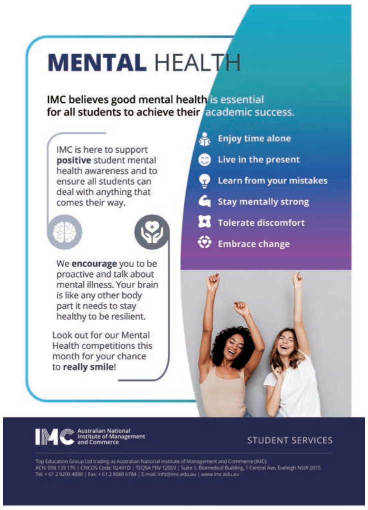
TOP has been maintaining a connection with students daily and weekly. Through two-way communication, we can identify students' needs and help them solve their issues promptly.

**M**onitoring:

The Institutes have been closely working with the academic staff to monitor students' academic performance to identify students with unsatisfactory performance and unusual behaviour such as missing class without notification. Once these students at risk are identified, we actively contact them and offer advice to facilitate their study.

**R**esource:

Based on the students' needs and situation of COVID-19, TOP has been tailoring the content of the weekly newsletters to the students, including crucial days reminder, health information, student safety, mental health promotion, student welfare and wellbeing, and student activities. Special edition newsletters were also designed to increase student's awareness of trending issues, such as cyber safety, spam prevention, adapting to online learning etc.




The Institutes have created a COVID-19 web page providing day-to-day support to help students go through the challenges. We have also made online support modules available via student learning management system, including Student Experience Module and Mental Health Awareness Training Module. Students can access these resources 24/7.

The Group understands the significance of mental health for our students during the pandemic. The Institutes are aware that international students may not seek help due to cultural factors. Besides promoting mental health awareness in various ways as mentioned above, TOP also encouraged students to communicate with us about their issues and concerns and offered them ongoing and personalised mental health support, for example free counselling services, mindfulness tips, and advice on coping with stress from COVID-19 and dealing with exams.

**F**eedback:

The Group understands that students' needs may vary due to online learning. To ensure we can continuously provide quality learning and premium services to students, we always encourage them to provide feedback. The feedback is collected in various ways, such as from daily email communication, surveys, and phone interviews. The feedback is then distributed to the relevant department for analysis and strategy adjustment to improve students' experience.

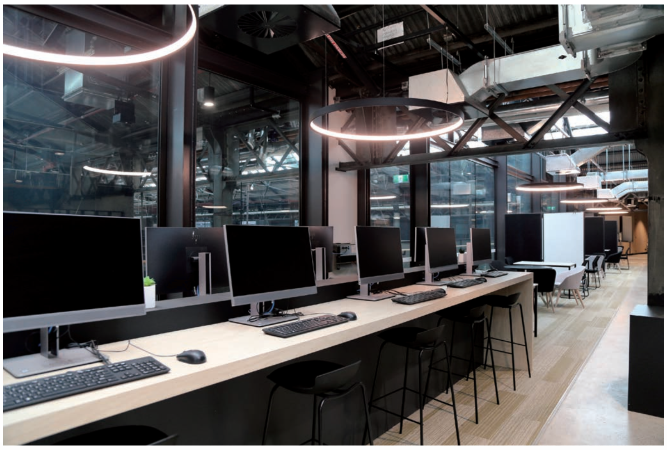
*Accounting Professional Year Program*

TOP is an approved Accounting Professional Year Program ("APYP") provider in consultation with CPA Australia, CAANZ, and the Institute of Public Accountants. TOP has been successfully delivering APYP which offers the unique combination of qualified trainers with real world business experience, and the highly focused classroom-based workplace readiness skills designed to prepare students for their professional life in Australia. During the Reporting Period, TOP was deemed compliant with the Accounting Professional Year regulations after the annual audit for APYP and will continue to provide high quality APYP services.

***Intelligent-Digitalised Education***

*Smart-campus*

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 new premises is equipped with upgraded facilities and most cutting-edge digital technologies to lead an innovative pattern of education delivery method in Australia, adhering to the concept of Innovation towards Intelligent Education of the Group. The Group is committed to improving students' learning experience and creating a campus that combines an industrial style and intelligent facilities.



*Course Innovation*

The Group has developed innovative short courses in high-demand areas to attract domestic students and professionals at work who seek to upgrade their qualifications in particular areas of interest. During the Reporting Period, short courses as Graduate Certificate of Data Analytics and Graduate Certificate of Digital Financial Technologies were newly introduced to the market.

TOP had also been developing cutting-edge and interdisciplinary programs along with its strategic plan, which integrates digitalisation elements including data analytics, artificial intelligence, FinTech and blockchain, to meet the requirements on the graduate attributes and career capability.

*A Pilot Program of Establishing OMO Study Centre*

Not only does the new campus provide the most cutting-edge facility to students within Australia, it also connects with our students overseas. In March 2021, the Group established the first study centre in China, which is a form of Online-Merge-Offline (OMO), a hybrid teaching model that combines online learning with offline tutoring to provide a physical learning space and support for students who cannot experience studying abroad during the pandemic. Online teaching incorporates the same educational resources as offline, covering a variety of advantages in terms of time, cost, and quality faculty. This helps international students continue learning English and attend professional courses even during the challenging time. Students can experience the same academic support and benefits of offline learning. This is not only a learning model amid the pandemic, but also a new, dynamic model to promote efficiency and resourcefulness and to sustain and scale in the post-pandemic era.

*Centralised Student Management System*

During the Reporting Period, the digitised student management system ("SMS") had been fully implemented and assisted the Group in managing its students, staff, agents, and the campus.

SMS has provided a centralised datastore in that it manages all basic information that the Institutes need for smooth business operations. Also, it has enabled integration with third-party systems to act as a core system, and thus to convert a traditional offline business process to a centralised online process.

Such system facilitated for the Group the streamlining of the management processes, for example the enrolment of students, assessment of staff timetable, reporting to TEQSA for compliance purposes, and in doing that, helped mitigate the risks as well as increase the efficiency and accuracy of business operations during this challenging period.

***Focus on Long-term Strategic Goals with High Quality Standard***

During the Reporting Period, the Institutes kept on providing high-quality education and ensured that the students could still enjoy their entitlements with a full online course delivery. The innovation practices and strategies has also greatly enhanced TOP's position of high standing in quality education and research in such cutting-edge disciplines together with the experts from world-class universities and research institutions. TOP will continuously retain and develop its research culture and activities, focusing on the research in cutting-edge and innovative disciplines.

On 27 April 2021, the updated *Higher Education Standards Framework (Threshold Standards) 2021* was published on the Federal Register of Legislation with the new standard coming into effect on 1 July 2021.

Amongst all the changes, the most relevant to the Group's strategy is the replacement of the six previous provider categories with four new categories. The University College category is in line with the Group's strategy goal. The approaches for achieving the University College were considered and discussed, including developing course offerings that meet the future needs of students, employers, industries and communities, enhancing all-round learning and teaching, continuously improving student services to achieve outstanding student outcomes, collaborating with industry to offering innovative courses to contribute to the community, and building a conducive environment for academic staff to engage in scholarship activity.

## Student Enrolments

For the year ended 30 June 2021, the total EFTSL of higher education services decreased by approximately 7.5% comparing with the last financial year.

| | 2021 | 2020 |
|---|---|---|
| Bachelor of International Business[1] | **177.8** | 271.0 |
| Bachelor of Applied Finance and Accounting[2] | **117.0** | 128.1 |
| Bachelor of Laws | **26.9** | 39.9 |
| Master of Professional Accounting Services[3] | **297.8** | 326.6 |
| Master of International Business[4] | **70.2** | 72.4 |
| Master of Business Administration[5] | **330.1** | 169.6 |
| Others[6] | **22.0** | 23.9 |
| Non-Award Unit Study | **152.6** | 260.3 |
| Total | **1,194.4** | 1,291.8 |

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 Services (formerly known as Master of Professional Accounting and Business), Graduate Diploma of Accounting and Graduate Certificate in Accounting. This also includes a small amount 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. During the Reporting Period, the tuition fee has been remained flat compared to 2020.

| Course Name | International 2021 AUD$ | International 2020 AUD$ | Domestic 2021 AUD$ | Domestic 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


The market environment is expected to remain equally challenging in the following year, with uncertainty in relation to vaccines roll-out, border reopening and regional policies.

The Group is prepared to respond to any ongoing challenges by continuing to maintain the financial viabilities by pioneering initiatives and employing capabilities developed to support organic growth and mitigate risks.

The Group will continue to focus on expanding business domestically with a greater investment on innovative curricula providing students with career opportunities to enhance future employability.

As of the date of this report, 684 Commonwealth Government Funded short course places have been approved for students to undertake our newly developed courses in digital financial technology, FinTech management and other business-related courses. These funded places will provide additional options for domestic students and the recently unemployed to engage in higher education across a wider range of fields, which will support TOP in offsetting the decline in international student enrolments caused by the border closure, to pivot its delivery to domestic students and offer opportunities for building a more diversified market.

The cost management measures will be ongoing across the business including employment expenses, lease expenses and other administrative expenses to strengthen our financial viability to survive and recover from this challenging period.

Meanwhile, the Group is actively seeking opportunities to establish more offshore study centres to minimise the impact of the pandemic and travel restrictions. Developing and providing more practical programs to students within the SAA scope will remain the Group's goal, with dedication to ongoing development commitment to obtaining approval from the regulators of programs outside of the SAA scope such as programs in the field of information technology.

Attracting and retaining talents across different industries is a key component to survival amid the pandemic and vital to increasing the Group's competitiveness. The Group will continue to implement performance-based rewards initiatives and encourage employees to undertake professional development to overcome unforeseen challenges or be better prepared and equipped once we have come out on the other side.

## 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 decreased by approximately 18.4% from approximately AUD$30.4 million for the year ended 30 June 2020 to approximately AUD$24.8 million for the year ended 30 June 2021. A breakdown of revenue is shown below:

| | **2021 AUD$'000** | 2020 AUD$'000 | Change % |
|---|---|---|---|
| Course fee income | **23,439** | 28,324 | -17.2% |
| Other service fee | **1,406** | 2,116 | -33.6% |
| | **24,845** | 30,440 | -18.4% |

The decrease in revenue was primarily due to the decrease in the course fee and other service fee income affected by the outbreak of the COVID-19 pandemic.

Tuition fee contributed over 94.3% of the Group's revenue while other service fee represented approximately 5.7% of the revenue.

### Cost of Sales

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

Cost of revenue decreased by approximately AUD$1.2 million, or 7.8%, from AUD$15.0 million for the year ended 30 June 2020 to AUD$13.8 million for the year ended 30 June 2021. This decrease in cost of revenue was mainly resulted from the net effect of the decrease in student related expenses and employee related expenses, and the increase in depreciation of property, plant and equipment and amortisation of intangible assets.

### Gross Profit and Gross Profit Margin

Gross profit decreased by 28.6% from AUD$15.4 million for the year ended 30 June 2020 to AUD$11.0 million for the year ended 30 June 2021, and gross profit margin decreased from approximately 50.7% to approximately 44.4%, which was mainly due to the impact of the COVID-19 pandemic on course fee income.

### Other Income

Other income increased by 5.3% from approximately AUD$1.67 million for the year ended 30 June 2020 to approximately AUD$1.76 million for the year ended 30 June 2021. The increase primarily resulted from the net effect of the decrease in foreign exchange gain and rent waiver, and the increase in government grants, remeasurement of contingent liabilities 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 approximately 5.7% from approximately AUD$8.9 million for the year ended 30 June 2020 to AUD$9.4 million for the year ended 30 June 2021. This increase was mainly due to (i) the increase in rental related expenses due to a new lease entered during the Reporting Period, (ii) the increase in depreciation of property, plant and equipment, and (iii) the increase in employee share scheme expense.

## 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 35.2% from approximately AUD$1.6 million for the year ended 30 June 2020 to approximately AUD$2.1 million for the year ended 30 June 2021. The increase was primarily due to the increase in business promotions and employee expenses.

## Finance Costs

Finance costs represent the interest expense on the lease liabilities.

Finance costs increased by approximately AUD$0.4 million from AUD$0.5 million for the year ended 30 June 2020 to approximately AUD$0.9 million for the year ended 30 June 2021. This increase was arising from lease liabilities due to a new lease entered during the Reporting Period.

## Profit for the Year

As a result of the above factors and the impact of the COVID-19 pandemic, the net profit for the year of the Group decreased by approximately 95.9% from approximately AUD$4.5 million for the year ended 30 June 2020 to approximately AUD$0.2 million for the year ended 30 June 2021.

## Adjusted net profit

The Group defines its adjusted net profit as its profit for the period after adjusting for those items which are not indicative of the Group's operating performances. This is not a IFRSs measure, the Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the periods presented below:

| | **Year ended 30 June** | |
|---|---|---|
| | **2021**<br>**AUD$'000** | 2020<br>AUD$'000 |
| Profit for the year from continuing operations | **183** | 4,464 |
| Add: | | |
| Non-cash leases interest and amortisation expenses due to adoption of IFRS 16 | **1,776** | 1,210 |
| Acquisition cost | **–** | 143 |
| Additional one-off expenses due to COVID-19 | **79** | 91 |
| Covid-19 tuition fee support to students | **1,865** | – |
| Additional online teaching and exam expenses under COVID-19 | **177** | – |
| Donations | **73** | – |
| Adjusted net profit | **4,154** | 5,908 |

Adjusted net profit for the year ended 30 June 2021 decreased by approximately AUD$1.7 million or approximately 29.1% as compared with the corresponding period in 2020.

## Capital Expenditures

Our capital expenditures for the year ended 30 June 2021 were approximately AUD$4.3 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 30 June 2021, the Group had cash on hand of approximately AUD$29.6 million (30 June 2020: AUD$34.4 million) with no bank borrowings (30 June 2020: nil). During the year ended 30 June 2021, 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 Listing.

As at 30 June 2021, the gearing ratio, which is calculated on the basis of total bank borrowing and total equity of the Group was 0% (30 June 2020: 0%).

## Significant Investments, Acquisitions and Disposals

Other than disclosed in this report, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor any plan authorised by the Board for other material investments or additions of capital assets during the year ended 30 June 2021.

## 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 those certain expenditures are denominated in HKD. As at 30 June 2021, 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 30 June 2021 and 2020.

## Contingent Liabilities

Details of the contingent purchase considerations relates to the acquisition of SCOTS are set out in Notes 27 and 29 of the consolidated financial statements. As at 30 June 2021, the Group did not have any other significant contingent liabilities.

## Board of Directors

### Executive Director

**Ms. Sumeng Cao**, aged 38, is the Chairperson, executive Director, Chief Executive Officer ("CEO") of the Company and a member of the Nomination Committee. Ms. Cao is primarily responsible for the overall management, education and business development, and strategic planning of the Company.

Ms. Cao joined the Company as a marketing officer in June 2011 and was promoted as marketing manager of the Company in July 2012. She was appointed as the Co-Director of Professional Year Programs of our Company in September 2013 and was primarily responsible for the marketing and the management of these programs. In April 2014, Ms. Cao was the executive assistant to the Principal of the Company and was then promoted in July 2015 as the Assisting Principal (External Engagement), followed by her promotion as the Vice President (External Engagement) of the Company from July 2017 to April 2021. From May 2016 to March 2019, Ms. Cao served as the Chief Operating Officer at TOP in respect of programs including corporate training and Student Career Development Program, and was responsible for the Company's use of services provided by PwC Australia under the Alliance Agreement. From March 2019 to April 2021, Ms. Cao served as the Company's Chief Operating Officer to monitor the Company's business operations as well as to assist in development of the strategic and business plan.

Ms. Cao obtained a Master of Translating and Interpreting degree in September 2008 from Macquarie University, Australia, and a Master of Professional Accounting degree from the University of Technology, Australia in August 2010. Ms. Cao received pre-admission for the Executive Doctorate in Business Administration program of Université Paris-Dauphine in July 2017.

### Non-executive Directors

**Mr. Amen Kwai Ping Lee**, aged 61, joined the Company as a Director in November 2001 and is a non-executive Director and a member of the Remuneration Committee of the Company.

Mr. Lee has over 30 years of experience in management. Mr. Lee is currently a chairman of Transways Group Pty Ltd, a company founded by him primarily engaged in the provision of logistics services. Mr. Lee was a managing director of Transways Group Pty Ltd, responsible for business and strategic development and business management from 1983 to June 2017.

Mr. Lee completed a Diploma of Competence in Freight Forwarding in Montreal, Canada, certified by the International Federation of Freight Forwarders Association in September 1993. Mr. Lee was conferred a Doctorate degree in Business and Administration by Westcliff University in the United States in December 2015.

Mr. Lee was appointed as an associate fellow of the Australian Institute of Management in May 1988 and was appointed as a justice of the peace of New South Wales in May 1989. He was awarded the medal of the Order of Australia in the General Division in Australia in January 2009.

**Mr. Thomas Richard Seymour**, aged 51, joined the Company in May 2016 as a non-executive Director of the Company. Since May 2020, Mr. Seymour has been the CEO of PwC Australia.

Prior to becoming the CEO, Mr. Seymour was the managing partner of PwC Australia's Financial Advisory business since 2016, responsible for overseeing and managing PwC Australia's Tax, Deals, Legal and Private Client's businesses. During that time, Mr. Seymour has been a member of the PwC Australia Global Tax leadership team and responsible for leading PwC Australia's Asia Pacific and Americas Tax business.

Mr. Seymour has over 20 years of experience in management. Mr. Seymour joined PwC Australia as a graduate in 1994 and was admitted to the PwC Australia partnership in 2002. Since 2002, Mr. Seymour has served as a PwC Australia partner, and was appointed a member of the executive board of PwC Australia in 2012.

Mr. Seymour graduated with a Bachelor of Business (Accountancy) in March 1992 from Queensland University of Technology, Australia, and a Bachelor of Laws in February 1994 from Bond University, Australia. Mr. Seymour is currently holding a Certificate of Public Practice, awarded by The Institute of Chartered Accountants in Australia (now known as CAANZ) in September 2002.

**Mr. Yi Dai**, aged 33, has served as a non-executive Director of the Company since 24 June 2019.

Since May 2017, Mr. Dai has acted as the managing director of Xinjiang Guoli Minsheng Equity Investment Co., Ltd, an investment holding company and a substantial Shareholder, and is responsible for overseeing its equity and security investment activities. He served as Regional Account Manager of Howden BC Compressors, a company based in France which primarily engages in the design, manufacturing and servicing of compressors, between August 2011 and June 2015. From July 2015 to April 2017, Mr. Dai acted as the investment manager of, and then since May 2017 has become the general manager of UOB Investment (China) Limited, an investment subsidiary of United Overseas Bank Limited Co., and is responsible for overseeing its equity and security investment activities in China.

Mr. Dai has also served as a member of the investment committee of Unicom Innovation Capital since May 2019 and is responsible for overseeing its equity investment projects. Mr. Dai graduated with a Bachelor of Science from University of California in San Diego, United States in June 2008, and a Master of Business Administration from California State Polytechnic University in Pomona, United States in June 2011.

**Mr. Edward Chiang**, aged 40, has served as a non-executive Director of the Company since 1 September 2020.

Since June 2017, Mr. Chiang has acted as the director of investor relations at Minsheng Education Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1569) and is responsible for developing and executing investor relations strategy, merger and acquisitions and corporate finance function. Mr. Chiang acted as the corporate finance manager of Kingsway Capital Limited, a Hong Kong based financial services provider, and was responsible for execution of initial public offerings in Hong Kong and other corporate finance advisory transactions between January 2013 and January 2014. From January 2014 to June 2017, he served as senior manager, PRC operations of Town Health International Medical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3886), which primarily engages in healthcare business investments and provision and management of healthcare and related services.

Mr. Chiang graduated with a Bachelor of Arts (majoring in business law) from Macquarie University in Sydney, Australia in October 2005.

**Ms. Xing Shi Huang**, aged 72, has served as a non-executive Director of the Company since 1 October 2021.

Ms. Huang has extensive experience in recruiting students within international education industry in Australia and maintaining the relationship with frontline operations team. She was one of the first employees in the Company's business when it was established in 2001. Ms. Huang served as the Company's marketing manager between October 2001 and September 2014 and was responsible for managing student recruitment. From September 2014 to October 2018, she acted as the Company's senior marketing manager and was responsible for developing, managing and maintaining relationships with recruitment agencies, university pathway partners and corporate partners. Since October 2018, Ms. Huang has served as the Company's senior administration manager and is primarily responsible for overseeing the fulfillment of ever-changing administrative needs to assist management to achieve operational goal.

## Independent non-executive Directors

**Professor Weiping Wang**, aged 69, has served as an independent non-executive Director since 18 April 2018 and is a member of the Audit Committee and Nomination Committee of the Company.

Professor Wang has over 20 years of experience in higher education. Professor Wang was vice president and executive vice president of the Shanghai Medical University in 1996 and 1998, respectively. From July 2005 to April 2011, Professor Wang was appointed as executive vice-president of Fudan University, during which he was responsible for managing hospital affairs and overseeing international exchange and medical education. From March 2012 to March 2016, Professor Wang served as the Chairman of the Teaching Steering Committee of Fudan University. From June 2017 to March 2019, Professor Wang served as an executive director of Rici Healthcare Holdings Limited, a company principally engaged in the hospital services listed on the Stock Exchange (stock code: 1526), before which he was appointed as an independent non-executive director from June 2016 to June 2017. Professor Wang was appointed as an independent non-executive director of Neusoft Education Technology Co. Limited, a company listed on the Stock Exchange (stock code: 9616) since 29 September 2020.

Professor Wang was accredited as a higher education institution teacher in September 1996 by the State Education Commission of the PRC and as a Professor of Pediatrics in December 1994 by Shanghai Medical University (上海醫科大學). He was awarded the Shanghai Higher Education Institute Teaching Award (上海高校教學名師獎) in July 2009 by the Shanghai Education Committee.

Professor Wang graduated with a Medical degree in August 1978 and a Master degree in Medicine in October 1982, from Norman Bethune University (白求恩醫科大學), now known as Norman Bethune College of Medicine of Jilin University (吉林大學) in China. Professor Wang also graduated with a PhD in Medicine in December 1988 from Shanghai Medical University in China.

**Professor Brian James Stoddart**, aged 75, has served as an independent non-executive Director since 18 April 2018 and is a member and Foundation Chair of the Council since 2008. He is also the chairman of the Nomination Committee and a member of the Audit Committee of the Company. In addition, Professor Stoddart provides certain services to the Company from time to time, such as preparing meeting documentations and correspondence with TEQSA.

Before joining the Company, Professor Stoddart held various academic positions at numerous universities in Australia. From 1997 to 1998, Professor Stoddart was as an academic director of Royal Melbourne Institute of Technology. He also held vice-chancellor and deputy vice-chancellor positions at University of New England, Victoria University of Technology, and La Trobe University from 1998 to 2003, 2003 to 2004, and 2005 to 2006 respectively. From March 2007 to March 2008, Professor Stoddart served as Deputy Vice-Chancellor (Research) at the University of Newcastle, Australia. From 2010 to 2013, Professor Stoddart was technical adviser to the Department of Higher Education in Cambodia. From 2013 to 2014, he served as consultant for Australia Awards Bhutan, an entity outsourced by the Australian government to manage the Australia Awards Scholarships awarded to Bhutanese citizens to study in Australia.

Professor Stoddart graduated with a Bachelor of Arts degree in English, History, and Asian Studies in May 1969 and a Master of Arts degree in History in May 1970 from the University of Canterbury, New Zealand. Professor Stoddart subsequently obtained a Doctor of Philosophy in May 1976 from the University of Western Australia.

**Mr. Tianye Wang**, aged 63, has served as an independent non-executive Director since 18 April 2018 and the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Wang has over 20 years of experience in management and financial services. Mr. Wang began his employment at the Beijing Branch of Bank of China, a financial institution providing financial services, in February 1981 and served as manager of the foreign currency loan department of the said Branch. He held various positions in companies listed on the Stock Exchange – from November 2004 to June 2012, he was executive director and chief executive officer of Central China Real Estate Limited (stock code: 0832), a company principally engaged in residential property development; from September 2012 to March 2018, he was executive director of Top Spring International Holdings Limited (stock code: 3688), a company principally engaged in real-estate development, and since June 2016, he has been independent non-executive director of China Logistics Property Holdings Company Limited (stock code: 1589), a company principally engaged in premium logistics facilities. From September 2014 to September 2020, he was the independent non-executive director of Henan Pinggao Electric Company Limited (stock code: 600312), a company listed on the Shanghai Stock Exchange.

Mr. Wang graduated with a diploma in international finance from the Renmin University School of Finance in July 1985 and obtained a master's degree in Applied Finance from the Macquarie University, Australia in April 1996. He was also admitted as a Senior Associate of the Australian Institute of Banking and Finance in April 1996.

**Professor Steven Schwartz**, aged 74, has served as an independent non-executive Director of the Company since 18 April 2018 and is a member of the Council. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of our Company.

Professor Schwartz has over 20 years of experience in higher education. From 1996 to 2002, 2002 to 2005, and 2006 to 2012, Professor Schwartz served as vice chancellor of Murdoch University, Brunel University, and Macquarie University, respectively, where he was responsible for academic growth and development. From 2011 to 2013, he was the chairman of the Australian American Fulbright Commission, a foreign exchange scholarship programme in United States. From May 2013 to December 2017, he was the chief executive officer of the Council for the Humanities, Arts and Social Sciences of Canberra in Australia. From June 2015 to May 2018, he was the chairman of the Australian Curriculum Assessment and Reporting Authority. From December 2018 to December 2019, Professor Schwartz was the consultant for Australian Government Department of Health.

In 1991, Professor Schwartz was admitted as a fellow of the Academy of Social Sciences in Australia. He is currently an honorary senior fellow of the LH Martin Institute of the University of Melbourne, which is a national institute aiming to serve the tertiary education sector in Australia and New Zealand. He was awarded the Order of Australia in January 2013.

Professor Schwartz obtained his degree in Bachelor of Arts from the Brooklyn College of the City University of New York in June 1967. He then obtained his Master Degree in Psychology and his PhD from Syracuse University in New York in January 1970 and June 1971, respectively.

## Alternate Director to Mr. Seymour

**Mr. Kai Zhang**, aged 42, has served as the alternate Director to Mr. Seymour since 27 May 2016.

Mr. Zhang joined PwC Australia since 2011 and was appointed as a partner in July 2012. He has served as the national lead partner of the China Desk at PwC Australia since July 2013.

Mr. Zhang obtained his Bachelor of Economics degree from Fudan University, China in July 2001, and Master of Practising Accounting degree from Monash University, Australia in October 2004. In May 2005, Mr. Zhang completed the Graduate Diploma of Business Administration from La Trobe University, Australia. Furthermore, Mr. Zhang graduated with a Master of laws (Juris Doctor) degree from the Monash University in May 2012, and a Master of Tax from the University of Melbourne in August 2012.

Mr. Zhang was awarded the Graduate Diploma (ICAA) in December 2005 by the Institute of Chartered Accountants in Australia (now known as CAANZ), and was admitted as a member of the Institute of Chartered Accountants in Australia in May 2006. In July 2012, Mr. Zhang was admitted as a fellow of the Tax Institute in Australia.

## Changes to Directors' Information

Save as disclosed herein, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Senior Management

Ms. Sumeng Cao's biography can be referred to in the section headed "Executive Directors" in this report.

**Ms. Rongning Xu**, aged 34, has served as the President since 30 April 2021. Ms. Xu is primarily responsible for overall management of the academic affairs, operations, risk management and compliance in academic area of the Institutes.

Ms. Xu has over eight years of experience in the education industry. Ms. Xu joined the Company in June 2009 as a Casual Tutor and served in this role until October 2010, during which she was responsible for teaching and academic matters. From November 2010 to January 2012, Ms. Xu was employed by Nanjing Da Lve Industry Trade Co. Ltd, a company principally engaged in goods trading, as senior project manager. Ms. Xu then re-joined our Company as Lecturer and Academic Programs Coordinator in August 2013. From September 2013 to December 2013, Ms. Xu served as Co-Director of Professional Year Program. From December 2013 to February 2016, Ms. Xu served as an acting director of business programs. Ms. Xu was then promoted to be a senior lecturer and an Associate Dean of Business School since February 2016 until she assumed the role as the Vice President (Regulatory and Compliance) of the Company from June 2017 to April 2021.

Ms. Xu obtained her Bachelor of Financial Administration degree in April 2008 and her Master of Commerce (Accounting and Finance) degree from the University of New England in April 2009. Ms. Xu was admitted to full membership of CPA Australia in August 2013. In September 2014, Ms. Xu obtained her Postgraduate Certificate of Higher Education in learning and teaching from Macquarie University in Australia.

## Company Secretary

**Ms. Min Ying**, aged 34, has served as the company secretary of the Company since April 2017.

Ms. Ying joined the Company in July 2013 as a tutor of TOP and served in this role till December 2013. Since December 2013, Ms. Ying was employed by Lambda Chase Pty Ltd, a firm of chartered accountants as a manager where she was responsible for matters in relation to accountancy services. Ms. Ying re-joined the Company in July 2014 as accountant of the Company and was appointed as the IPO project manager in December 2016, where she was responsible for IPO project coordination and analysis of the performance of education companies in various equity markets.

Ms. Ying is a member of both the Governance Institute of Australia and the Chartered Governance Institute, formally known as Institute of Chartered Secretaries and Administrators. Ms. Ying obtained her Bachelor of Engineering degree from the Chinese University of Hong Kong in December 2009 and her Master of Accounting (CPA Extension) degree from Macquarie University in Australia in July 2012. In January 2017, she was admitted to full membership of CPA Australia.

## Registration and Listing

The Company was registered in New South Wales, Australia under the Corporations Act with limited liability on 2 October 2001. The Company's shares were successfully listed on the Main Board of the Stock Exchange on 11 May 2018.

## Principal Activities

The Group is principally engaged in providing private higher education services and English language courses in Australia. The Group includes one subsidiary in Australia and one subsidiary in China which were set up in 2019, and there were no significant changes in the nature of the Group's principal activities since then. The alliance with PwC Australia only relates to relevant activities by the Company in Australia.

## Results and Business Review

The results of the Group for the year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 99 of this annual report.

A fair review of the business of the Group during the year and its future development and outlook, important events affecting the Group occurred during the year ended 30 June 2021 and an analysis of the Group's financial performance, and key relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) are set out in the sections headed "Chairperson's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report and which also constitute part of this report.

A summary, in the form of a comparative table, of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the Group's audited consolidated financial statements, is set out in the section headed "Financial Summary" on page 166 of this annual report.

## Principal Risks and Uncertainties

The principal risks and uncertainties for the Group include the followings:

- The Group's business is heavily dependent on the market recognition of the brand and reputation. If the Group is unable to maintain or sustain its brand reputation and recognition, it may adversely affect the Group's financial condition, results of operations and growth prospects.

- As a higher education provider in Australia with international students, the Group is subject to periodic registration requirements which are valid for a limited period, and it must undergo extensive reviews in accordance with the regulatory requirements to obtain registration renewals.

- The Group's business is dependent on the level of tuition fees it is able to charge and our ability to maintain and raise tuition fees.

- The Group's business and results of operations heavily depend on the number of students it may admit, which in turn is subject to the capacity approved from the regulatory authorities and the international education market in Australia.

- The Group's growth strategies included expanding academic and non-academic education and training provision in Australia and in China which may not be able to be successfully executed.

## Dividend

The Board does not recommend the payment of a final dividend to the Shareholders of the Company for the year ended 30 June 2021 (2020: HK0.3 cents per ordinary share).

## Annual General Meeting

The forthcoming AGM will be held on Thursday, 25 November 2021. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders.

## Closure of Register of Members

For determining the entitlement to attend and vote at the forthcoming AGM to be held on Thursday, 25 November 2021, the register of members of the Company will be closed from Monday, 22 November 2021 to Thursday, 25 November 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 19 November 2021.

## Share Capital

Details of changes during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

## Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year ended 30 June 2021 are set out in note 13 to the consolidated financial statements.

## Distributable Reserves of the Company

Details of movements in the retained profits of the Company during the year ended 30 June 2021 are set out on page 101 of this annual report.

As at 30 June 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of sections 254T and 588G of the Corporations Act, amounted to AUD$14.6 million.

## Directors

The Directors during the year ended 30 June 2021 and up to the date of this report are:

### Executive Directors:

Dr. Minshen Zhu (Chairperson of the Board and Chief Executive Officer, ceased on 28 April 2021)
Ms. Rongning Xu (alternate director to Dr. Minshen Zhu, ceased on 28 April 2021)
Ms. Sumeng Cao (Chairperson of the Board and Chief Executive Officer, appointed on 30 April 2021)

### Non-executive Directors:

Mr. Thomas Richard Seymour
Mr. Kai Zhang (alternate director to Mr. Thomas Richard Seymour)
Mr. Amen Kwai Ping Lee
Mr. Yi Dai
Mr. Edward Chiang
Ms. Xing Shi Huang (appointed on 1 October 2021)

### Independent non-executive Directors:

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

Pursuant to code provision A.4.2 of the CG Code contained in Appendix 14 to the Listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, it was determined by the Board that Ms. Sumeng Cao and Mr. Amen Kwai Ping Lee shall retire by rotation at the AGM and, being eligible, would offer themselves for re-election at the AGM.

Pursuant to Article 18.4 of the Constitution, any person appointed by the Directors to fill a casual vacancy on or as addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election. Accordingly, Ms. Xing Shi Huang shall be subject to re-election at the AGM.

## Directors' Biographies

Biographical details of the Directors are set out on pages 19 to 23 of this annual report.

## Directors' Service Contracts and Letter of Appointment

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of his/her appointment/redesignation as an executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any executive Director not less than three months' prior notice in writing or (ii) any executive Director giving to the Company not less than three months' prior notice in writing.

Each of the non-executive Directors has entered into an appointment letter with the Company for an initial period of three years commencing from the date of his/her appointment/redesignation as a non-executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any non-executive Director not less than three months' prior notice in writing or (ii) any non-executive Director giving to the Company not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial period of three years commencing from the date of his/her appointment/redesignation as an independent non-executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any independent non-executive Director not less than one month's prior notice in writing or (ii) any independent non-executive Director giving to the Company not less than one month's prior notice in writing.

Save as aforesaid, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

None of the Directors had any interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Company.

## Independence Of INED

The Company has received annual confirmations of independence from each of the independent non-executive Directors, pursuant to Rule 3.13 of the Listing Rules. The Company considers them to be independent.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Name of Director/Chief Executive | Capacity/Nature of interest | Number of Shares and Underlying Shares[1] | Approximate% of Shareholding in the Company[2] |
|---|---|---|---|
| Dr. Minshen Zhu (deceased)(ceased on 28 April 2021) | Beneficial owner/Interest held jointly with other persons | 977,478,000[3], [4] | 40.22% |
| Mr. Amen Kwai Ping Lee | Beneficial owner/Interest held jointly with other persons | 857,158,000[5] | 35.27% |
| Mr. Thomas Richard Seymour | Interested in a controlled corporation | 21,008,000[6] | 0.86% |
| Mr. Kai Zhang (as alternate director to Mr. Thomas Richard Seymour) | Beneficial owner | 20,976,000 | 0.86% |
| Professor Brian James Stoddart | Beneficial owner | 4,592,000[7] | 0.18% |
| Professor Steven Schwartz | Beneficial owner | 3,892,000[8] | 0.16% |
| Ms. Sumeng Cao | Beneficial owner | 7,294,274[9] | 0.30% |
| Ms. Rongning Xu (as alternate director to Dr. Minshen Zhu, ceased on 28 April 2021) | Beneficial owner | 7,294,274[10] | 0.30% |

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 2,430,270,000 Shares in issue as at 30 June 2021.

(3) Members of the Controlling Shareholders Group are parties acting in concert and on 13 October 2017, they entered into a confirmation deed to, among others, confirm that they have been acting together with an aim to achieving decisions at general meetings of the Company on a unanimous basis. Members of the Controlling Shareholders Group are the founding Shareholders or have invested in the Company at an early stage. Dr. Zhu and Mr. Lee was/is the members of the Controlling Shareholders Group. As at 30 June 2021, all the members of the Controlling Shareholders Group together controlled 857,158,000 Shares. Under the SFO, each of Dr. Zhu and Mr. Lee was/is deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(4) Apart from 228,506,000 Shares beneficially owned by Dr. Zhu and 628,652,000 Shares held by other members of the Controlling Shareholders Group, such interest includes Dr. Zhu's entitlement to receive up to 120,320,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights. As disclosed in the Company's announcement dated 30 April 2021, Dr. Minshen Zhu passed away on 28 April 2021. Dr. Zhu's interest forms part of his estate.

(5) Mr. Lee beneficially owns 150,002,000 Shares and is also deemed to be interested in the Shares held by other members of the Controlling Shareholders Group.

(6) Mr. Thomas Richard Seymour controls 50% of the voting rights of TD Seymour Pty Ltd (ACN 609 660 139). As such, Mr. Thomas Richard Seymour is deemed to be interested in 21,008,000 Shares held by TD Seymour Pty Ltd (ACN 609 660 139).

(7) Apart from 1,530,000 Shares beneficially owned by Professor Brian James Stoddart which have been issued to him pursuant to the exercise of vested performance rights, such interest includes Professor Brian James Stoddart's entitlement to receive up to 3,062,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights.

(8) Apart from 830,000 Shares beneficially owned by Professor Steven Schwartz which have been issued to him pursuant to the exercise of vested performance rights, such interest includes Professor Steven Schwartz's entitlement to receive up to 3,062,000 Shares pursuant to the exercise of performance rights granted to him under the Pre-IPO Performance Rights Plan, subject to the conditions (including vesting conditions) of those rights.

(9) This represents Ms. Sumeng Cao's entitlement to receive up to 1,294,274 Shares pursuant to the exercise of options granted to her under the Share Option Scheme, subject to the conditions (including vesting conditions) of those options, and the entitlement to receive up to 6,000,000 Shares pursuant to the exercise of Awarded Shares granted to her under the Share Award Scheme, subject to the conditions (including vesting conditions) of those Awarded Shares.

(10) This represents Ms. Rongning Xu's entitlement to receive up to 1,294,274 Shares pursuant to the exercise of options granted to her under the Share Option Scheme, subject to the conditions (including vesting conditions) of those options, and the entitlement to receive up to 6,000,000 Shares pursuant to the exercise of Awarded Shares granted to her under the Share Award Scheme, subject to the conditions (including vesting conditions) of those Awarded Shares.

Other than disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares or Debentures

Save for the Pre-IPO Performance Rights and the share options granted to certain Directors, at no time during the year was the Company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2021, so far as the Directors are aware, the following persons (other than Directors or chief executives of the Company) or corporations have interests or short positions in the Shares and the underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholder | Nature of Interest | Position | Number of Shares | Approximate percentage[1] |
|---|---|---|---|---|
| Ms. Xing Shi Huang | Interest of a spouse[2], [3] | Long | 977,478,000 | 40.22% |
| Mr. Qingquan Yang | Beneficial owner[4]; interest in controlled corporation[4]; interest held jointly with other persons[2] | Long | 857,158,000 | 35.27% |
| Ms. Shuling Chen | Interest of a spouse[5] | Long | 857,158,000 | 35.27% |
| Billion Glory | Beneficial owner[4]; interest held jointly with other persons[2] | Long | 857,158,000 | 35.27% |
| Tristar United | Beneficial owner; interest held jointly with other persons[6] | Long | 857,158,000 | 35.27% |
| Ms. Josephine Kam Shan Lam | Interest of a spouse[7] | Long | 857,158,000 | 35.27% |
| Mr. Xin Wang | Beneficial owner; interest held jointly with other persons[8] | Long | 857,158,000 | 35.27% |
| Ms. Zhuo Liu | Interest of a spouse[9] | Long | 857,158,000 | 35.27% |
| Xinjiang Guoli | Beneficial owner | Long | 351,180,000 | 14.45% |
| PwC Australia | Beneficial owner[10] | Long | 264,708,000 | 10.89% |
| Loyal Creation | Beneficial owner | Long | 224,096,000 | 9.22% |
| Minsheng Education Group | Interest in a controlled corporation[11] | Long | 209,000,000 | 8.60% |

Notes:

(1) The calculation is based on the total number of 2,430,270,000 Shares in issue as at 30 June 2021.

(2) Members of the Controlling Shareholders Group are parties acting in concert and on 13 October 2017, they entered into a confirmation deed to, among others, confirm their acting-in-concert agreement. At 30 June 2021, all the members of the Controlling Shareholders Group together controlled 857,158,000 Shares. Under the SFO, each of Ms. Xing Shi Huang, Mr. Qingquan Yang, Ms. Shuling Chen, Tristar United, Ms. Josephine Kam Shan Lam and Mr. Xin Wang of the Controlling Shareholders Group are deemed to be interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(3) Ms. Xing Shi Huang is the spouse of Dr. Minshen Zhu and is deemed to be interested in the shareholding interests of Dr. Zhu and members of the Controlling Shareholders Group by virtue of the disclosure requirements of the SFO. As disclosed in the Company's announcement dated 30 April 2021, Dr. Minshen Zhu passed away on 28 April 2021. Dr. Zhu's interest forms part of his estate.

(4) Mr. Qingquan Yang directly holds 152,742,000 Shares and Billion Glory, which is wholly-owned by Mr. Yang, directly holds 59,524,000 Shares. Accordingly, Mr. Yang is deemed to be interested in 59,524,000 Shares held by Billion Glory by virtue of the disclosure requirements of the SFO. Mr. Yang and Billion Glory are members of the Controlling Shareholders Group and are also deemed to have interested in the Shares beneficially owned by the other members of the Controlling Shareholders Group.

(5) Ms. Shuling Chen is the spouse of Mr. Qingquan Yang and is deemed to be interested in the shareholding interests of Mr. Yang and members of the Controlling Shareholders Group by virtue of the disclosure requirements of the SFO.

(6) Tristar United beneficially owned 150,002,000 Shares and is also deemed to have interests in Shares held by the other members of the Controlling Shareholders Group.

(7) Ms. Josephine Kam Shan Lam is the spouse of Mr. Amen Kwai Ping Lee and is deemed to be interested in the shareholding interests of Mr. Lee and members of the Controlling Shareholders Group by virtue of the disclosure requirements of the SFO.

(8) Mr. Xin Wang beneficially owned 116,382,000 Shares and is also deemed to have interests in Shares held by the other members of the Controlling Shareholders Group.

(9) Ms. Zhuo Liu is the spouse of Mr. Xin Wang and is deemed to be interested in the shareholding interests of Mr. Wang and members of the Controlling Shareholders Group by virtue of the disclosure requirements of the SFO.

(10) PwC Nominees is the registered owner of the Shares and holds the Shares as a bare trustee for PwC Australia as the sole beneficiary of a trust under a trust arrangement between PwC Nominees and PwC Australia. Accordingly, PwC Australia is deemed to be interested in 264,708,000 Shares held by PwC Nominees as nominee and bare trustee by virtue of the disclosure requirements of the SFO.

(11) Minsheng Education Group is the sole shareholder of Minsheng Development which directly holds 209,000,000 Shares, and accordingly, Minsheng Education Group is deemed to be interested in 209,000,000 Shares held by Minsheng Development by virtue of the disclosure requirements of the SFO.

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

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

### Pre-IPO Performance Rights Plan

The Pre-IPO Performance Rights Plan is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the Pre-IPO Performance Rights Plan the Company adopted on 8 June 2017:

***Purposes of the Pre-IPO Performance Rights Plan***

The Pre-IPO Performance Rights Plan creates a long-term incentive framework aimed at creating a stronger link between the Company and the Eligible Persons (defined below), whilst increasing Shareholder value.

***Performance Rights***

A performance right under the Pre-IPO Performance Rights Plan ("Pre-IPO Performance Right(s)") gives an Eligible Person (defined below) the right to, subject to the absolute discretion of the Board and to the terms of the Pre-IPO Performance Rights Plan, including but not limited to satisfaction of any vesting conditions, acquire Shares notified to the Eligible Person by the Company or to receive a cash payment in lieu of a Share.

The Board may decide, in its absolute discretion, to substitute the issue, transfer or allocation of Shares on the exercise of Pre-IPO Performance Rights, for the payment to the Pre-IPO Performance Rights Participants (defined below) of a cash amount calculated in accordance with the following formula:

Number of Pre-IPO Performance Rights × Market Value of a Share on the Exercise Date of the Pre-IPO Performance Rights

***Pre-IPO Performance Rights participants in the Pre-IPO Performance Rights Plan***

A participant of the Pre-IPO Performance Rights Plan ("Pre-IPO Performance Rights Participants") means any person in respect of whom an offer to participate in the Pre-IPO Performance Rights Plan is accepted and includes:

(a) any employee, director or member of the Council of one or more members of the Company and its subsidiaries selected by the Board in its absolute discretion to participate in the Pre-IPO Performance Rights Plan ("Eligible Persons"); and

(b) in relation to an Eligible Person, a body corporate who is:

  (i) an entity controlled by the Eligible Person ("controlled" has the corresponding meaning of "control" as defined in section 50AA of the Corporations Act); or

  (ii) any other entity as the Board may determine in its absolute discretion ("Affiliates").

***Administration of the Pre-IPO Performance Rights Plan***

The Pre-IPO Performance Rights Plan is to be administered by the Board. The Board may make further provisions for the operation of the Pre-IPO Performance Rights Plan which are consistent with the clauses in the Pre-IPO Performance Rights Plan.

***Offer of Performance Rights***

From time to time, the Company may make an offer to participate in the Pre-IPO Performance Rights Plan to an Eligible Person or their Affiliate. An offer to an Eligible Person or their Affiliate to apply for Pre-IPO Performance Rights may be made on such terms and conditions as the Board decides from time to time, and the Board shall have the power, in its sole discretion to:

(a) determine the number of Pre-IPO Performance Rights the subject of the offer;

(b) approve or not approve any Affiliate;

(c) determine the exercise price (if any) to exercise the Pre-IPO Performance Rights and be issued, transferred or allocated Shares subject to the Pre-IPO Performance Rights Plan;

(d) determine the vesting, disposal and forfeiture restrictions that apply to those Pre-IPO Performance Rights;

(e) determine the manner in which the offer may be accepted;

(f) amend any offer related to any Pre-IPO Performance Rights;

(g) determine appropriate procedures, regulations and guidelines for the administration of the Pre-IPO Performance Rights Plan;

(h) determine whether a cash payment will be payable to a Participant in lieu of a Share being issued, transferred or allocated; and

(i) take advice in relation to the exercise of any of its powers or discretions under these clauses.

The offer to an Eligible Person or their Affiliate must be accompanied by an application form. The Company may require from the relevant Eligible Person or Affiliate: (aa) any information that it regards as necessary concerning the Eligible Person or Affiliate; and (bb) confirmation that any information previously provided by the Eligible Person or Affiliate to the Company still remains true and correct in all material respects.

***Acceptance of offer***

On receipt of an offer, the Eligible Person to whom the offer was addressed (or a nominated Affiliate) may apply for the number of Pre-IPO Performance Rights described in that offer by sending to the person designated by the Company a duly completed and signed application form in accordance with the offer and Pre-IPO Performance Rights Plan.

***Rights attached to Pre-IPO Performance Rights***

An offer will be in respect of a single grant of Pre-IPO Performance Rights and does not entitle an Eligible Person or an Affiliate of an Eligible Person to participate in any subsequent grants.

A Pre-IPO Performance Right does not confer on an Eligible Person, an Affiliate of an Eligible Person or a Pre-IPO Performance Right holder:

(a) any voting rights in respect of Shares or in respect of any other equity securities of the Company;

(b) the right to participate in new issues of Shares or other equity securities of the Company;

(c) the right to attend or vote at any general meeting or other meeting of holders of any Shares or other equity securities of the Company;

(d) the right to receive any dividends or other distributions or to receive or otherwise participate in any returns of capital from the Company; or

(e) the right to participate in a liquidation or winding up of the Company.

*Rights attached to the Shares*

All Shares issued or transferred on exercise of Pre-IPO Performance Rights in accordance with the Pre-IPO Performance Rights Plan will (i) be issued as fully paid; (ii) be free of any security interests; and (iii) rank equally in all respects with the other Shares on issue in the Company as at the date of issue and be subject to the terms of the Constitution, Shareholders agreement (if any) and the Pre-IPO Performance Rights Plan.

*Vesting*

An offer may specify any (i) vesting conditions; or (ii) other vesting events, which must be satisfied before a Pre-IPO Performance Right vests ("Vesting Conditions"). The Board may, in its absolute discretion, determine any: (i) Vesting Conditions; or (ii) other vesting events, or (iii) may waive any vesting conditions or events in its sole discretion, in respect of any Pre-IPO Performance Right. A Pre-IPO Performance Right will only vest on the occurrence or satisfaction of the Vesting Conditions or other vesting events specified in respect of that Pre-IPO Performance Right.

*Lapse of Pre-IPO Performance Rights*

An unvested Pre-IPO Performance Rights shall lapse immediately upon the following events:

(a) if a Trigger Event (defined below) occurs in relation to a Pre-IPO Performance Right holder (or related Eligible Person), who is a Bad Leaver (defined below);

(b) if a Trigger Event (defined below) occurs in relation to a Pre-IPO Performance Right holder (or related Eligible Person), who is a Good Leaver (defined below), unless the Board in its absolute discretion serves a notice in writing within 30 days of the Trigger Event on the Pre-IPO Performance Rights Participant ("Non-Lapse Notice"), advising the Pre-IPO Performance Rights Participant that all or any of his or her unvested Pre-IPO Performance Rights have not lapsed;

(c) where in the opinion of the Board in its absolute discretion any of the following occurs:

(i) the Pre-IPO Performance Rights Participant acts, or has acted, fraudulently or dishonestly; or

(ii) the Pre-IPO Performance Rights Participant is in material breach of any of his or her duties or obligations to the Company or its related bodies corporate under the rules of the Pre-IPO Performance Rights Plan or otherwise; or

(iii) an event has occurred which in the Board's absolute discretion would result in the Participant obtaining an inappropriate benefit if the rights of the Company under this clause are not exercised.

The Company may also require Pre-IPO Performance Rights to be exercised or lapse if a Liquidity Event (defined below) is to occur, if:

(a) the Company expects a Liquidity Event (defined below) to occur; or

(b) a Liquidity Event (defined below) whether or not anticipated by the Company does occur, and in such circumstances the Company may, by notice to all Pre-IPO Performance Right holders, require that all outstanding performance either be exercised:

   (i) on or before the Exit Date (defined below) pertaining to the relevant Liquidity Event; or

   (ii) in the case of an unanticipated Liquidity Event, a date after the Exit Date for that event, or if they are not exercised to lapse on a date specified by the Board in its absolute discretion.

For the purpose of the Pre-IPO Performance Rights Plan:

(a) "Exit Date" means each of:

   (i) in respect of an IPO, the date of admission of the Company or a special purpose vehicle formed for the purpose of a Listing which directly or indirectly (including through one or more interposed entities) owns at least 50 per cent of the capital of the Company, to the official list of ASX Limited or any other recognised stock exchange;

   (ii) in respect of a Share Sale, the date on which the parties complete the sale and purchase of the Shares; or

   (iii) in respect of a Business Sale, the date of the first distribution to Shareholders arising from the Business Sale.

(b) "Bad Leaver" means an Eligible Person whose employment or engagement with the Company or member of the Company due to the termination of employment or engagement or vacation of office of such Eligible Person where such Eligible Person:

   (aa) is engaged in serious or wilful misconduct; or

   (bb) is or has been seriously negligent in the performance of their duties; or

   (cc) committed a serious breach of their employment contract; or

   (dd) committed an act, whether at work or otherwise, which brings the Company into disrepute; or

   (ee) has been convicted of an offence punishable by imprisonment; or

   (ff) are as a result of circumstances other than those set out in the definition of "Good Leaver".

(c) "Good Leaver" means the employment or engagement of an Eligible Person with the Company ceases as a result of circumstances other than those set out in the definition of "Bad Leaver"; or the Board in its absolute discretion determines the participant to be a Good Leaver.

(d) "Liquidity Event" means

(i) an initial public offering of a member of the Company or its subsidiary ("Group") or a special purpose vehicle formed for the purpose of a listing which directly or indirectly (including through one or more interposed entities) owns at least 50 per cent of the capital of the Company to the official list of the ASX Limited or any other recognised stock exchange ("IPO");

(ii) a sale to a third party purchaser of all (or substantially all) of the assets and business undertaking of the Company (including by way of a sale of Shares of the Company's subsidiaries) provided that no sale or transfer undertaken to effect a corporate reorganisation of the Company will constitute a Business Sale ("Business Sale"); or

(iii) a sale by Shareholders (in one transaction or a series of connected transactions) to a third party purchaser of all of the issued Shares provided that no sale or transfer undertaken to effect a corporate reorganisation of the Company will constitute a Share Sale ("Share Sale").

(e) "Trigger Event" means when an Eligible Person whose employment with the Company or members of the Company ceases.

***Cancellation of Pre-IPO Performance Rights and suspension and cancellation of the plan***

The Board may, in its absolute discretion on a Liquidity Event, cancel some or all of the Pre-IPO Performance Rights (whether vested or not) in exchange for their market value in accordance with the Pre-IPO Performance Rights Plan. The Board may also from time to time suspend the operation of the Pre-IPO Performance Rights Plan and may at any time cancel the Pre-IPO Performance Rights Plan. The suspension or cancellation of the Pre-IPO Performance Rights Plan must not prejudice any existing rights of Pre-IPO Performance Rights Participants.

***Reorganisation events***

"Reorganisation Event" means any one or more of the following:

(a) a distribution of cash or securities by way of a return of capital;

(b) a bonus issue of Shares by the Company;

(c) a share split, consolidation or other similar action in respect of the share capital of the Company; or

(d) any other internal reorganisation, recapitalisation, reclassification or similar event with respect to the share capital of the Company.

Subject to this paragraph, the Pre-IPO Performance Rights Plan continues to apply in full force and effect despite any Reorganisation Event. If any Reorganisation Event occurs before all Pre-IPO Performance Rights capable of vesting in favour of the Pre-IPO Performance Right holder have vested in favour of that Pre-IPO Performance Right holder, the Company will procure that the terms of the Pre-IPO Performance Rights Plan are varied in such a way as determined by the Board in its absolute discretion, which neither disadvantages nor advantages that Pre-IPO Performance Right holder nor adversely effects the rights of the other holders of Shares, to account for the effect of the Reorganisation Event. Each Pre-IPO Performance Right holder and Eligible Person agrees to any such variations to the Pre-IPO Performance Rights Plan.

### *Alteration or amendment to the Pre-IPO Performance Rights Plan*

The Pre-IPO Performance Rights Plan may be amended from time to time by resolution of the Board subject to the requirements of the Corporations Act from time to time. Any such amendment however, must not adversely affect the rights of Pre-IPO Performance Rights Participants or Pre-IPO Performance Right holders in respect of Pre-IPO Performance Rights granted prior to such amendment without the consent of those Participants and Pre-IPO Performance Right holders (as applicable), unless such amendment is required by, or necessitated by law, the Corporations Act, or any clauses of any other recognised stock exchange, any other relevant law or to address potential adverse tax implications affecting the Pre-IPO Performance Rights Plan arising from changes to laws relating to taxation, the interpretation of laws relating to taxation by the relevant governmental authorities (including the release of any ruling), courts or tribunals.

### *Pre-IPO Performance Rights Granted under the Pre-IPO Performance Rights Plan*

Movements in the Pre-IPO Performance Rights granted under the Pre-IPO Performance Rights Plan during the year are as follows:

| Grantee | Balance as at 1 July 2020 (number of underlying Shares) | Granted during the Year | Exercised during the Year | Lapsed or cancelled during the Year | Balance at 30 June 2021 (number of underlying Shares) |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Dr. Minshen Zhu | 120,320,000 | – | – | – | 120,320,000 |
| Mr. Jing Li (resigned on 24 June 2019) | 3,062,000[1] | – | 3,062,000 | – | – |
| Prof. Brian James Stoddart | 3,062,000 | – | – | – | 3,062,000 |
| Prof. Steven Schwartz | 3,062,000 | – | – | | 3,062,000 |
| **Council Members** | | | | | |
| Prof. Stephen Nicholas | 2,066,000 | – | – | – | 2,066,000 |
| Prof. John Hearn | 2,066,000 | – | – | – | 2,066,000 |
| Dr. Le Ma | 462,000 | – | – | – | 462,000 |

Notes:

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

As disclosed in the Company's announcement dated 30 April 2021, Dr. Minshen Zhu passed away on 28 April 2021. Pursuant to the Pre-IPO Performance Rights Plan Rules (as modified by the offer letter from the Company to Dr. Zhu dated 10 June 2017), Dr. Zhu was considered to be a Good Leaver. The Board has determined to issue a Non-Lapse Notice on 27 May 2021 that all of Dr. Zhu's unvested Pre-IPO Performance Rights as of the date of the Non-Lapse Notice, being 60,160 Pre-IPO Performance Rights (equivalent to 120,320,000 Shares upon the full exercise of such rights), have not lapsed and all Vesting Conditions in respect of such rights are deemed to have been satisfied. Such rights form part of Dr. Zhu's estate.

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

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

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

## Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme adopted under the written resolutions of the Shareholders of the Company passed on 18 April 2018:

### *Purpose*

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company or its subsidiaries ("Group").

### *Who may join*

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("Participant"), to take up options to subscribe for Shares:

(a) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any Council member of the Company;

(d) any supplier of goods or services to any member of the Group or any Invested Entity;

(e) any customer of the Group or any Invested Entity;

(f) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(g) any Shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

For the purposes of this Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants. For the avoidance of doubt, (i) the Company has no obligation to make any offer to any Participant and/or to accept any acceptance of the offer by any Participant if to do so would require the Company to issue a disclosure document under Chapter 6D of the Corporations Act or a product disclosure statement under Chapter 7 of the Corporations Act or any applicable laws, and (ii) the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under this Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants' contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

***Maximum number of Shares***

(a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the Company's issued share capital from time to time. No options may be granted under any schemes of the Company or the subsidiaries of the Company if such grant will result in the maximum number being exceeded.

(b) As at 30 June 2018, the total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (excluding the Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) which amounts to 251,342,800 Shares (the "General Mandate Limit").

(c) Subject to (b) above and without prejudice to (d), the Company may issue a circular to its Shareholders in compliance with Note (1) to Rule 17.03(3) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and seek approval of its Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. As at 30 June 2021, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 252,870,800 Shares.

(d) Subject to (a) above and without prejudice to (c) above, the Company may issue a circular to its Shareholders in compliance with Note (1) to Rule 17.03(3) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and seek separate Shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the refreshed limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

***Maximum entitlement of each participant and connected persons***

(a) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit").

(b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 17.03(4) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and the approval of the Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

(c) In addition to the Shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of options under the Share Option Scheme or any other share option schemes of the Group to a Director, chief executive or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(d) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of the Group to such person in the 12-month period up to and including the date of such grant:

  (i) representing in aggregate more than 0.1% of the Shares in issue; and

  (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

***Minimum period of holding an option and performance target***

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

***Subscription price for Shares***

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and (iii) the nominal value of the Share. A consideration of AUD$1.00 is payable on acceptance of the offer of the grant of an option.

***Rights are personal to grantee***

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

***Time of exercise of option***

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

***Rights on ceasing employment or death***

If the grantee of an option, who is an employee of the Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of the Group or Invested Entity for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with the Group or the relevant Invested Entity, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse.

If the grantee of an option, who is an employee of the Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of the Company or Invested Entity by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate, his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Group or any Invested Entity, whether salary is paid in lieu of notice or not (or such longer period as the Directors may determine), failing which it will lapse.

***Rights on a general offer, a compromise or arrangement***

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

***Rights on winding-up***

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two business days prior to the proposed general meeting of the Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of the Company.

***Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Company's Constitution for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

***Period of the Share Option Scheme***

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional, i.e. 18 April 2018.

***Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of the Company in general meeting.

The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the Listing Rules. Any change to the authority of the Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

***Effect of alterations to capital***

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, the Company shall instruct the auditors for the time being or an independent financial adviser to the Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the subparagraph headed "Maximum number of Shares" above, and (d) an adjustment as so certified by the auditors or the independent financial adviser to the Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the Listing Rules and the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 23.03(13) and the note immediately after the rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

***Cancellation of options***

The Directors may affect the cancelation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancelation. Where the Company cancels any options granted and offers to grant or grants new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the subparagraph headed "Maximum Number of Shares" above.

***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on (i) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange, which Shares may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (ii) upon the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, for themselves and on behalf of the Underwriters) and such obligation not being terminated in accordance with the terms of the Underwriting Agreements; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

*Termination of the Share Option Scheme*

The Company may by resolution in general meeting at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under Share Option Scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to Shareholders of the Company seeking approval of the first new scheme to be established after such termination.

*Status of the Listing Rules*

The Share Option Scheme shall comply with the Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the Listing Rules, the Listing Rules shall prevail. No offer of option or no Share may be issued to a Participant if to do so would contravene the Listing Rules, the Corporations Act, the Constitution or any applicable law in Australia, Hong Kong or other relevant jurisdictions.

*Options Granted under the Share Option Scheme*

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

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

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

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

Details of the movement of Share Options granted under the Share Option Scheme for the year ended 30 June 2021 are as follows:

| Grantee | Balance as at 1 July 2020 | Granted during the Year | Exercised during the Year | Cancelled during the Year | Lapsed during the Year | Balance as at 30 June 2021 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Ms. Sumeng Cao | 1,294,274 | – | – | – | – | 1,294,274 |
| Ms. Rongning Xu (as alternate director to Dr. Minshen Zhu, ceased on 28 April 2021) | 1,294,274 | – | – | – | – | 1,294,274 |
| **Employees (in aggregate)** | 21,433,353 | – | – | – | 3,054,183 | 18,379,170 |
| Total | | | | | | 20,967,718 |

## Share Award Scheme

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

The following is a summary of the principal terms of the Share Award Scheme:

### *Objectives*

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

### *Duration*

Subject to any early termination as may be determined by the Board pursuant to the rules relating to the Share Award Scheme as amended from time to time ("Scheme Rules"), the Scheme shall be valid and effective for a term of 10 years commencing on 23 October 2018, being the date on which the Scheme is adopted by the Company ("Adoption Date").

### *Administration*

The Scheme shall be subject to the administration of the Board, the share award committee ("Committee") and the Trustee in accordance with the Scheme Rules and the Trust Deed. The decision of the Board with respect to any matter arising under the Scheme shall be final and binding. The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed.

### *Scheme limit*

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

The maximum aggregate number of Shares which may be awarded to any Selected Employee under the Scheme shall not exceed 0.5% of the total number of the issued Shares as at the Adoption Date, being 12,942,740 Shares.

*Operation of the Scheme*

The Board or the Committee may from time to time cause to be paid a Contributed Amount to the Trust by way of settlement or otherwise contributed by the Company or such other person as directed by the Board or the Committee from time to time which shall constitute part of the Trust Fund, for the purchase of Shares and other purposes set out in the Scheme Rules and the Trust Deed.

Subject to the Scheme Rules, the Committee may from time to time instruct the Trustee to purchase Shares on the Stock Exchange (or from such other Shareholder(s) of the Company as may be agreed by the Board, subject to compliance with the applicable laws and Listing Rules), and to hold them for the benefit of the Employees under the Trust on and subject to the terms and conditions of the Scheme and the Trust Deed.

*Award of the Awarded Shares ("Award")*

Subject to the Scheme Rules, the Board may from time to time at its absolute discretion select any Employee for participation in the Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration and on and subject to such terms and conditions as it may in its absolute discretion determine.

In determining the number of Awarded Shares to be granted to any Selected Employee, the Board shall take into consideration matters including, but without limitation to:

(a) the present contribution and expected contribution of the relevant Selected Employee to the financial performance, development and/or regulatory compliance of the Company;

(b) the general financial condition of the Company;

(c) the Company's overall business objectives and future development plan; and

(d) any other matter which the Board considers relevant.

The Board is entitled to impose any conditions (including a period of continued service with the Company after the Award) as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employee, and shall inform such Selected Employee the relevant conditions of the Award and the Awarded Shares.

Where any grant of Awarded Shares is proposed to be made to any Selected Employee who is a Director (including an independent non-executive Director), such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

*Vesting of the Awarded Shares*

Subject to the terms and conditions of the Scheme and the fulfilment of all relevant vesting conditions (if any), the respective Awarded Shares shall vest in such Selected Employee in accordance with the vesting schedule (if any) and the Trustee shall cause the relevant number of Shares to be allocated to such Selected Employee on the Vesting Date.

*Voting rights*

The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust which have not been vested and allocated to the specific Selected Employee under the Scheme and the Trust Deed.

*Termination*

The Scheme shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not materially and adversely affect any subsisting rights of any Selected Employee under the Scheme.

*Awarded Shares Granted under the Share Award Scheme*

On 28 February 2019, the Company granted a total of 12,000,000 Awarded Shares to two Selected Employees for nil consideration in accordance with the Scheme Rules, among which, 6,000,000 Awarded Shares were granted to Ms. Sumeng Cao, and 6,000,000 Awarded Shares were granted to Ms. Rongning Xu.

Furthermore, on 24 May 2019, the Company granted a total of 19,000,000 Awarded Shares to four Selected Employees for nil consideration in accordance with the Scheme Rules.

The Awarded Shares granted to Selected Employees will vest subject to the satisfaction of the vesting conditions as that on the applicable vesting dates (fifth anniversary of the date of grant), the grantee remains as an employee of the Company.

For the year ended 30 June 2021, the Trustee pursuant to the Trust Deed and Share Award Scheme has not purchased any Shares from the market.

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

| Grantee | Balance as at 1 July 2020 | Granted during the Year | Exercised, lapsed or cancelled during the Year | Balance as at 30 June 2021 |
|---|---|---|---|---|
| **Directors** | | | | |
| Ms. Sumeng Cao | 6,000,000 | – | – | 6,000,000 |
| Ms. Rongning Xu (as alternate director to Dr. Minshen Zhu, ceased on 28 April 2021) | 6,000,000 | – | – | 6,000,000 |
| **Employees (in aggregate)** | 19,000,000 | – | – | 19,000,000 |
| Total | | | | 31,000,000 |

## Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company purchased a total of 38,930,000 Shares on the Stock Exchange at an aggregate consideration (before brokerage and expenses) of approximately HK$11,310,250. As at 30 June 2021, all the aforesaid repurchased Shares have been cancelled.

| Month of repurchases | Total number of Shares repurchased | Highest price paid per Share HK$ | Lowest price paid per Share HK$ | Aggregate consideration HK$ |
|---|---|---|---|---|
| July 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 |
| January 2021 | 3,460,000 | 0.295 | 0.270 | 969,100 |
| February 2021 | – | – | – | – |
| March 2021 | – | – | – | – |
| April 2021 | – | – | – | – |
| May 2021 | – | – | – | – |
| June 2021 | – | – | – | – |

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

## Borrowings

As at 30 June 2021, the Company had no borrowings.

## Equity-Linked Agreements

Save as disclosed in "Pre-IPO Performance Rights Plan, Share Option Scheme and Share Award Scheme", neither (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i), were entered into by the Company during the year ended 30 June 2021 or subsisted at 30 June 2021.

## Directors' Interests in Transaction, Arrangement or Contract of Significance

No Director nor an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company was a party during the year ended 30 June 2021.

## Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 30 June 2021.

## Controlling Shareholders' Interests in Contracts of Significance

Save as otherwise disclosed in this annual report, none of the Controlling Shareholder or any of its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company was a party during the year ended 30 June 2021.

## Major Customers and Suppliers

In the year under review, the Company did not have any single customer who accounted for more than 5% of the revenue. Purchases from the Company's five largest suppliers accounted for less than 30% of the total purchases for the year ended 30 June 2021.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Company's five largest customers.

## Connected Transaction

### Non-Exempt Continuing Connected Transactions

PwC Nominees, as a nominee for PwC Australia, is a Shareholder of the Company. Accordingly, PwC Australia is a connected person of the Company.

Pursuant to the Alliance Agreement dated 27 May 2016, the Company and PwC Australia agreed to establish an alliance and work together to grow and promote the Company's business, including the provision of various services in Australia ("PwC Australia Services") by PwC Australia to the Company, for a period commencing from 27 May 2016 and ceasing on 31 March 2023. Prior to the expiry of the initial term, 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. The terms of the Alliance Agreement were negotiated between the parties on an arm's length basis.

The provision of the PwC Australia Services will be subject to the standard terms of PwC Australia's engagement letters to be separately entered into with the Company as and when the Company requires the PwC Australia Services, including the service fees (the "Service Fees") which are calculated with reference to the nature of services provided, PwC Australia's standard rates as applicable at the time of the PwC Australia Services as well as the estimated number of chargeable hours involved.

### Reasons for the Transactions

The Company's alliance arrangement with PwC Australia under the Alliance Agreement has provided the Company with a unique advantage in that it has enhanced the Company's standing, marketing position and future development prospects within Australia. The Company's strong background in business and accounting education, along with its law school, has strong synergies with PwC Australia's extensive history in business and accounting services, along with their focus into growth areas such as Cyber, Future of Work, Environmental, Social, Governance (ESG) and Integrated Infrastructure in Australia. The Alliance Agreement allows the Company to publicly use a co-brand "Top Education Group Ltd in alliance with PwC Australia" at an institutional level for activities in Australia only and, subject to PwC Australia's approval in each new instance, which the Company believes is very attractive to both students and corporate training clients. In the long term, the alliance with PwC Australia supports the Company's goal of becoming the first private for-profit university of specialisation in the management and commerce field in Australia.

Under the Alliance Agreement, PwC Australia and the Company will also offer each other, in respect of higher education and executive education services, certain preferred terms including, but not limited to, trading terms not less favourable than those offered to any other party in the higher education sector and a first option to take up opportunities working together.

Under the Listing Rules, any written agreement for a continuing connected transaction should not be more than three years except in special circumstances where the nature of the transaction requires the agreement to be of a longer period. Given the importance of the Company's alliance with PwC Australia which provides the Company with a unique advantage as discussed above, the Directors consider that it is in the interests of the Company and the Shareholders to maintain and cultivate a long-term relationship with PwC Australia to ensure its continuous participation in the development of the Company's business and operations in Australia and enable the Company to maximise the long-term benefits of PwC Australia's involvement.

## Transaction amounts and proposed annual cap

The table below sets out the transaction amounts in relation to the PwC Australia Services, and proposed annual cap of the transaction contemplated under the Alliance Agreement during the year ended 30 June 2021:

| | | Transaction amount for the year ended 30 June | |
|---|---|---|---|
| | **Proposed annual cap for the year ended 30 June 2021 AUD$'000** | **2021 AUD$'000** | 2020 AUD$'000 |
| Total Service Fees | **1,300** | **715** | 583 |

## Implications under the Listing Rules

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual cap is less than 5%, the transactions under the Alliance Agreement will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from independent Shareholders' approval.

## Application for Waivers

The transactions under the Alliance Agreement constitute the Company's continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to the reporting, annual review and announcement requirements of the Listing Rules. As these non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis (subject to the terms of the Alliance Agreement set out above), the Directors (including the independent non-executive Directors) consider that compliance with the above announcement requirements will be impractical, will add unnecessary administrative costs and will be unduly burdensome.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted to the Company, a waiver exempting the Company from strict compliance with the announcement requirements of the Listing Rules, subject to the condition that the aggregate values of the continuing connected transactions for each financial year not exceeding the relevant amounts set out in the respective annual caps (as stated above) and there being no significant changes in the terms of such transactions. The waiver granted by the Stock Exchange for the above non-exempt continuing connected transactions expired on 30 June 2020. With the expiry of the waiver, the Company is complying with the applicable Listing Rules, including the requirements for setting new monetary annual caps for the Service Fees payable by us to PwC Australia under the Alliance Agreement.

### Confirmation from INEDs

Our INEDs reviewed the aforesaid continuing connected transaction for the year ended 30 June 2021 and on an annual basis confirmed that, during the relevant financial year, the transactions carried out have been entered into (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms or better, and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Confirmation of auditors of the Company

Ernst & Young, Recognised Public Interest Entity Auditor, the Company's auditors, were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("Auditor's Letter"). Ernst & Young, Recognised Public Interest Entity Auditor, have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's Letter has been provided by the Company to the Stock Exchange.

## Related Party Transactions

Other than remuneration of Directors, utilisation of the Services Allowance and Service Fees with PwC Australia, the Company did not engage in any related party transactions during the year ended 30 June 2021. Details are set out in note 30 to the consolidated financial statements and section headed "Related Party Transactions".

The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## Donations

Charitable donations made by the Group during the year ended 30 June 2021 amounted to approximately AUD$73,000 (2020: AUD$119,000).

## Employees and Remuneration Policies

During the year ended 30 June 2021, the Company employed 121 staff (2020: 167), a 27.5% decrease from the comparable reporting period in 2020.

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 for casual staff.

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 options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to "Pre-IPO Performance Rights Plan, Share Option Scheme and Share Award Scheme" in this annual report.

The Company considers the continuing development of professional knowledge and skills for employees to be essential. The Company believes that the continued growth and success of business is built upon employee excellence and their ability to provide quality of services to the 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.

## Remuneration of Directors and the Five Highest Paid Employees

Details of the Directors' remuneration and the five highest paid employees in the Company are set out in note 8 and note 9 to the consolidated financial statements in this annual report.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Constitution, or under the Corporations Act, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## Deed of Non-Competition

Each member of the Controlling Shareholders Group had entered into a deed of non-competition in favour of the Company on 18 April 2018 (the "Deed of Non-competition"), details of which are set out in section headed "Relationship with the Controlling Shareholders – Deed of Non-competition" in the prospectus issued by the Company dated 27 April 2018.

The members of the Controlling Shareholders Group confirmed their compliance with all the undertakings provided under the Deed of Non-competition.

The INEDs had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-competition and considered that the terms of the Deed of Non-competition have been complied with by members of the Controlling Shareholders Group.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares are held by the public as at the date of this report.

## Use of Net Proceeds from the Company's Initial Public Offering

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 30 June 2021, a total amount of approximately HK$107.9 million out of net proceeds had been used by the Group according to the allocation set out in the Prospectus.

| Purpose | Percentage to total amount | Net proceeds HK$ (million) | Utilised Amount HK$ (million) | Unutilised amount HK$ (million) | Expected timeline for utilising the unutilised amount[1] |
|---|---|---|---|---|---|
| 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 2022 |
| Developing "Intelligent Education", which includes utilising digital education solutions for course contents, infrastructure of campuses and offices, and teaching and learning methods | 27.8% | 47.8 | 33.9 | 13.9 | by the end of 2022 |
| Upgrading TOP's 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 and scholarship activities and professional development towards our strategic goal | 3.1% | 5.3 | 4.8 | 0.5 | 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 | 107.9 | 63.8 | |

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.

## Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## Permitted Indemnity Provision

The Company shall indemnify any current or former Directors, officers, auditor and agent of the Company (the "Officer") or a related body corporate of the Company, out of the property of the Company, against any liability which that Director or the officer may incur because of being an Officer or in carrying out the business or exercising the powers of the Company, to the extent that it is permitted to do so under the Corporations Act.

Under the Constitution, this indemnity applies except to the extent that:

- the Company is forbidden by law to indemnify the person against the liability or legal costs; or
- an indemnity by the Company of the person against the liability or legal costs, if given, would be made void by law.

## Compliance with the Relevant Laws and Regulations

During the year ended 30 June 2021, the Company was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Company.

## Events After the Reporting Period

On 27 July 2021, SCOTS has been approved for a grant of AUD$149,500 from the Innovation Fund, which was established by the Australian Government Department of Education, Skills and Employment to support product innovation and investment in infrastructure, curriculum design, digital teaching solutions and staff expertise.

On 10 September 2021, IMC has successfully applied and received approval for Commonwealth Grant Scheme funding of 684 short course places with a total funding of AUD$376,200.

## Auditors

Ernst & Young, Recognised Public Interest Entity Auditor, will retire at the forthcoming AGM and a resolution for their reappointment as auditors of the Company will be proposed thereat.

On behalf of the Board
**Ms Sumeng Cao**
*Chairperson*

Australia, 24 September 2021

## Corporate Governance Practices

The Board of the Company is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 30 June 2021, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1.

## Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 30 June 2021.

The Company has also adopted the Model Code as the Employee Written Guidelines, to regulate the securities transactions of the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. To the best knowledge of the Company, no incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

## Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

The Board currently comprises of the following Directors:

***Executive Director***

Ms. Sumeng Cao (Chairperson and Chief Executive Officer)

***Non-executive Directors***

Mr. Thomas Richard Seymour (Mr. Kai Zhang as his alternate)
Mr. Amen Kwai Ping Lee
Mr. Yi Dai
Mr. Edward Chiang
Ms. Xing Shi Huang (appointed on 1 October 2021)

*Independent Non-executive Directors*

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

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 19 to 23 of this annual report.

The relationships between the Directors (where applicable) are disclosed in the respective Director's biography under the section headed "Directors and Senior Management".

## Board Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairperson also held a meeting with independent non-executive Directors only without the presence of the other Directors during the year.

## Chairperson and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairperson and Chief Executive should be separate and should not be performed by the same individual.

The Chairperson and Chief Executive Officer of the Company were held by Dr. Minshen Zhu, who was the founder of the Company, for the period to 28 April 2021. Following the passing of Dr. Minshen Zhu, Ms. Sumeng Cao, an executive Director, was appointed as the Chairperson and Chief Executive Officer of the Company on 30 April 2021. Ms. Cao has served as the Company's Chief Operating Officer from March 2019 to April 2021 and has an in-depth knowledge about the management as well as business operations of the Company.

The Board believes that vesting the roles of the Chairperson and Chief Executive Officer in Ms. Sumeng Cao provides the Group with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

## Independent Non-executive Directors

During the year ended 30 June 2021, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for an initial term of three years, subject to renewal, rotation, removal, vacation or termination.

Article 18.4 of the Company's Constitution provides that any person appointed by the Directors to fill a casual vacancy on or as addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

There is no provision in the Constitution governing the retirement of Directors by rotation at AGM of the Company. In accordance with code provision A.4.2 of the CG Code, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Ms. Sumeng Cao, Mr. Amen Kwai Ping Lee and Ms. Xing Shi Huang will retire and being eligible, offer themselves for re-election as directors at the 2021 AGM.

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 30 June 2021 are summarized as follows:

| Directors | Type of Training Note |
|---|---|
| ***Executive Director*** | |
| Ms. Sumeng Cao | A and B |
| ***Non-Executive Directors*** | |
| Mr. Thomas Richard Seymour | A and B |
| (Mr. Kai Zhang as his alternate) | A and B |
| Mr. Amen Kwai Ping Lee | A and B |
| Mr. Yi Dai | A and B |
| Mr. Edward Chiang | A and B |
| Ms. Xing Shi Huang | A and B |
| ***Independent Non-Executive Directors*** | |
| Professor Brian James Stoddart | A and B |
| Professor Steven Schwartz | A and B |
| Mr. Tianye Wang | A and B |
| Professor Weiping Wang | A and B |

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairperson and members of each Board committee is set out under "Corporate Information" on page 2.

## Audit Committee

The Audit Committee consists of four independent non-executive Directors, namely Professor Steven Schwartz, Professor Brian James Stoddart, Mr. Tianye Wang, and Professor Weiping Wang. Mr. Tianye Wang is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the year ended 30 June 2021, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

## Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Amen Kwai Ping Lee, non-executive Director, Professor Steven Schwartz, independent non-executive Director, and Mr. Tianye Wang, independent non-executive Director. Professor Steven Schwartz is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once during the year to consider the relevant matters and to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management.

Details of the remuneration of the Directors and the senior management by band are set out in note 9 in the Notes to the audited consolidated financial statements for the year ended 30 June 2021.

## Nomination Committee

The Nomination Committee consists of three members, Ms. Sumeng Cao, executive Director, Professor Brian James Stoddart, independent non-executive Director, and Professor Weiping Wang, independent non-executive Director. Professor Brian James Stoddart is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity or professional experience, skills, knowledge and length of services. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Procedures for Directors and Board Diversity Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

## Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse board and sees increasing diversity at the board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Nomination Procedures for Directors which sets out the selection criteria and process and the board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the board and appropriate leadership at board level.

The Nomination Procedures for Directors set out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications and business experience relevant and beneficial to the Company;
- Willingness to devote adequate time to discharge duties as a member of the Board;
- Accomplishments in personal careers;
- Present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs;
- Requirements for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates for independent Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- Such other perspectives appropriate to the Company's business.

The Nomination Procedures for Directors also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 30 June 2021, Mr. Edward Chiang was nominated by an indirect substantial Shareholder of the Company as a non-executive Director of the Company; and was subsequently re-elected as a non-executive Director of the Company at the 2020 annual general meeting held on 27 November 2020. On 1 October 2021, Ms. Xing Shi Huang was appointed as a non-executive Director of the Company, and will be subsequently re-elected as a non-executive Director of the Company at the 2021 annual general meeting held on 25 November 2021.

The Nomination Committee will review the Nomination Procedures for Directors, as appropriate, to ensure its effectiveness.

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## Attendance Records of Directors

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 30 June 2021 is set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Annual General Meeting** |
| Dr. Minshen Zhu (ceased on 28 April 2021) | 3/3 | N/A | N/A | 1/1 | 1/1 |
| Ms. Sumeng Cao | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Thomas Richard Seymour | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Amen Kwai Ping Lee | 5/5 | N/A | 1/1 | N/A | 1/1 |
| Mr. Yi Dai | 5/5 | N/A | N/A | N/A | 0/1 |
| Mr. Edward Chiang | 5/5 | N/A | N/A | N/A | 1/1 |
| Professor Brian James Stoddart | 4/5 | 1/2 | N/A | 1/1 | 0/1 |
| Professor Steven Schwartz | 5/5 | 2/2 | 1/1 | N/A | 1/1 |
| Mr. Tianye Wang | 4/5 | 2/2 | 1/1 | N/A | 0/1 |
| Professor Weiping Wang | 5/5 | 2/2 | N/A | 1/1 | 1/1 |

The attendance record of Dr. Minshen Zhu and Mr. Thomas Richard Seymour at the Board and Board Committee meetings by their respective alternate is set out below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Alternate Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Annual General Meeting** |
| Ms. Rongning Xu (Alternate to Dr. Minshen Zhu, ceased on 28 April 2021) | – | N/A | N/A | – | – |
| Mr. Kai Zhang (Alternate to Mr. Thomas Richard Seymour) | – | N/A | N/A | N/A | – |

Apart from regular Board meetings, the Chairperson also held a meeting with the independent non-executive Directors without the presence of other Directors during the year.

As disclosed above, some of the independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders.

## Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Board is the ultimate decision-making authority but the Council is the body that oversees the regular monitoring of potential risks and risk factors at the institutional level while the Academic Board and its sub-committees are responsible for managing academic risks. The Principal and administrative management team are responsible for managing non-academic risks such as regulatory compliance, management and other areas.

The Company utilises an integrated risk management system to minimize and protect against a range of strategic, operational, business, financial and legal risks. Through our risk management system, the Company seeks to manage and reduce risks, encourage effective and reliable communication, maintain legal and regulatory compliance and ensure the quality of our education provision.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

### Culture of Risk Management

The Company's culture of risk management is that each management position in the organisation should play a role and at relevant responsibilities and the following description on the roles and responsibilities. The process of the Risk Management is a continuous one of analysis, treatment, monitoring, review and reporting with a bottom up and top down approach and clear communication through defined channels.

- Regular monitoring of the potential risks as part of each officer's day-to-day responsibilities is required. In line with the relevant policies, procedure and risk management framework (the "Risk Framework") that are regarded as the criteria and benchmarks, each officer is charged with the responsibility of identifying potential risks. However, investigation and analysis of the risks and development and implementation of appropriate measures to minimise or prevent the risk can only take place with appropriate consultation and approval from the staff member's supervisor and/or higher reports.

- If the initial assessment identifies "risk factors" that cannot be mitigated through use of existing or implemented approved procedures agreed with the officer, immediate manager or supervisor, then the officer should discuss with the related role(s) and report to the supervisor(s) in line with the following diagram and in reference of the Organisational Chart for further identification, analysis and mitigation at the higher level of the management.

- The Directors and the management of the Company must comply with specific rules on an ongoing basis (known as continuing obligations), which include:
  - the Corporations Act;
  - the Listing Rules;
  - the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong; and
  - the Companies Ordinance, Chapter 622 of the laws of Hong Kong.
- The continuing obligations ensure, among other things, the Company and the Directors treat all shareholders fairly and equally, and keep investors and the public fully informed of matters which might affect their interests.
- The senior level academic management, administrative, and the Principal should be monitoring, analysing, identifying and mitigating the potential risks or risk factors at the institutional level during the day-to-day management and report to the Academic Board and the Council for the governance bodies' monitoring and risk control on institutional risks.
- The administrative, senior management, the Chief Executive Officer, and the Board should be monitoring, analysing, identifying and mitigating the potential risks or risk factors at the corporation level during the day-to-day management and report to Audit Committee, a certain delegated Committee or the Board for the governance bodies' monitoring and risk control on corporation level risks.
- When the governing bodies or the Board have discussed and identified an institutional or corporate level risk and have made the mitigation strategy/plan, the Principal, Chief Executive Officer and senior management team are responsible for taking action for implementation of the strategy/plan and shall report back to the relevant governance bodies for the outcome.

## Main Features

- Establish proper governance and operational mechanisms, including the governance bodies and their subcommittees; comprehensive policies/procedures in academic and administrative affairs; separation between the governance and management of the Company; clear delegations and dialogue within the system; and the planning and review circulation of policies, plans and procedures;
- Embed regular monitoring, early awareness and identify potential risks and risk factors during day-to-day operations;
- Prompt and effective analysis and assessment of risk factors to determine the risk scope and risk level, for instance at the organizational or operational level; and
- Appropriate responses to risk factors, such as rapid report to relevant senior managers or to governance bodies depending on the risk levels, or to immediately consider and implement mitigation strategies or plans, or to review resolutions and ensure continuous improvement.

## Risk Identification and Analysis

The level of risk is determined by the relationship between the likelihood (frequency or probability) and the consequences (impact or magnitude of the effect) if the risk occurs. The likelihood and consequences are assessed by taking into account the adequacy and enforcement of controls. The resultant consequences and likelihood are combined to produce a level of risk.

The following areas provide risk identification data for risk analysis:

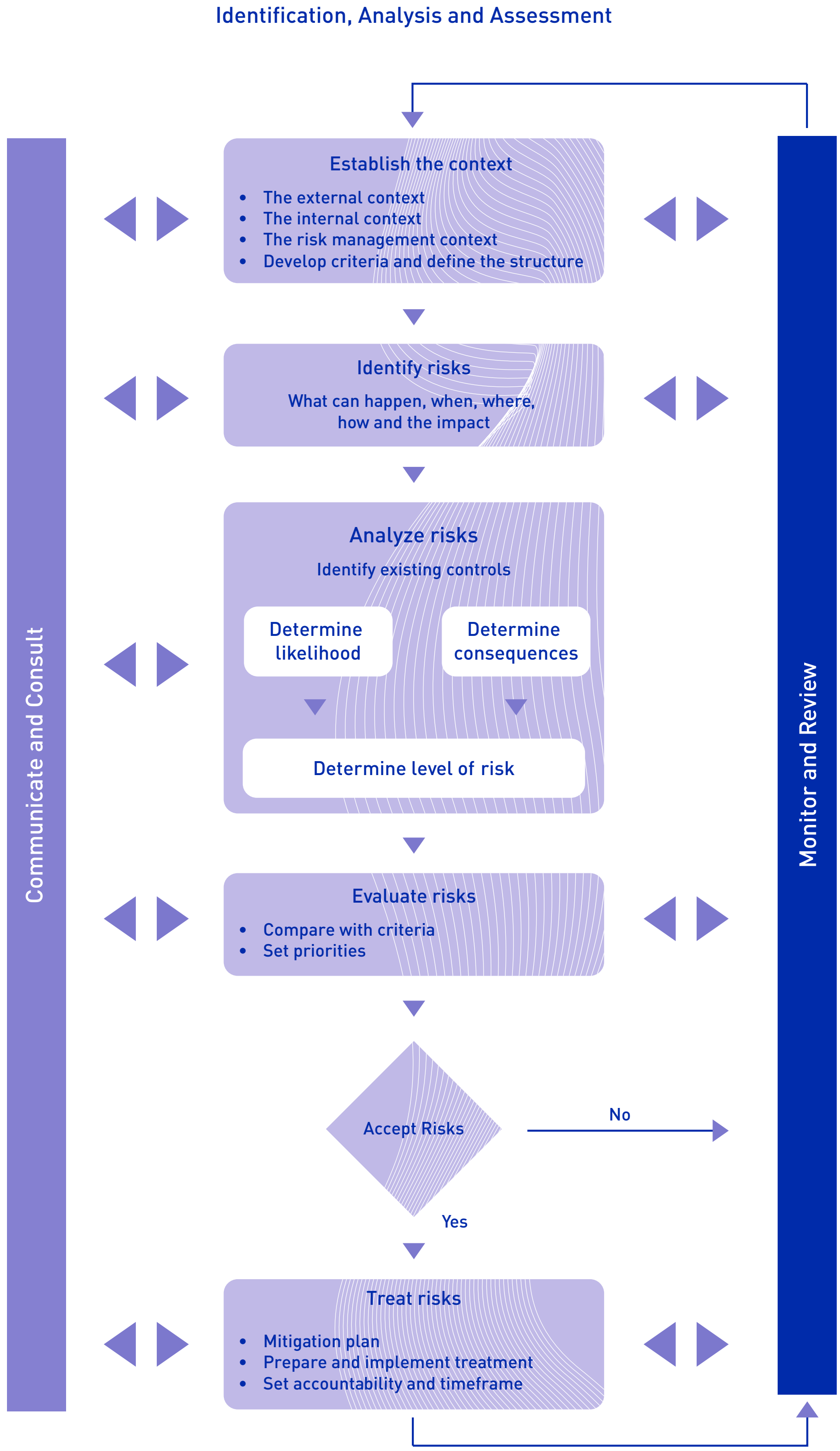
- Strategic goals or actions. These can be found in the strategic plans, operational plans, and other key TOP policies, plans and procedures
- Internal and external financial and performance reports
- Evaluation reviews and audits
- External authorities' assessments and indicators such as TEQSA and Department of Immigration and Border Protection ("DIBP")
- Student and staff surveys
- Team-based brainstorming, structured interviews, focus groups, personal experiences, facilitated workshops
- Forecasts and financial modelling
- Records, databases, insurance claims
- Past organisational experiences

The most readily used approach to defining consequences tends to be qualitative whereby managers use experience, judgement and intuition to make decisions in identifying and managing risk.

At this point, the objectives are to separate possible minor risks from major ones. The level of risk is determined by measuring the likelihood of each event arising and the associated consequences. A matrix format ranking has been adopted by TOP through which potential risks are ranked as Extreme, High, Moderate or Low.

## Assessment

The following diagram represents the process of identification, analysis and assessment of the Framework:



TOP's Assessment Table of Risk Objectives is a tool to demonstrate the risk areas, risk indicator, assessment criteria and benchmarks, TEQSA's assessments and TOP's comments, analysis, evaluations, initial rating, mitigating strategies/plan, the responsible officer/roles, the response timeframe and final rating.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Company and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 30 June 2021. The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 30 June 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

TOP adopts a disclosure policy which complies with the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission. An upward Reporting Approach is adopted to monitor the potential inside information. The Board or the designated person(s) will review and assess the potential inside information and to maintain strict confidential of any inside information until it being properly disclosed when consider to be appropriate.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

## Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2021 and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 95 to 98.

## Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 30 June 2021 amounted to approximately AUD$235,000 and AUD$15,000 respectively.

## (Joint) Company Secretary(ies)

Ms. Min Ying and Ms. Ivy Yuk Yin Chow were the Company's joint company secretaries for the year ended 30 June 2021. The Company engaged Ms. Chow of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, as one of the joint company secretaries. Her primary contact person at the Company was Ms. Ying, the then joint company secretary of the Company.

Ms. Chow resigned as joint company secretary of the Company on 1 July 2021 and Ms. Ying has been the sole company secretary of the Company since then.

Ms. Ying has undertaken no less than 15 hours of relevant professional training during the year ended 30 June 2021 in compliance with Rule 3.29 of the Listing Rules.

All Directors have access to the advice and services of the (joint) company secretary(ies) on corporate governance and board practices and matters.

## Shareholders' Rights

The Company engages with Shareholders through various communication channels and a Shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Convening a General Meeting

General meetings may be convened by the Board on requisition of Shareholder(s) of the Company representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings pursuant to Section 249D of the Corporations Act.

Shareholders should follow the requirements and procedures as set out in the Corporations Act and where applicable, the Company's Constitution, for convening a general meeting.

### Putting Forward Proposals at General Meetings

Pursuant to Section 249N of the Corporations Act, Shareholders representing at least 5% of the total voting rights of all Shareholders; or at least 100 Shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at a general meeting.

Shareholders should follow the requirements and procedures as set out in the Corporations Act and where applicable, the Company's Constitution, for circulating a resolution for general meeting.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

***Registered Office in Australia:***

Suite 1, Biomedical Building
1 Central Avenue
Eveleigh, New South Wales 2015
Sydney
Australia
(For the attention of the Company Secretary)

Or

***Principal Place of Business in Hong Kong:***

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(For the attention of the Company Secretary)

Or

***By email:***

ir@top.edu.au

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company maintains a website at www.top.edu.au as a platform to provide access for Shareholders and investors with updated information on the Company's business.

The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Constitution. An up to date version of the Company's Constitution is also available on the Company's website and the Stock Exchange's website.

## Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Details of the final dividend of the year ended 30 June 2021 have been disclosed in the annual report of the Company.

## Reporting Standard, Period and Boundary

This Environmental, Social and Governance report (the "ESG Report") has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in Appendix 27 to the Listing Rules issued by the Stock Exchange.

The ESG Report describes the Environmental, Social and Governance ("ESG") progress made within during the Reporting Period of selected entities within the Group, as defined and revised from time to time based on the ESG material assessment conducted annually, in order to focus TOP's ESG efforts on the geographical locations and businesses processes (the "Reporting Scope") where the most significant ESG risk and impact may be.

The Reporting Scope consisting of 3 (2020: 3) locations of TOP's main campus, namely the Biomedical Building, Bay 3 of the Locomotive Workshop and Level 3 of Yerrabingin House, all located in Eveleigh, Sydney ("South Eveleigh Campus"). During the Reporting Period, TOP has moved from Bay 16 to Bay 3 of the Locomotive Workshop and SCOTS campus has moved to South Eveleigh Campus for more efficient sharing of resources. Having considered the result of the ESG materiality assessment, the Board considered that the Hobart campus in Tasmania should remain outside of the Reporting Scope.

The ESG Report is prepared in both Chinese and English, and in case of any discrepancy or inconsistency between the Chinese and English versions, the English version shall prevail.

TOP adheres to the four fundamental reporting principles set out in the ESG Reporting Guide in the preparation of the ESG report. These reporting principles and the way TOP applies these in the ESG report is set out below:

| Reporting Principles | How it is applied to this report |
|---|---|
| Materiality | The ESG Report covers the key environmental and social issues concerned by different stakeholders. These material environmental and social issues were identified through consideration by the Board, audit committee and academic board, discussion between the Board and management and engagement with different stakeholders. Identification process of substantive issues and the matrix of substantive issues along internal and external dimensions are disclosed in this report, further details of which are set out in the "Stakeholder Engagement and Materiality Assessment" of this report. |
| Quantitative | Information on the standards, methodologies, assumptions and/or calculation used and source of key emission and conversion factors used for both quantitative environmental and social KPIs are disclosed in the ESG Report. Details of these information are all explained in the notes section following relevant KPIs. |
| Balance | The ESG report provides an unbiased picture of TOP's performance during the Reporting Period. Information were disclosed in an objective manner, avoid selections, omissions, or presentation formats that may inappropriately influence the judgment made by report readers. |
| Consistency | For the purpose of enhancing and maintaining the comparability of ESG performances over time, consistent reporting and calculation methodology are applied by TOP as far as practicable to allow for meaningful comparison. Any changes that could affect a meaningful comparison of the KPIs have been disclosed accordingly. |

## Board Confirmation

The Board and the management have reviewed and endorsed the ESG material assessment and the ESG Report, and approval was obtained from the Board of Directors on 24 September 2021.

## Mission, ESG Governance and Approach

"Innovation towards Intelligent Education".

This is the TOP's motto, which highlights the mission and the spirit of our approach and character, the commitment to provide its students with the very best possible quality higher education in the field of business and law that lead to immediate and fulfilling careers in the public and private, domestic and international sectors.

In terms of ESG, the Company aspires to deliver long-term benefits for all stakeholders by operating in a responsible and ethical manner, taking not only economic factors but also social and environmental factors into consideration. As a socially responsible company, the Board recognises the importance of ESG in enhancing the value of TOP and its overall responsibility for our ESG strategy and reporting. TOP delivers its ESG strategy through effective management of ESG risks and cultivation of an ESG-aware culture. The Company aligns its ESG approach with its existing risk management framework, thus ensuring that the delivery of ESG efforts are effective and are coherent with current business strategies and also reactive to changing business environment.

The Board, working together with the management, delivers ESG strategy and reporting with the help of the continuous assessment and identification of ESG risks during the course of engagement with TOP's employees and students and various other stakeholders, and also during the course of our efforts in promoting a sustainability culture within the Company.

This sustainability culture is the engine that drives the long-term sustainable growth of TOP; it drives the formulation of appropriate ESG policies and procedures to mitigate ESG related risks; it drives the measuring and monitoring of the ESG performances progress, and it also drives the reporting of these progresses to investors and key stakeholders.

TOP's efforts focus on areas that are considered to be both material to the stakeholders and also to the business based on the results of the ESG material assessment. Further details of the assessment and these focused areas can be found in the later section titled "Stakeholder Engagement and Materiality Assessment". Material ESG-related issues are issues that are critical to both short-term and long-term success of TOP's business. It is those parts of TOP's business where these issues lie, the ESG impact of these issues is highly relevant. The KPIs of material ESG-related issues are regularly reviewed against goals and targets set-up by the Management and the Board throughout the process of the preparing of ESG reporting to determine progress made and adjustment are made to the original goals and targets where appropriate.

The Group invests its efforts in the exploration of sustainability improvement through the assimilation of ESG concepts into daily operations at its workplace, and through the establishment of policies and procedures and written guidelines, and also through providing ESG awareness training and reminder notices from time to time. By raising ESG awareness among TOP's students and employees, they together also become ambassadors of TOP's sustainability efforts.

Through this cultivation of sustainability awareness and TOP's devotion to delivering the best quality higher education courses and experience, TOP equips its students with comprehensive knowledge and skills, while at the same time they will have a sense of social responsibility and be servient to the global community that builds on the best of TOP's heritage.

This organic sustainability culture also ensures that the potential reach of TOP's ESG efforts are sufficiently broad to cover key parts of TOP's business and also beyond.

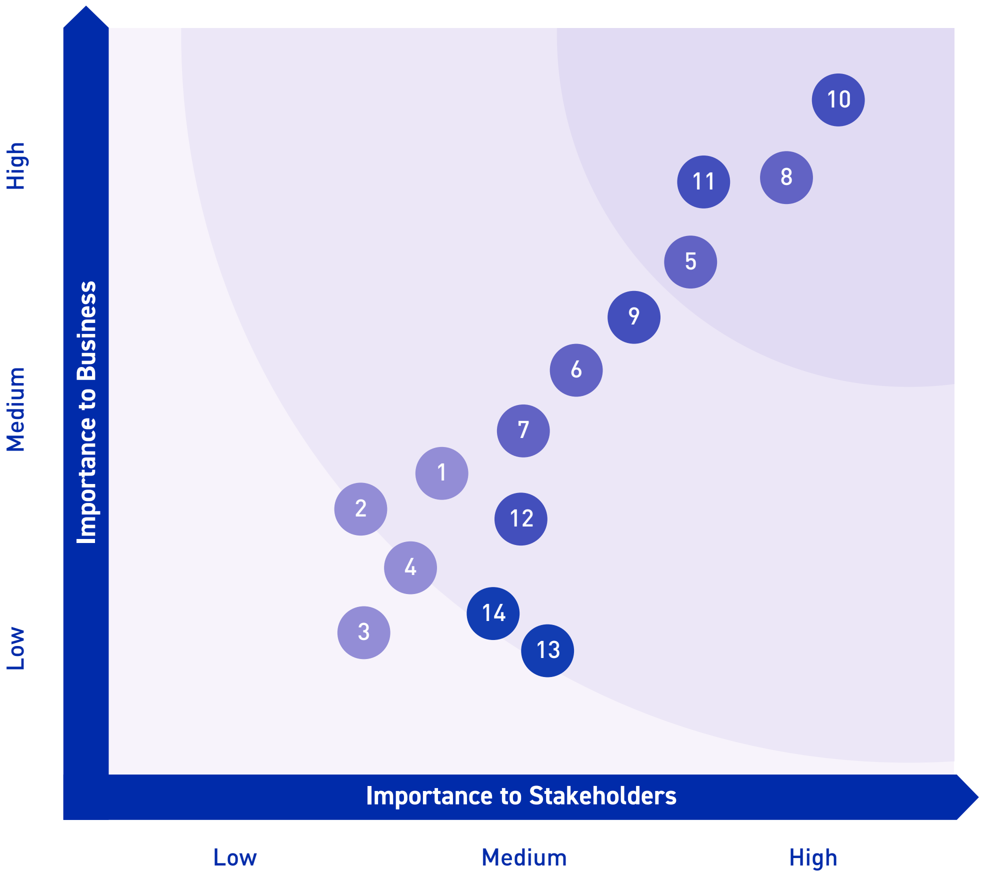
## Stakeholder Engagement and Materiality Assessment

With reference to the Megatrend from World Economic Forum, MSCI and SASB's materiality assessment and understanding the expectations and demands of TOP's stakeholders (including shareholders, corporate customers, students and their parents, employees, suppliers, creditors, regulatory authorities and the public) are key to TOP's ESG approach. Stakeholder engagement is done through typical communication channels in TOP's ordinary contact with stakeholders, during which their views and feedback are collected through constructive dialogs and maintaining a close working relationship with them. The stakeholder groups, their expectations and their typical communication channels with TOP are shown below:

| Stakeholder Groups | Expectations | Typical communication channels |
|---|---|---|
| Government and regulatory authorities | • Educational service quality and risk management<br>• Compliance with laws and regulations<br>• Internal inspection<br>• Employees' and students' health and safety | • Seminars for staff<br>• Financial reports, announcements and circulars<br>• Direct communication via email and telephone |
| Corporate customers, students & their parents | • Research and teaching quality<br>• Student information protection<br>• Administrational and psychological support and care for overseas students<br>• School atmosphere<br>• Health and safety protection<br>• Career prospect<br>• Fair assessment | • Open day<br>• Collection of complaints and feedback<br>• Maintaining good communication with students<br>• Caring for student life<br>• Helping families experiencing difficulties<br>• Survey of student's satisfaction |
| Employees | • Training and career development opportunities<br>• Salary and welfare<br>• Working environment<br>• Health and safety protection | • Staff activities<br>• Employee notice board<br>• Training, seminars and workshops<br>• Meetings of the Academic Board and its sub-committees<br>• Staff orientation<br>• Regular memo to staff<br>• Direct communication to collect opinions from staff<br>• Staff training, seminars and briefings<br>• Cultural activities |
| Suppliers and agents | • Good business relationship<br>• Fair and honest dealing<br>• Information sharing | • Regular communication via email or telephone<br>• Regular progress meetings or reports<br>• On-site visits |

| Stakeholder Groups | Expectations | Typical communication channels |
|---|---|---|
| Shareholders and investors | • Return on investment<br>• Information disclosure and transparency<br>• Protect the rights and interests of shareholders<br>• Disclose relevant and accurate information in a timely manner<br>• Corporate governance policies<br>• Run business in compliance with laws and regulations<br>• Combat corruption and uphold integrity | • Shareholders' meetings, AGM, etc.<br>• Financial reports, announcements and circulars and other publicly available information<br>• Company enquiries via e-mail and phone<br>• Information disclosure of listed companies<br>• Roadshows/conference calls/ meetings with investors/ shareholders<br>• Enquiries via telephone/emails<br>• Investors' on-site visits<br>• Website information disclosure on the Stock Exchange and the Company |
| Local communities, non-government organisations, prospective students and the general public | • Employment opportunities<br>• Ecological environment<br>• Community development<br>• Social commonwealth<br>• Enthusiasm towards public welfare<br>• Charitable donations<br>• Reduction in pollutant emissions<br>• Reduction in waste | • Charitable activities<br>• Community investment and service<br>• Stakeholder engagement<br>• Environmental protection activities<br>• Sponsorships and donations |
| Media | • Transparency of information<br>• Good media relations | • Website information disclosure on Stock Exchange and the Company<br>• Financial reports, announcements and circulars and other publicly available information |

Key stakeholders including shareholders, directors, management team, staff and students have been involved in discussions to review areas of attention and provide feedback on ESG issues. Based on the list of ESG aspects set out in the ESG Reporting Guide, TOP has collected information and has made assessment of the impact of each of these aspects and has concluded with the following materiality assessment results.




| Environment | | Employee | |
|---|---|---|---|
| 1. | Environmental compliance | 5. | Salary and welfare |
| 2. | Investment in environmental protection | 6. | Health and safety protection |
| 3. | Greenhouse gas emissions | 7. | Employee diversification |
| 4. | Waste management | 8. | Training and career development |

| Business | | Community | |
|---|---|---|---|
| 9. | Anti-corruption | 13. | Community development |
| 10. | Service quality | 14. | Charitable donations and community service |
| 11. | Intellectual property rights | | |
| 12. | Supply chain management | | |

The most material ESG aspects were service quality, training & career development, intellectual property rights and salary and welfare. With these results in mind, TOP will continue to improve its ESG processes and performance to meet the expectations of the stakeholders. Details of these ESG efforts during the Reporting Period are presented below in four sections, namely "Environment", "Employee", "Business" and "Community".

## Environment

TOP's principle business activity is the provision of higher education services and by nature of our business we engage in activities that have only minimal direct impact on the environment. Nonetheless, TOP recognizes the importance of environmental protection and has adopted a number of measures which are regularly carried out to manage emissions and waste in the course of our business operations.

### Aspect A1: Emissions and Wastes

***Air and Green House Gases ("GHG") emissions***

From the data collected, TOP noted the environmental impact resulting from the use of Company vehicles was small compared to the impact from other ESG aspects. As a result, which is also reflected from the above materiality assessment, TOP has chosen not to disclose the KPIs relating to air emissions and scope 1 GHG emission. We will continue to monitor vehicle usage closely and make disclosure as appropriate in the future should the impact resulting from the usage become material.

The use of purchased electricity was the main contributor of TOP's GHG emissions during the Reporting Period. Electricity consumed by TOP was purchased from an electricity company which generated these GHG directly by the burning of fuel during its electricity generation. This electricity company is subjected to stringent environmental protection laws and regulations imposed by the Australian government, which includes a duty to monitor pollution levels, prepare and implement pollution incident response management plans, and mandatory environmental audits. The approximate volume of scope 2 energy indirect GHG emissions in $CO_2$ equivalent emissions ("$CO_{2e}$") during the Reporting Period were as follows:

| **(Units: Tonnes of $CO_2$e)** | | **For the year ended 30 June** | | | |
|---|---|---|---|---|---|
| | | **2021** | | 2020 | |
| **GHG emissions** | **Emission sources** | **Total volume emitted** | **Intensities (note 1)** | Total volume emitted | Intensities (note 1) |
| Scope 2: Energy indirect emissions (note 2) | Purchased electricity | **60** | **30** | 80 | 40 |
| | | **60** | | 80 | |

Note 1: Intensity is measured by the total volume emitted for that scope during the Reporting Period divided by a denominator. The denominators of GHG emission are determined as follows:

Scope 2:2 (2020: 2), being the number of campus where purchased electricity was used during the Reporting Period. Level 3 of Yerrabingin House's electricity charge is included in the building management fees, thus TOP does not have the usage data. However, it is an eco-friendly campus with daylighting design which TOP believes the emission from electricity used was minimal.

Note 2: Energy indirect emissions' calculations are reference to the "National Greenhouse Accounts Factors" issued by Australian Government.

The scope 2 energy indirect GHG emissions have been decreased by approximately 26% compared to last year, a result of work from home arrangement during COVID-19, together with TOP's continuous environmental protection efforts as described in the later section titled "environmental protection measures". As TOP has tried its best to minimize the amount of GHG emission, we set an emission target next year which is keeping the scope 2 energy indirect energy emissions at the same level as the Reporting Period.

By comparison to scope 2 GHG emissions, the environmental impact of scope 3 GHG emissions was relatively low. Emissions from airplanes due to business air travels and emissions from landfills due to TOP's disposal of paper was minimal because of COVID-19, TOP as a result has chosen not to disclose scope 3 GHG emissions due to its minimal impact. TOP believes online communication would be the ongoing trend and will continue to monitor scope 3 GHG emissions closely and make disclosure as appropriate in the future should the impact become material.

***Wastes***

Wastes generated by the Company were entirely non-hazardous in nature and minimal in quantity, consisting of mainly domestic waste such as food wraps, drinking cans and bottles, waste paper products and stationeries from office.

Despite this, various waste reduction measures were implemented at TOP to further reduce the amount of waste around the building, which will be detailed in the later section titled "environmental protection measures". No data on waste generation were collected, since significant efforts would have been required for its collection, but analytical results of these data would have been of insignificant value compared to our other ESG efforts during the Reporting Period. Therefore, the Company does not set reduction target on waste. And, TOP is an education provider, hence does not use packaging materials in the course of business.

## Aspect A2: Use of Energy and Resources

Electricity was the major source of energy used by TOP during the Reporting Period, used in all areas of our business operation such as general lighting in classrooms and offices, and the powering of equipment such as ventilators, projectors, computers, screens, and printers around the area. The total energy consumption during the Reporting Period was approximately 74,000 (2020: 99,000) kilowatt hour ("kWh"), averaging a consumption amount of approximately 6,000 (2020: 8,000) kWh per month, showing a decrease in consumption compared to last year. With TOP's continuous environmental protection efforts as described in the later section titled "environmental protection measures", TOP targets to keep the electricity usage at the same level as the Reporting Period.

TOP uses a modest amount of water in toilets and pantries, which accounts for the majority of the resources used during the Reporting Period. TOP does not have any issue in sourcing water that is fit for purpose as its only secondary to TOP's operation. TOP has not collected and analysed the KPI for water consumption, since significant efforts would have been required but the conclusion of these analysis would have been of insignificant value compared to TOP's other ESG efforts during the Reporting Period. Therefore, TOP does not set water efficiency target.

Nonetheless, both energy and resource conservation are essential parts of TOP's ESG strategy which will be detailed in the later section titled "environmental protection measures".

## Aspect A3: Environment and Natural Resources

Other than water as described in the previous section, we did not consume significant resources from, nor causes any significant impact on the environment during the Reporting Period. Wastewater generated from toilets and pantries was properly disposed of through designated network of pipelines provided by the city of Sydney which are ultimately connected to the mains sewer for sewage processing. The direct impact on the natural environment as a result of our operation is therefore minimal.

Nonetheless as outlined in the next section, we are committed to environmental protection and have adopted and implemented a number of measures to reduce the negative impact on our environment and habitat.

***Environmental protection measures***

As a responsible higher education provider in Australia which is home to a diverse species of wildlife, it is no doubt that one of TOP's strategic priorities is the conservation of this beautiful environment through integrating ESG concepts into the cultivation of our student as well as our staff.

Specifically, TOP has the following measures which are regularly carried out to achieve our ESG strategy in the course of our operations:

- We have eco-friendly campus, using construction materials which are strictly environmental-friendly;
- The campus uses automatic lighting system, in which the lights in an area turn on only when it detects people's presence and then automatically turn themselves off a period of time after they have left;
- In addition, the campus uses a daylighting design which reduces the use of electricity by introducing natural daylight to indoor areas as far as possible;
- LED technology had been employed in a visual art work on the exterior of Yerrabingin House; this work also invited staff and students to reflect on relationship between weather, environment and mood;
- We will continue to develop our "Intelligent Education" strategy, which includes digital education solutions that complement traditional classroom teaching to facilitate the effectiveness of studies and efficiency of utilising resources;
- Educational posters are displayed in common area of the campus to promote the importance of environmental protection to students and employees in order to enhance their environmental awareness;
- Our policies and procedures are regularly updated to incorporate rules and guidelines on environmental protection in order to assimilate them into daily workflows;
- These policies and procedures enable us to minimize emissions and conserve the use of energy by:

    i. Reminding our employees to turn off office equipment such as computers, photocopiers, printers, air conditioners and others when not in use, or during non-office hours such as evenings and weekend;

    ii. Reminding our employees to keep the doors and windows shut when air conditioners are in operation;

    iii. Encouraging our employees to commute or travel to/from external meetings through the use of carpooling (i.e. car share) wherever possible;

    iv. Making arrangements to inspect electricity and power equipment regularly, ensuring their safety as well as operating efficiency;

    v. Reminding employees to stay at the office after work hours only when necessary, as well as working from home instead of from office should they need to work during weekend;

- These policies and procedures also enable us to minimise waste and conserve the use of resources (for example, paper) by:

    i. Reminding employees to reduce the use of office supplies wherever possible;

    ii. Centralising the orders for office supplies from various departments to reduce delivery distance and packaging wastes;

    iii. Reusing or recycling packaging such as plastic or paper bag, and paper cartons;

    iv. Collecting cardboard in a bin at the Biomedical building rubbish room and utilising the cardboard disposal service provided by the landlord to recycle these waste;

    v. Dispose computers responsibly by handing them over to authorized e-waste collection and computer recycling service sites for recycling;

    vi. Reduce excessive printing by going paperless as far as possible, by distributing information and documents through electronic means in daily workflows;

    vii. Utilizing digital devices to the greatest extent for internal meeting and internal communications, which cuts down on paper printing as well as travelling;

    viii. Reusing printed paper wherever possible, subject to the personal data privacy requirements;

    ix. Encourages thinking twice before printing any email, and the message "Please consider the environment before printing this email" is attached to the bottom of every email sent to remind the recipient to do the same;

    x. Use e-material such as flyers, student guide and videos when conducting agent training;

    xi. Send all monthly newsletter and campaign materials to agents via email; and

    xii. Pay more attention to better utilise website to provide information to agents and students so that all products information can be found from TOP's website.

- With regards to TOP's company vehicles:

    i. Drivers are encouraged to study traffic rules, traffic maps and routes so that they take efficient paths to their destinations, saving them time as well as fuel;

    ii. Drivers are also encouraged to switch off engines when idling for more than a short period, and also require them to be proficient in the technical performance of the vehicle so they can use it much more efficiently;

    iii. Carry out inspection and maintenance of vehicles regularly to keep them in good condition, as well as ensuring safety and operating efficiency;

    iv. Dispose of old vehicles by selling it in second hand market rather than scraping it wherever possible.

TOP is also committed to complying with environmental laws and regulations. We strictly comply with the Environment Protection and Biodiversity Conservation Act 1999, Protection of the Environment Legislation Amendment Act 2014, Protection of the Environment Legislation Amendment Act 2011 and Protection of the Environment Operations Act 1997 in Australia, and all other relevant laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste and heritage protection.

During the Reporting Period, TOP has not received any complaint from individual or the authority, nor has paid or was liable to pay any penalty as a result of any breach of relevant environmental laws and regulations in Australia (2020: Nil).

### Aspect A4: Climate Change

TOP has considered the physical risk which include acute risk like increasing heavy rainstorm, wildfire, hot weather; chronic risk including rise in sea level. Which the acute risk will post immediate safety issues to our staff and students, the Company has established emergencies and evacuations guidelines to ensure staff and students' safety. For transitional risk, TOP has considered the policy and legal risk, which the government will post more laws and regulation on the GHG emissions and energy usage, as we have minimal usage on energy and minimal GHG emissions due to its business nature, TOP considers the risk is relatively low, however, TOP will monitor the issuance of new laws and regulations and access the risk posted to TOP timely to mitigate the effects to TOP.

## Employees

### Aspect B1: Employment

TOP's workforce is not only the most valuable asset in our operations, it is also the solid foundation for the furtherance of our sustainable development journey. Hence it is our highest priority to ensure a fair, harmonious, comfortable, ethical, and safe working environment for all employees.

To that effect, TOP has formulated a set of human resources policies together with the employee handbook which cover areas such as remuneration, recruitment and selection, promotion and disciplinary measures, leave entitlements and other employee benefits, as well as guidelines related to employee privacy, external work, training and development, staff performance review, occupational health & safety, code of conduct, anti-bribery, equal opportunities and grievances. These policies are clearly communicated to all levels of employees, both current and the newly employed.

TOP respects and protects employee rights and is committed to equal employment, as detailed in our anti-discrimination policy and anti-harassment policy. We have fair policies for recruitment, remuneration and disciplinary decisions, which are never based on race, gender, nationality, ethnicity, religion, sexuality, socio-economic background and disability or anything other than their qualifications and their abilities to fit the requirements of the job. TOP does not impose any limit on age other than the legal age limits for employment. TOP encourages employees at all levels to conduct business in a professional manner with integrity, impartiality and honesty. TOP does not tolerate unethical conduct, discrimination, bullying or harassment in any shape or form. To that end, TOP requires employees to observe the staff's "Code of Conduct" and has established grievance procedures to receive suggestions and complaints from employees as outlined in the later section "Aspect B7: Anti-corruption".

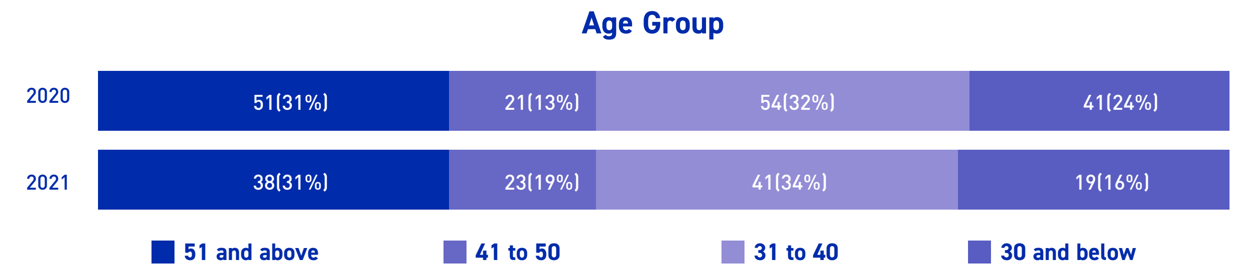
TOP maintains good working relationship with employees and has not experienced any significant labour disputes since our inception. TOP invests significant time and resources to fulfill its obligations under The Fair Work Act 2009 (the "FWA").

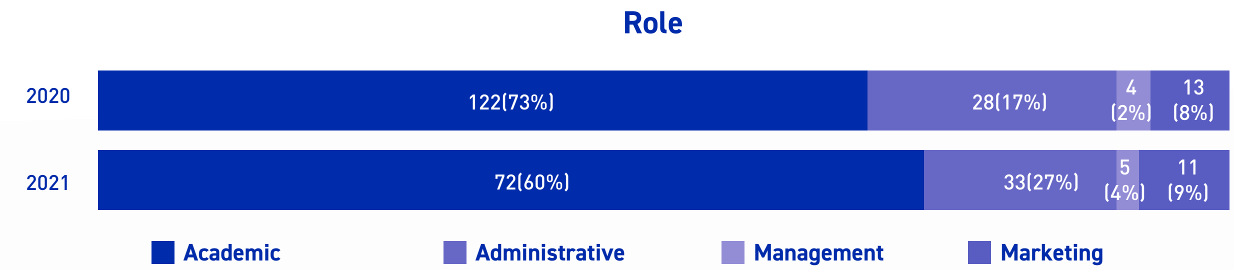
During the Reporting Period, TOP has not received any complaint from an individual or the authority, nor has paid or was liable to pay any penalty as a result of any breach of the FWA and its related regulation, or other relevant employment laws and regulations in Australia (2020: Nil).

***Workforce***

TOP had 121 (2020: 167) employees working in Australia during the Reporting Period. TOP has developed human resources workplace strategic plan which will enable it to meet the demands from and continuously assess the required capabilities of existing and future student enrolments based on its current operating context. In the plan TOP is also committed to improving teaching quality by hiring lecturers with better teaching attributes such as the depth of knowledge in the subject, academic reputation and qualifications, etc. In support of continuous learning, TOP has allocated financial and other resources to support scholarship activities for any employed teaching/academic staff.

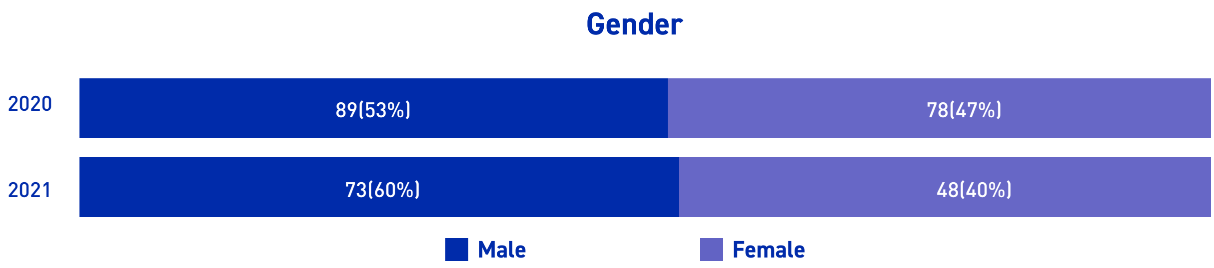
The workforce number and rate categorised by age group and role are depicted below:

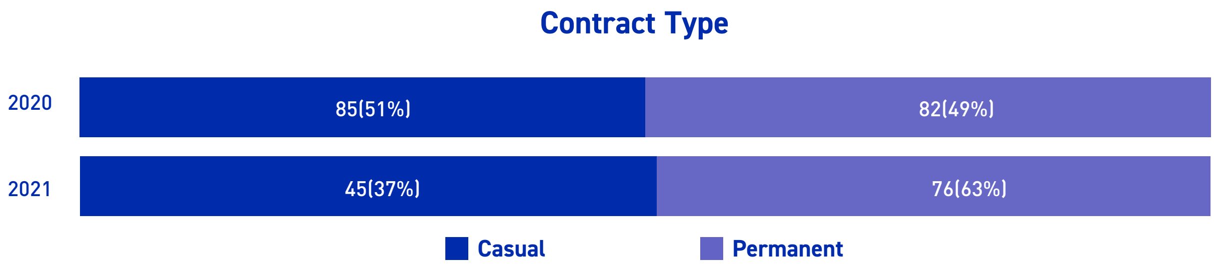



Academic staff consists of professors, tutors, exam invigilators, librarians, and student ambassadors. They are responsible for largely for academic-related duties such as tutoring, teaching, and undertaking of research. Administrative staff consists of directors and student support and services staff who deals with the daily administrative duties such as processing student application and admission matters, organization of classes, launching of new courses, and student communication, etc.

The workforce number and rate categorised by gender and the contract type are depicted below:




In order to ensure consistency of teaching quality, TOP has maintained its casual academic ratio over the years. Meanwhile employment under the casual basis remains an option open to those staff who prefer flexibility. For instance, some academic staff may wish to teach at other institutions, or pursue other lines of work while also working to teach at TOP. On the other hand, by being able to employ staff on a sessional basis provides TOP with the flexibility to offer courses on a broader variety of topics, allows TOP to more easily adapt for market demands, and make better accommodation for student requirements.

TOP has kept a workforce which is gender-balanced for both reporting years, a female-to-male ratio of approximately 1.5:1 for the Reporting Period (2020: 1:1).

***Recruitment and retention of talents***

TOP's success depends on its ability to attract, retain and motivate quality personnel. TOP prides itself in the ability to attract and maintain a stable core workforce through providing a fair working environment, a fair remuneration and appraisal scheme, as well as training and development opportunities for employees.

TOP provides a fair working environment through its recruitment, remuneration and promotion policies by ensuring that recruitment, remuneration and promotion decisions are made on the basis of individual merit, taking into account his/her history of working experience, qualifications obtained, type of professional expertise, general aptitude as well as the level of competency expected by the job position and that possessed by the individual.

TOP strives to ensure that its employees are reasonably remunerated and properly incentivised. TOP implements an appraisal program that reviews staff performances during their probation, after probation and annually to explore those areas that meet expectations as well as those that are underperforming. Ultimately, these appraisal exercises aim to motivate the staff to attain their career goals, help them to achieve their full potentials, as well as to identify ambitious individuals. TOP collects up-to-date remuneration data within industry and establishes a fair, reasonable and competitive remuneration scheme to ensure that remuneration packages it offers is in line with the industry standards for the higher education sector in Australia.

The quality of staff underpins TOP's ability to provide quality higher education. TOP refers to TEQSA's Higher Education Standards Framework 2015, maintains rigorous policies and procedures with respect to staff recruitment to ensure the quality of the academic staff. Quality assurance policies and procedures will be further discussed in the later section titled "Aspect B6: Product Responsibility".

The quality of TOP's service also relies on the ability of its staff to maintain their teaching quality by keeping abreast with the latest knowledge and development in the subject area of their relevant profession. Training and development of TOP's employees will be discussed in the later section titled "Aspect B3: Development and Training".

*Employee turnover*

During the Reporting Period, a total of 17 (2020: 18) employees left TOP, representing an employee turnover rate of approximately 14% (note 1) (2020: 11%). The employee turnover number and rate (note 2) by age group, gender and roles were as follows:

| | **2021** | 2020 |
|---|---|---|
| **By gender** | | |
| Male | **6 (9%)** | 7 (9%) |
| Female | **11 (30%)** | 11 (16%) |
| **By age group** | | |
| 30 and below | **5 (36%)** | 8 (24%) |
| 31-40 | **7 (21%)** | 8 (17%) |
| 41-50 | **– (-%)** | – (-%) |
| 51 and above | **5 (15%)** | 2 (4%) |
| **By role** | | |
| Academic | **5 (7%)** | 6 (5%) |
| Administrative | **8 (32%)** | 8 (40%) |
| Management | **1 (25%)** | – (-%) |
| Marketing | **3 (38%)** | 4 (44%) |

Note 1: The rate is computed by dividing the number of employees leaving employment by the number of employees as at year end.

Note 2: The rate is computed by dividing number of employees in specific category leaving employment by the number of employees in the corresponding category as at year end.

## Aspect B2: Health and Safety

TOP is committed to providing a comfortable and safe working environment for our employees, and we put continuous effort into maintaining and improving of the well-being of our employees.

We have established a workplace health and safety policy, as well as adopted a three-step approach to ensure occupational health and safety ("OHS") risk in the workplace is adequately addressed and complies with the relevant laws and regulations in Australia such as the Work Health and Safety Act 2011. This workplace health and safety policy is clearly delivered to all our employees and is updated from time to time to ensure that our employees are not exposed to risks to their health or safety.

***OHS risk management approach***

We adopt a three-step OHS risk management approach as follows:

1. *Risk Identification*

   It is the responsibility of all workplace participants to identify risks and inform their line manager or Human Resources ("HR") department of potential workplace and/or personal hazards. A member of staff who identifies a risk or potential risk in their daily work should notify the HR Department immediately. If a HR representative is unavailable, potential hazards should be reported to the line manager.

2. *Risk Assessment*

   An assessment will be made and action will be taken on all identified and reported risks. The HR department will assess risk and identify measures to control/eliminate the risk. If the risk is not significant, an assessment and recommendation will be recorded and raised in a Management meeting.

3. *Addressing the risk*

   HR department will, in consultation with the Chief Executive Officer, senior management, law enforcement agencies and other organisational groups, design an action plan to control and minimise identified risks. The HR department may, at its discretion, assign workplace participants with tasks and/or additional responsibilities to minimise and/or eliminate risk.

The risk will be monitored at regular intervals to ensure the safety of workplace participants.

***Health and safety precautions due to COVID-19***

In response to managing the risk and impact that COVID-19 brings to TOP, TOP continued to follow the Risk Management Plan on Campus for Outbreak of the COVID-19 to promptly respond to the pandemic. This Risk Management Plan puts the safety protection of its students and staff members as the highest priority.

In addition, the management team has established a COVID-19 response taskforce, headed by the CEO and the principal working together with other senior administration staff and academic members including deputy principals, and vice presidents, reporting to senior management and the Council. It is responsible for keeping up-to-date with the current situation, coordinating and communicating with different business units and make timely response decisions in according to the risk management plan.

The risk management plan contains risk mitigating measures including:

- Provide students and staff members with face masks;

- Provide anti-bacterial hand sanitiser on campuses and remind students and staff members to wash hands frequently;

- Order disinfection service in additional to existing daily cleaning on campuses;

- Advise students and staff members to consult a doctor as soon as they feel ill or experience symptoms include fever, diaphoresis, chills, cough, sore throat and shortness of breath;

- Follow-up with students and staff members of suspected or confirmed COVID-19 case and keep governmental health authorities informed;

- Setup hotline to respond to students' queries;
- Publish relevant guidelines and advice from the governmental health authorities on TOP's website and circulated to students and staff members;
- Ensure normal wages and other entitlements of the staff members during the period in which they are under medical treatment or in voluntary isolation;
- Implement information transparency for all students and staff members in relation to the matter for protecting their best interest; and
- Advise staff members to avoid business trips to affected areas until the travel risk are revoked.

***Workplace safety***

The Human Resources department and facility manager conduct safety check on all premises as necessary. In the case of new premise, a safety check will be undertaken prior to signing the tenancy agreement. A formalised report and recommendations on these checks will be reported to the Chief Executive Officer, who will discuss the findings and consider the recommendations, seeking additional information if required. Agreed recommendations will be put forward for action at the next staff meeting, and those recommendations which are not taken will be discussed and provided with reasons for not proceeding.

There are also policies and procedures in place to ensure that there are adequate first aiders on duty while staff and students are at the premise; fire suppression equipment, electricity and power equipment are checked at regular intervals to ensure safety and comply with laws and regulations; requirement to report and record occurrence of serious incident or potential hazards, including workplace injury and serious illness, as well as a company vehicle policy for those who drives company vehicle to ensure that employees drive responsibility and any occurrence of accident is reported.

Having a sound emergency and evacuation procedure is part of our responsibility, as a result floor plan and evacuation procedures are put on noticeable places in all classrooms and offices to indicate the escape routes and exit signs in case of emergency. Students, staff and visitors should follow these procedures where there is an emergency.

In addition, TOP encouraged our employees to express their views and provide information to the Human Resources department and show them their opinions are highly valued to build a culture that everyone takes responsibility for maintaining a safe and healthy work environment. We also pay attention to our employees' well-being, adopting a five-day work week and established standard working hours in accordance with Australia labour laws to encourage a better work-life balance. We also organised a number of leisure activities which helps to improve the physical and mental health of our employees.

***Training***

We provide training on topics related to occupational health and safety to all employees and keeps them up-to-date with the latest knowledge and raise awareness on occupational hazard mitigation. These training programmes are detailed in the next section.

*Compensation*

In addition to the government-mandated employment entitlements, we also maintain workers' compensation insurance under workers compensation legislation to provide support for employees in the unfortunate event of sickness or workplace injury which covers their loss of work, medical expenses and rehabilitation.

During the Reporting Period, there were no work-related fatalities and no lost on workdays due to work injuries (2020, 2019: Nil).

## Aspect B3: Development and Training

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

TOP has established the Training and Professional Development Policy, through systematic training and professional development, to ensure that employees have the training required to fulfill the continuous professional training requirements of their respective profession. All staff members are required to develop an annual Individual Development Plan that identifies areas of development that will lead to professional growth and improved instruction.

The types of training topics employees completed during the Reporting Period are tabled below:

| | For the year ended 30 June | |
|---|---|---|
| **Training topics** | **2021 Total training hours** | 2020 Total training hours |
| Professional & Skills | **332** | 447 |
| Induction and Ongoing Updates | **106** | 548 |
| Ethics & Compliance | **60** | 87 |
| Staff welfare | **121** | 40 |
| Total training hours | **619** | 1,122 |

The rate of total employees who took part in the training is 100% (2020: 70%). The rate of employees trained[note 1] and average training hours per employee[note 2] by gender and by employee category are as follows:

| | For the year ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| **By Gender** | | |
| Male | **46% (3.90)** | 35% (4.36) |
| Female | **54% (6.96)** | 65% (9.41) |
| **By employee category** | | |
| Management | **15% (18.00)** | 11% (32.25) |
| Academic | **41% (3.54)** | 55% (5.02) |
| Others | **44% (6.22)** | 34% (9.28) |

Note 1: The rate is computed by dividing the number of employees in specific category participated in the training by total number of employees participated in the training.

Note 2: The average hour is calculated by dividing the training hours of employees in specific category by the number of employees in the corresponding category.

Compare to last year, TOP launched trainings with similar topics to its employees with an overall of 619 (2020: 1,122) training hours, the total training hours decreased, due to lockdown in locations of TOP's main campus where face-to-face training could not be conducted.

### Aspect B4: Labour Standards

The Company prohibits unethical business practices, such as child and forced labour, which is clearly stated in the employee's code of conduct. TOP actively detects and prevents child labour through its comprehensive screening in the recruiting process, checking the identity document, and their working visa if applicable prior to any employment. TOP also provides a grievance process for anyone including employees to file a complaint or report unethical behaviour, which is described in detail in the section "Aspect B7: Anti-corruption". TOP focuses on taking preventive measures at the source and hence is confident that unethical business practices, such as child and forced labour will not occur in the future.

Work schedules are arranged with input from the employees to ensure they are set up fairly, that the employees work voluntarily and are provided with adequate rest and the appropriate work-life balance to ensure service quality excellence. In cases where overtime work is required, employees do so of their own accord and overtime compensation is provided in accordance with relevant labour laws and regulations.

Moreover, as stipulated in their individual employment contracts and staff handbook and in accordance with relevant laws and regulations, all employees are provided entitlements such as maximum weekly hours, flexible working arrangements, annual leave, compassionate leave, sick leave, parental leave, public holidays, and others as stipulated in the National Employment Standards of the FWA and other relevant laws and regulations in Australia.

## Services

TOP is devoted to delivering quality high education courses and excellent student experience. In the analogy of a production line, quality products require the establishment of a robust quality control mechanism. As a producer of quality high education courses, TOP is no different. Details of TOP's quality assurance mechanisms will be described in the section titled "Aspect B6: Product Responsibility".

Third-party agents are the main suppliers in TOP's service supply chain. These agents provide students, the majority of whom are international students, with information and advice about various higher education providers, guide them through the application process and many also assist with other aspects of student life such as applying for visas, finding housing and providing career guidance. TOP coordinates with these agents to ensure that they have accurate information about TOP to provide to students and are knowledgeable about TOP and the application process. These third-party agents are subjected to Australian regulations, and hence it is vital to TOP's business to be able to work closely with these third-party agents and ensure their regulatory compliance.

## Aspect B5: Supply Chain Management

TOP has established policies and procedures to ensure that agents meet its standards, by undergoing a vetting process before listing them in TOP's authorised agents list. TOP has approximately 317 (2020: 282) active authorised agents in the list as at the end of Reporting Period, 307 in Australia, 9 in China and 1 in Vietnam.

Prior to authorising an agent, TOP has a process to review their accreditations, qualifications and references to ensure that the agent is reliable and trustworthy, and ensure that they are not agents explicitly banned by the authorities. After such review, TOP provides training to all agents with up-to-date and accurate course and programs information, clarifies agents' obligations or responsibilities under National Code, ESOS Act and the contract. Conduct meeting and campus tour for onshore agent.

Signing long-term written agreements with agents, with all these authorised agents which set out the terms of agents obligations, these include:

- A duty to adhere to and maintaining compliance with all applicable laws and regulations, such as regulations protecting international students and privacy laws and laws and regulations governing third-party agent;
- A duty to promote TOP and its courses to suitable prospective students with accuracy and integrity and recruiting such students in an ethical and responsible manner;
- A duty to accurately inform prospective students about the requirements of TOP, courses and tuition and fee policies and about the education system and life in Australia;
- A duty to assist students in the application process by ensuring all necessary documentation is included;
- A duty to seek TOP's prior approval for using its name and trademarks in their promotional or marketing activities;
- A duty to providing relevant market information for records and research; and
- A duty not to make any representations or guarantees and not incurring any expenses or liabilities on TOP's behalf without its consent.

TOP's obligations in the written agreements include the following:

- Provide the agent with up-to-date and accurate information about TOP and its courses, and keep them informed about student applications they lodged to TOP;
- Provide the agent with adequate training regarding appropriate conduct;
- Inform the agent of any changes regarding visa requirements or visa application processes;
- Nominate a person to act as a point of contact and liaison with the agent; and

- Monitor the performance and activities of agents on an ongoing basis and take corrective actions if TOP becomes aware that an agent may be in breach of their contract terms with it or engaging in unethical activity. To that effect, TOP has established and adopted the International Agent Monitoring Policy to ensure the monitoring of agent's compliance.

TOP conducts regular monitoring of all agents and their referred students to ensure that agreements maintain to be in the best interest of TOP and its students. Regular checks include but not limited to the following:

- Ensure all staff who are allocated to market for TOP have completed TOP's training;
- Check data entered into the record management system accurately reflects Agents' records;
- Keep records of all training and checks on the Agent's profile in TOP's management system; and
- Investigate records after receiving any complaints in relation to Agents' activities.

TOP has maintained a long-term relationship with these authorized agents and with this above-mentioned monitoring policy, TOP may cancel the client services agreements with perspective agents that breach contract conditions. Agents with unsatisfactory performance shall be removed from the authorized agents list.

## Aspect B6: Product Responsibility

***Quality assurance***

Academic quality assurance is a vital part of TOP's strategic plan and is built into its general business planning and reporting processes. TOP's academic quality assurance ensures that its learning system maintains a high standard of academic integrity and continuously improves the quality of its teaching and learning.

TOP's courses are designed and developed by senior academics with considerable experience and those with previous appointments in Australian universities. The development is supported by TOP's academic staff members under the supervision of the respective Deans.

TOP has an established policy and procedure to regularly review and assess its academic courses. These reviews are integral part of our quality assurance process which is also a vital element for obtaining approval from TEQSA for its partial SAA status. The review includes formal processes that analyses and evaluates the level of educational objective achieved and the related learning outcomes. In addition, TOP also regularly conducts informal consultations and obtain feedback from the engagement with academic staff, students, the profession and other key stakeholders. These reviews also include benchmarking against other like education providers, including Australian and overseas universities, ensures that reviews of academic standards are evidence-based analyses.

On the governance level, TOP has established a distinct governance and management system to ensure continuous quality excellence.

In this system, the Board of Directors has ultimate decision-making authority but has delegated the general oversight of higher education provision to the Council, which is the corporate governing body. The Council comprises fifteen members and meets at least four times a year to discuss the latest developments, consider progress on long-term strategic plans, review financial reports and analyse risk factors affecting TOP. Seven of the members of the Council are independent parties, who are not employees, members of management, Shareholders or executive Directors of TOP, and can voice outside viewpoints on these decisions. Many of the Council members are experienced academics who have held senior positions in Australian universities, such as Vice-Chancellors or Deputy Vice-Chancellors. The Council is primarily responsible for oversight of Institute as a whole and setting the overall strategic direction and framework of policies needed to achieve institutional objectives and ensure compliance with regulatory requirements.

The Council delegates authority to the Academic Board, which is the academic governing body, to oversee academic quality assurance, academic integrity and independence. The Academic Board comprises twelve members and meets six times a year. Four of the members of Academic Board are external members, who are not employees, members of management, Shareholders or Directors of TOP. Many of the Academic Board members are former or current deans, professors or deputy vice- chancellors of Australian universities. The Academic Board advises the Council on academic matters and approves and monitors academic policies. The Academic Board has three sub-committees: namely the Course Advisory Committee, the Teaching and Learning Committee (the "TLC") and the Student Grievance Committee. Membership of the sub-committees is based on appointment by the Academic Board.

Course Advisory Committee's major academic functions includes monitoring the development of new courses and regularly reviewing existing courses to ensure that they meet regulatory requirements for quality and recommending improvements to the Academic Board to ensure that TOP's quality standards meet the latest benchmark targets. For example, the Course Advisory Committee is responsible for determining what outcomes each class and overall course should ultimately be able to provide to the students. The Course Advisory Committee meets periodically during the course development process. Every course is reviewed at least once every five years. These course reviews are initiated by the Academic Board and conducted by the Course Advisory Committee. More frequently reviewed are the units of each course, which are evaluated by teaching staff at least once every two years. The Course Advisory Committee also implements a process of review that requires external benchmarking, which is a data driven process using student data. There may be extra review processes using internal experts as well as independent external review experts when necessary.

The TLC is responsible for ensuring that the classes and courses are achieving target outcomes in line with TOP's institutional teaching and learning plan. For example, the TLC reviews class outlines, course materials and teaching evaluations to determine if the classes are achieving the target outcomes set by the Course Advisory Committee and reports its findings to the Academic Board. The TLC meets approximately every two months.

The Student Grievance Committee meets only when a student is not satisfied with the results of prior dispute resolution processes with TOP's academic staff. The Student Grievance Committee consists of one Academic Board member with a legal background and two external parties to be brought in on an ad hoc basis in order to ensure impartiality and independence. The Student Grievance Committee has only needed to be convened once during the Reporting Period to review a student's grievance.

The quality of employees is another crucial element of ensuring TOP's service quality. Through comprehensive and rigorous recruitment process, TOP ensures the employees are sufficiently qualified and experienced. Our hiring policy requires that all of academic staff have obtained the appropriate qualifications. Many of TOP's professors and lecturers have previously taught at Australian universities.

When TOP hires new academic staff, interview and check references are conducted for each candidate. Once hired, as detailed in the section titled "Aspect B3: Development and Training", TOP provides induction training and support further academic and professional development opportunities for the academic staff, such as, conferences and scholarly publications. These activities help enhance their scholarship which in turn, help continually advance TOP's teaching and learning outcomes.

In the unfortunate event of course discontinuation, for instance due to major course revision following a formal course review process or changes in student demand, or strategic positioning of a particular market, TOP has a course transition and teach out policy in place to deal with such an incident to lessen any negative impact to employees and students.

***Digitalized delivery methodology***

The outbreak of COVID-19 has brought severe interruption in the delivery of face-to-face teaching. To address this issue, TOP has adopted digitalized methodology to deliver teaching online for all courses commencing from the first semester of 2020, while closely monitoring TEQSA on their requirements to resume face-to-face teaching. Thus amid lockdown and social distancing restrictions in Australia, TOP's digitalised delivery has ensured minimal interruption to students who wish to continue with their study as planned.

Besides online teaching, TOP has implemented an online enrolment system to facilitate existing students to select and enroll courses since the first semester of 2020 that commenced in March. Prospective students can also use this system to submit their course applications.

Moreover, TOP has continued to enhance its facilities in order to build a "smart campus" during the Reporting Period, such as the utilisation of Cloud Classroom to connect students on pathway programs outside of Australia, as well as online teaching for non-award programs.

TOP also had negotiations with different outstanding research institutions/universities for potential research and development in education technology such as Artificial Intelligence for interactions between teachers and students.

***Academic recognition***

TOP is one of the authorized providers for Accounting Professional Year Program ("APYP"), a program co-launched by CPA Australia, the Institute of Chartered Accountants Australia and New Zealand, and the Institute of Public Accountants and is approved by the Department of Home Affairs ("DHA"). This program provides a combination of highly focused classroom-based workplace readiness skills and training opportunities with qualified trainers with real-world business exposure.

***Regulatory excellence***

During the Reporting Period, we have invested significant time and resources to ensure compliance with government regulations and policies.

TOP's courses are subject to TEQSA regulations and requirements. As a higher education provider with a substantial number of international students, TOP is also required to maintain registration on CRICOS and is subject to the ESOS Act which oversees education provision to international students.

A proven record of continuous compliance is critical in order to retain or renew the relevant accreditations with the authorities, as well as to make way for future growth. For instance, TOP has launched its Master of Business Administration program since March 2018, after it received a full seven years accreditation approval from TEQSA for the Master of Business Administration program in October 2017. TOP also received a letter from TEQSA on 16 May 2018 in relation to its approval for partial SAA in the broad field of education of Management and Commerce, as classified by the Australian Standard Classification of Education, which covers the Australian Qualification Framework from level 5 (diploma) to level 9 (masters degree) Management and Commerce courses offered at TOP.

With regards to marketing publications, TOP has a dedicated team of marketing professionals to ensure that these advertisements and any other content published by TOP are appropriate and in compliance with the relevant laws and regulations in Australia, and in particular ESOS Act and National Code Part D, Standard 1 on the provision accurate course information to students. The above-mentioned standard guides providers in marketing their education and training services and offers a safeguard against unethical practices and assists both providers and students.

***Complaint handling/student satisfaction and feedback***

TOP highly values feedback and considers feedback and evaluation as a key component of its internal and external quality assurance. Stakeholders' views about their experience at TOP provide valuable information in maintaining a successful teaching and learning environment and contributing to ongoing improvement.

TOP aims to provide a timely, effective and transparent system for managing complains and has multiple channels in place to collect feedback which have listed in the previous section "Stakeholder Engagement and Materiality Assessment". Stakeholders can also provide feedback to the student representatives of Council, Academic Board, and other governance and management committees. Students are also invited to take a Student Satisfaction Survey each semester to express their opinions regarding academic staff and units they have enrolled, and specific issues happened during the semester. Student feedback obtained from student surveys are a key component of the Institute's monitoring, review and improvement activities, and an important source of feedback to staff on their teaching.

TOP wants its students to enjoy their time while studying at the Institute. Students have the right to report problems, concerns or grievances regarding any aspect of their education or other related activities, which are within the control of TOP and its management staff. TOP will attend to the complaint and ensures that the concerns are addressed appropriately and as quickly as possible. Thus, TOP has established Student Complaints and Appeals Policy and Procedures and set up Student Grievance Committee to receive suggestions and complaints effectively. Students are informed about this policy prior to enrolment. In addition, information about the policy is included in orientation materials, the Student Handbook and on website. All formal complaints and appeals will be acknowledged in writing and will be informed in writing of decisions, with a full explanation for reasons for the decision and information on further avenues of resolution including external bodies.

During the Reporting Period, TOP has not received any significant complaint related to its services (2020: Nil). TOP as an education provider, at the same time, has no products subject to recalls for safety and health reasons.

With regards to grievance procedures related to anti-corruption, please refer to the later section "Aspect B7: Anti-corruption".

***Protection of intellectual property***

TOP respects and protects intellectual property rights ("IP rights"). TOP has established Academic Intellectual Property Policy, Authorship Policy, Student Academic Integrity Policy, Record and Data Management Policy and Copyright Guidelines to take active steps to protect TOP's own trademarks by making the necessary filing of claims or registration of trademarks. TOP has significant IP rights in terms of course materials, course outlines, lecture notes, case studies, multimedia resources, manuals and handouts etc. TOP protects these IP rights by agreement of non-disclosures and additionally binding employees to Staff Code of Conduct and Ethics Policy to respect and protect the confidentiality of information obtained at TOP.

Measures have been taken to ensure that pre-existing IP is dealt with appropriately. At the commencement of employment at TOP, academic staff must disclose any pre-existing IP or agreements with third parties that may be relevant to their employment at TOP. This decrease the possibility of TOP wrongly claiming IP rights.

During the Reporting Period, TOP has not engaged in and have not been threatened with any claim for infringement of any IP rights, whether as a claimant or as a defendant (2020: Nil). TOP strictly complies with the Copyright Act 1968, Fair Trading Act 1987, Designs Act 2003 (Cwlth) and Patents Act 1990 and believe that it has taken all reasonable measures to prevent infringement of its own IP rights.

***Personal data protection***

TOP considers that privacy and security of information are critical operating principles. TOP recognizes the importance of keeping personal information of its stakeholders, e.g. students and staff, in strict confidence. TOP has implemented various information privacy and information security programmes to protect the security of corporate data as well as personal data privacy.

In addition to TOP's privacy and information security policy, its employees are bound by the terms of their employment contracts and the Staff Code of Conduct and Ethics Policy to ensure that confidential information is properly protected and such information is kept in strict confidence, and that any information that has come in their possession as a result of their employment with TOP will not be disclosed to any person without the prior approval of the designated officer(s) of TOP. Any unauthorized copying, dissemination or disclosure of confidential information, including identities and transaction records of customers, is strictly prohibited.

TOP is committed to complying with relevant laws and regulations on customer data protection and privacy. TOP is subject to Australian Privacy Act 1988 and the Australian Privacy Principles which restricts the use of personal information collected by TOP for specific purposes. TOP obtains consent from students and customers before collecting personal information, using them only for their intended purpose, and destroying them when they are no longer required.

## Aspect B7: Anti-corruption

TOP is committed to adhering to the highest ethical standards and maintaining a culture of integrity and justice for preventing, detecting and reporting all types of corrupt and fraudulent practices, such as bribes, kickbacks, favouritisms, money-laundering, etc.

To combat these malpractices, TOP has established policies and procedures, including but not limited to, Conflict of Interest policy, Fraud and Anti-Corruption policy, Grievance policy, Gift & Benefits policy and Staff Code of Conduct and Ethics Policy. Through the establishment of these policies, TOP encourages all employees to discharge their duties and conduct themselves in compliance with Australian laws and regulations including but not limited to Anti-Money Laundering and Counter-Terrorism Financing Act 2006, Fraud and Corruption Control (Australian Standard AS8001-2008), Ombudsman Act 1974 (NSW); and Independent Commission Against Corruption Act 1988 (NSW) and act in an ethical and responsible manner and show respects to all other staff, students and all parties within campus, at all times. For corruption training, it was conducted over the past years, and was not conducted during the Reporting Period due to COVID-19 lockdown. TOP will continuously monitor the update of laws and regulations and conduct anti-corruption training to its directors and staff in the future. Furthermore, students, employees or any stakeholders can also utilise complaint channels – as describe in the grievance policy – to file complaint to notify TOP of their complaint or suggestion.

TOP's policies and procedures require employees to report gifts, entertainment and travel acceptance while conducting business on behalf of it and to manage such gifts and entertainment provided by business associates according to its guidelines.

TOP takes matters related to bribery and any form of corrupt practices very seriously, and such conduct will not be tolerated. Any employee in violation may be subject to severe disciplinary actions, including summary dismissal and/or legal action.

During the Reporting Period, there was no legal case regarding corrupted practices nor any case of corruption found by or reported to TOP (2020: Nil).

## Community

### Aspect B8: Community Investment

With TOP's commitment to being a socially responsible enterprise, it donated approximately HKD$400,000 to Guangxi University of Finance and Economics for supporting its higher education development during the Reporting Period.

**To the Shareholders of Top Education Group Ltd**
*(Incorporated in Australia with limited liability)*

## OPINION

We have audited the consolidated financial statements of Top Education Group Ltd (the Company) and its subsidiaries (collectively the Group), which comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical standards Board's APES 110 *Code of Ethics for Professional Accountants* and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (collectively the "Codes"). We have fulfilled our other ethical responsibilities in accordance with the Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| **Revenue Recognition**<br>The Group generated $24.8 million in revenue from the provision of education services for the year ended 30 June 2021.<br><br>As disclosed in notes 2.5 and 5 to the financial statements, revenue is recognised over time as the performance obligations of rendering education services are satisfied.<br><br>Course fees received but not yet earned are recorded as contract liabilities.<br><br>Revenue recognition is considered to be a key audit matter due to the significant volume of transactions and the risk of revenue not being recorded in the correct period. | Our audit procedures included the following:<br><br>• Evaluated the Group's revenue accounting and assessed whether the Group's accounting policies comply with the requirements of IFRS 15 *Revenue from Contracts with Customers*;<br><br>• Tested the design and operating effectiveness of the controls relating to the reporting of local tuition fees;<br><br>• Tested a sample of transactions by agreeing revenue recognised to relevant supporting documentation, including externally published course fees, official student records registered with relevant education authorities, student payment records and bank statements;<br><br>• For overseas service revenue we tested revenue transactions substantively by agreeing to the relevant supporting documentation;<br><br>• For a sample of revenue transactions, we assessed whether revenue was recorded in the correct period. This included testing whether revenue transactions were recognised as contract liabilities at balance date where applicable; and<br><br>• Assessed the adequacy of the financial report disclosures contained in Notes 2.5 and 5. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the company are responsible for the other information. The Other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lynn Morrison.

*Ernst & Young*
**Sydney**
24 September 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2021

| | Notes | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **24,845** | 30,440 |
| Cost of sales | | **(13,819)** | (14,996) |
| Gross profit | | **11,026** | 15,444 |
| Interest income | | **60** | 249 |
| Other income and gains | 5 | **1,755** | 1,666 |
| Administrative expenses | | **(9,379)** | (8,870) |
| Advertising and marketing expenses | | **(2,134)** | (1,578) |
| Other operating expenses | | **(152)** | (91) |
| Finance costs | 7 | **(850)** | (475) |
| **PROFIT BEFORE TAX** | 6 | **326** | 6,345 |
| Income tax expense | 10 | **(143)** | (1,881) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **183** | 4,464 |
| Attributable to: | | | |
| Owners of the Company | | **185** | 4,355 |
| Non-controlling interests | | **(2)** | 109 |
| | | **183** | 4,464 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | |
| Basic earnings per share (AUD cents) | 12 | **0.008** | 0.176 |
| Diluted earnings per share (AUD cents) | 12 | **0.007** | 0.168 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

| | Notes | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **10,776** | 7,684 |
| Intangible assets | 16 | **11,582** | 10,635 |
| Right-of-use assets | 14 | **14,373** | 7,157 |
| Prepayments and deposits | 19 | **1,214** | 1,593 |
| Goodwill | 15 | **1,533** | 1,533 |
| Deferred tax assets | 24 | **28** | 450 |
| Total non-current assets | | **39,506** | 29,052 |
| **CURRENT ASSETS** | | | |
| Inventories | 17 | **85** | 164 |
| Trade receivables | 18 | **408** | 229 |
| Prepayments, other receivables and other assets | 19 | **2,752** | 3,095 |
| Tax receivable | | **292** | – |
| Cash and cash equivalents | 20 | **29,575** | 34,416 |
| Total current assets | | **33,112** | 37,904 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 21 | **2,172** | 1,951 |
| Other payables and accruals | 22 | **2,946** | 3,145 |
| Lease liabilities | 14 | **1,179** | 778 |
| Contract liabilities | 23 | **1,495** | 1,896 |
| Tax payable | | **–** | 73 |
| Total current liabilities | | **7,792** | 7,843 |
| **NET CURRENT ASSETS** | | **25,320** | 30,061 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **64,826** | 59,113 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 14 | **15,396** | 6,786 |
| Other payables and accruals | 22 | **312** | 838 |
| Total non-current liabilities | | **15,708** | 7,624 |
| Net assets | | **49,118** | 51,489 |
| **EQUITY** | | | |
| Share capital | 25 | **36,281** | 38,371 |
| Treasury shares | | **(2,236)** | (2,236) |
| Reserves | | **14,609** | 14,889 |
| Non-controlling interests | | **464** | 465 |
| Total equity | | **49,118** | 51,489 |

**Sumeng Cao**
*Director*

**Amen Kwai Ping Lee**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2021

| | Notes | Issued capital AUD$'000 | Treasury shares AUD$'000 | Share-based payment reserve AUD$'000 | Retained profits AUD$'000 | Non-controlling interest AUD$'000 | Total equity AUD$'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2019 | | 43,221 | (1,140) | 2,617* | 8,491* | – | 53,189 |
| Profit and total comprehensive income for the year | | – | – | – | 4,355 | 109 | 4,464 |
| Acquisition of subsidiary | | – | – | – | – | 356 | 356 |
| Dividends declared | 11 | – | – | – | (1,902) | – | (1,902) |
| Repurchase of shares | 25 | – | (1,096) | – | – | – | (1,096) |
| Cancellation of shares | 25 | (4,850) | – | – | 76 | – | (4,774) |
| Equity-settled performance rights arrangements | 26 | – | – | 1,252 | – | – | 1,252 |
| At 30 June 2020 and 1 July 2020 | | 38,371 | (2,236) | 3,869* | 11,020* | 465 | 51,489 |
| Profit and total comprehensive income for the year | | – | – | – | 185 | (2) | 183 |
| Dividends declared | 11 | | – | | (1,300) | | (1,300) |
| Issue of shares | | 133 | – | (133) | | | |
| Cancellation of shares | 25 | (2,223) | – | – | 11 | – | (2,212) |
| Equity-settled performance rights arrangements | 26 | – | – | 958 | – | – | 958 |
| At 30 June 2021 | | 36,281 | (2,236) | 4,694* | 9,916* | 463 | 49,118 |

* These reserve accounts comprise the reserves of AUD$14,610,000 (2020: AUD$14,889,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2021

| | Notes | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **326** | 6,345 |
| Adjustments for: | | | |
| Finance costs | 7 | **850** | 475 |
| Interest income | | **(60)** | (249) |
| Loss on disposal of items of property, plant and equipment | | **155** | – |
| Foreign exchange (gain)/loss, net | | **7** | (415) |
| Share-based payments | 26 | **1,267** | 1,074 |
| Depreciation of property, plant and equipment | 13 | **1,075** | 608 |
| Amortisation of right-of-use assets | 14 | **1,994** | 2,144 |
| Amortisation of intangible assets | 16 | **1,774** | 1,372 |
| | | **7,388** | 11,354 |
| (Increase)/decrease in inventory | | **79** | (164) |
| Increase in trade receivables | | **(179)** | (188) |
| (Increase)/decrease in prepayments, other receivables and other assets | | **724** | (788) |
| Increase in right-of-use assets | | **(9,210)** | (9,301) |
| Increase in trade payables | | **221** | 501 |
| (Decrease)/increase in other payables and accruals | | **(724)** | 1,201 |
| Increase in lease liabilities | | **9,250** | 7,090 |
| Decrease in contract liabilities | | **(401)** | (595) |
| Cash generated from operations | | **7,148** | 9,110 |
| Interest received | | **60** | 249 |
| Income tax (paid)/refund | | **(397)** | 136 |
| Net cash flows from operating activities | | **6,811** | 9,495 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries | 27 | **–** | (2,243) |
| Purchases of items of property, plant and equipment | 13 | **(4,322)** | (3,043) |
| Additions to intangible assets | | **(2,721)** | (3,378) |
| Net cash flows used in investing activities | | **(7,043)** | (8,664) |

| | Notes | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue shares | 25 | **–** | – |
| Cancellation of shares | | **(2,212)** | (4,774) |
| Repurchase of shares | 25 | **–** | (1,096) |
| Principal portion of lease payments | | **(1,090)** | (1,410) |
| Dividend paid | 11 | **(1,300)** | (1,902) |
| Net cash flows (used in)/from financing activities | | **(4,602)** | (9,182) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(4,834)** | (8,351) |
| Cash and cash equivalents at beginning of year | | **34,416** | 42,352 |
| Effect of foreign exchange rate changes, net | | **(7)** | 415 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 20 | **29,575** | 34,416 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 20 | **29,575** | 34,416 |

## 1. CORPORATE AND GROUP INFORMATION

The consolidated financial statements of Top Education Group Ltd and its subsidiaries (collectively, the "Group") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 24 September 2021.

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.

The Group is principally engaged in providing private higher education services and English language courses in Australia. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on other related party relationships of the Group is provided in note 30.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Top Education Consulting (Beijing) Limited* | PRC/Mainland China | Hong Kong dollars ("HK$") 3,000,000 | 100 | – | Provision of education consulting services |
| Top Education Development Pty Ltd | Australia | AUD$100 | 100 | – | Provision of and investments in education services |
| Scots English College Pty Ltd | Australia | AUD$550,000 | 85 | – | Provision of English Language courses |

* Top Education Consulting (Beijing) Limited is registered as a wholly-foreign-owned enterprise under PRC law.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Australian dollars ("AUD$") and all values are rounded to the nearest thousand ("AUD$'000"), except when otherwise indicated.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is initially recognised at fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of Consolidation (Continued)

Additionally, on 23 October 2018, the Board of Directors approved an employee share award scheme under which shares may be awarded to employees of the Group in accordance with the related terms and conditions of the scheme. Pursuant to the rules of the employee share award scheme, the Group has set up a trust for the purpose of administering the employee share award scheme and holding the awarded shares before they vest (the "Trust"). As the Group has control over the Trust, it consolidates the Trust within the Group.

### 2.3 Changes in Accounting Policies and Disclosures

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The nature and impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

***(a) Conceptual Framework for Financial Reporting 2018 (the Conceptual Framework)***

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence, and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Changes in Accounting Policies and Disclosures (Continued)

*(b) Amendments to IFRS 3*

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 July 2020. The amendments did not have any impact on the financial position and performance of the Group.

*(c) Amendments to IFRS 9, IAS 39 and IFRS 7*

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

*(d) Amendments to IAS 1 and IAS 8*

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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[4] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[4] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[4] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| Annual Improvements to IFRS Standards 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2023

Further information about certain IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 are intended to 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 March 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 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 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 July 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Issued but not yet Effective International Financial Reporting Standards (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had no bank borrowings as at 30 June 2021, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Issued but not yet Effective International Financial Reporting Standards (Continued)

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. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- 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 ease incentives when applying IFRS 16.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies

***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group has identified the chief executive officer ("CEO") and the Board of Directors as being the chief operating decision makers.

***Business combinations and goodwill***

Acquisitions of business are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

For each business combination, the Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the fair value of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Business combinations and goodwill (Continued)***

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

***Fair value measurement***

Fair value is the price that would be received for its services provided or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Revenue recognition***

*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group's revenue is primarily related to rendering of private higher education services and other income. The accounting policies are explained as follows:

(i) Rendering of education services

The Group provides education services for the offer of private higher education. Such services are separately priced and provided based on offer period. As the Group provides the education services over the offer period, the students simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognised over the contract period.

Most of the contractual considerations of the Group are tuition fees that are collected in advance prior to the beginning of each term. When the Group has rendered education offer, the consideration was received from students upon signing the offers, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognised as contract liabilities. The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Revenue recognition (Continued)***

*Revenue from contracts with customers (Continued)*

(ii) Variable consideration – Scholarships

The Group provides scholarship to certain students once the offers rendered. Scholarships are offset against tuition fee amounts payable by the students.

(iii) Cost to obtain an offer

The Group pays sales commission to its agents for each revenue contract that they obtain for tuition fee offer. The Group has elected to apply the optional practical expedient for costs to obtain an offer which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

*Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

***Related parties***

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Related parties (Continued)***

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

***Foreign currencies***

The consolidated financial statements are presented in Australian dollars. Foreign currency transactions recorded by the Group are initially recorded using functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

*Income tax (Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Goods and Services Tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statements of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

*Dividends*

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

*Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Teacher reference books | 14.3% – 33.3% |
| Plant and equipment | 20% – 25% |
| Classroom and office equipment | 10% – 25% |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Property, plant and equipment (Continued)***

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

***Leases***

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases for low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Building | 1 to 10 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Leases (Continued)***

*Group as a lessee (Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in measurement of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

*Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Intangible assets (other than goodwill)***

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Trademark*

Trademark registered separately and with finite useful life is carried at cost less accumulated amortisation and any impairment loss. Amortisation for trademark with finite useful life is provided on a straight-line basis over its estimated useful life of 10 years.

*Development costs*

Expenditure incurred on projects to develop new courses is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Course development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying course not exceeding seven years, commencing from the date when the courses are implemented.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement of financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Impairment of financial assets (Continued)***

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost of effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-¬tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

***Cash and cash equivalents***

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits (less than three months), and assets similar in nature to cash, which are not restricted as to use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Treasury shares***

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share-based payments reserve or retained earnings.

***Provisions***

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

***Employee benefits***

*(i) Pension schemes*

Contributions to defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

*(ii) Obligations to employees*

Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statements of financial position as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Share-based payments***

The Group operates performance rights and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions for grants is measured by reference to the fair value at the date at which they are granted. The unhurdled fair value of the awards are calculated as the value of the ordinary shares in the Group less the present value of the projected dividends over the expected term of the awards, further details of the Group's award schemes are given in note 26.

The cost of equity-settled transactions for employees is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Summary of Significant Accounting Policies (Continued)

***Share-based payments (Continued)***

The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of earnings per share.

As disclosed in note 25 to the consolidated financial statements, the Group has set up the Trust for the employee ownership scheme, where the Trust purchases Shares issued by the Group and the consideration paid by the Group, including any directly attributable incremental costs, is presented as "Shares held for share-based payments" or "Treasury shares" and deducted from the Group's equity.

***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgments

***Deferred tax assets***

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary difference can be reversed. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

***Intangible assets with indefinite useful lives***

The management consider that the brand names, as set out in note 16, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brand names are tested for impairment annually.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Impairment of goodwill and intangible assets with indefinite useful life***

Determine whether goodwill and brand names with indefinite useful life are impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and brand names have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and brand names using suitable discount rates. Key assumptions and estimates include the discount rates and growth rates used in the value in use calculations. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 30 June 2021, the carrying amounts of goodwill and brand names were AUD1,533,000 and AUD1,300,000 (2020: AUD1,533,000 and AUD1,300,000), respectively. Details of the calculation of recoverable amounts are disclosed in note 15.

***Share-based payments***

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 26.

***Intangible assets***

Intangible assets are capitalised in accordance with the accounting policy for intangible assets in note 2.5 "Intangible assets". Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected periods of benefits.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

***Useful lives of deferred development costs and agent relationships***

The Group's management determines the estimated useful lives of its deferred development costs and agent relationships for the calculation of the amortisation of deferred development costs and agent relationships. This estimate is determined after considering the expected period in which economic benefits can be generated from the development courses or agent relationships to which the deferred development costs and agent relationships related. Management reviews the estimated useful lives on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates. Further details are given in note 2.5 "Intangible assets".

***Leases – Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 4. OPERATING SEGMENT INFORMATION

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

During the year, 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 financial year.

## 5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Course fee income | **23,439** | 28,324 |
| Other service fee income | **1,406** | 2,116 |
| | **24,845** | 30,440 |

| | | |
|---|---|---|
| **Revenue from contracts with customers** | | |
| ***(i) Disaggregated revenue information*** | | |
| Geographical markets | | |
| Australia | **24,845** | 30,440 |
| **Timing of revenue recognition** | | |
| Course fee income recognised over time | **23,439** | 28,324 |
| Others service fee income recognised over time | **1,406** | 2,116 |
| | **24,845** | 30,440 |

***(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.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2021 and 2020 are as follows:

| | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|
| Contract liabilities (Note 23) | **1,495** | 1,896 |

## 5. REVENUE AND OTHER INCOME AND GAINS (Continued)

Contract liabilities include short-term advances received to render education services. All the other remaining performance obligations are expected to be recognised within one year.

No revenue recognised during the year related to performance obligations that were satisfied in prior years.

| | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|
| **Other income and gains** | | |
| Foreign exchange gains | **28** | 459 |
| Remeasurement of contingent consideration | **543** | 181 |
| Rent waiver | **160** | 801 |
| Government grants (Note) | **890** | 184 |
| Others | **134** | 41 |
| | **1,755** | 1,666 |

Note: government grants represent temporary subsidies from government to support businesses during the economic downturn associated with COVID-19.

## 6. PROFIT BEFORE TAX

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

| | Notes | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|---|
| Amortisation of intangible assets | 16 | **1,774** | 1,372 |
| Depreciation | 13 | **1,075** | 608 |
| Amortisation of right-of-use assets | 14 | **1,994** | 2,144 |
| Auditors' remuneration | | **250** | 270 |
| Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)): | | | |
| Wages, salaries and other employee benefits | | **7,675** | 9,538 |
| Share-based payments | 26 | **1,267** | 1,074 |
| Pension scheme contributions (defined contribution schemes) | | **631** | 808 |
| Less: Amount capitalised | | **(672)** | (1,182) |
| | | **8,901** | 10,238 |

## 7. FINANCE COST

| | **2011** **AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Interest on lease liabilities | **850** | 475 |
| | **850** | 475 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | **2021** **AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Fees | **802** | 836 |
| Other emoluments: | | |
| Salaries | **802** | 502 |
| Share-based payments | **975** | 633 |
| Pension scheme contributions | **90** | 102 |
| | **1,867** | 1,237 |
| | **2,669** | 2,073 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | Fees AUD$'000 | Share-based payment AUD$'000 | Pension scheme contributions AUD$'000 | Total remuneration AUD$'000 |
|---|---|---|---|---|
| **2021** | | | | |
| Professor Brian James Stoddart | **78** | **1** | **8** | **87** |
| Professor Steven Schwartz | **78** | **1** | **8** | **87** |
| Mr. Tianye Wang | **51** | **–** | **–** | **51** |
| Professor Weiping Wang | **51** | **–** | **–** | **51** |
| | **258** | **2** | **16** | **276** |

| | Fees AUD$'000 | Share-based payment AUD$'000 | Pension scheme contributions AUD$'000 | Total remuneration AUD$'000 |
|---|---|---|---|---|
| **2020** | | | | |
| Professor Brian James Stoddart | 87 | 42 | 8 | 137 |
| Professor Steven Schwartz | 87 | 42 | 8 | 137 |
| Mr. Tianye Wang | 57 | – | – | 57 |
| Professor Weiping Wang | 57 | – | – | 57 |
| | 288 | 84 | 16 | 388 |

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (b) Executive directors and non-executive directors

| | Fees AUD$'000 | Salaries AUD$'000 | Share-based payment AUD$'000 | Pension scheme contributions AUD$'000 | Total remuneration AUD$'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Executive directors: | | | | | |
| Minshen Zhu, CEO (a) | 106 | 572 | 892 | 26 | 1,596 |
| Sumeng Cao, CEO (b) | 126 | 230 | 81 | 34 | 471 |
| | 232 | 802 | 973 | 60 | 2,067 |
| Non-executive directors: | | | | | |
| Thomas Richard Seymour | 78 | – | – | 7 | 85 |
| Amen Kwai Ping Lee | 78 | – | – | 7 | 85 |
| Yi Dai | 85 | – | – | – | 85 |
| Edward Chiang (c) | 71 | – | – | – | 71 |
| | 312 | – | – | 14 | 326 |
| | 544 | 802 | 973 | 74 | 2,393 |

| | Fees AUD$'000 | Salaries AUD$'000 | Share-based payment AUD$'000 | Pension scheme contributions AUD$'000 | Total remuneration AUD$'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Executive directors: | | | | | |
| Minshen Zhu, CEO | 140 | 215 | 460 | 34 | 849 |
| Sumeng Cao | 140 | 287 | 89 | 36 | 552 |
| | 280 | 502 | 549 | 70 | 1,401 |
| Non-executive directors: | | | | | |
| Thomas Richard Seymour | 86 | – | – | 8 | 94 |
| Amen Kwai Ping Lee | 86 | – | – | 8 | 94 |
| Yi Dai | 96 | – | – | – | 96 |
| | 268 | – | – | 16 | 284 |
| | 548 | 502 | 549 | 86 | 1,685 |

(a) Ceased to be executive director and CEO on 28 April 2021

(b) Appointed as CEO on 30 April 2021

(c) Appointed on 1 September 2020

There was no arrangement under which directors or the CEO waived or agreed to waive any remuneration during the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included the CEO and an executive director (2020: the CEO and an executive director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither directors nor the CEO of the Group are as follows:

| | **2021 AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Salaries | **703** | 835 |
| Pension scheme contributions | **67** | 66 |
| | **770** | 901 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | **Number of employees** | |
|---|---|---|
| | **2021** | 2020 |
| Nil to AUD$161,000 (HK$1,000,000) | **–** | – |
| AUD$161,001 (HK$1,000,001) to AUD$242,000 (HK$1,500,000) | **–** | 1 |
| AUD$242,001 (HK$1,500,001) to AUD$323,000 (HK$2,000,000) | **3** | 1 |
| AUD$323,001 (HK$2,000,001) to AUD$404,000 (HK$2,500,000) | **–** | 1 |
| AUD$404,001 (HK$2,500,001) to AUD$484,000 (HK$3,000,000) | **–** | – |
| | **3** | 3 |

During the year, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2020: nil).

## 10. 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 year ended 30 June 2021, and 27.5% for the years ended 30 June 2020 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 year.

| | **2021** **AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Current – Elsewhere | | |
| Charge for the year | **126** | 1,154 |
| Underprovision for current tax of prior periods | **(99)** | 6 |
| Deferred (note 24) | **116** | 721 |
| Total tax charge for the year | **143** | 1,881 |

A reconciliation of the tax expense applicable to profit before tax at the Group's statutory tax rate (statutory tax rate for the jurisdiction in which the Group is domiciled) to the tax charge at the Group's effective tax rate is as follows:

| | **2021** **AUD$'000** | **%** | 2020 AUD$'000 | % |
|---|---|---|---|---|
| Profit before tax | **326** | | 6,346 | |
| Tax at the Group's statutory tax rate of 26% for 2021 and 27.5% for 2020 | **85** | **26** | 1,745 | 27.5 |
| Expenses not deductible for tax | **93** | **28.5** | 128 | 2.0 |
| Reduction in opening deferred taxes resulting from reduction in tax rate | **64** | **19.6** | 2 | – |
| Others | **(99)** | **(30.4)** | 6 | 0.1 |
| Tax charge at the Group's effective rate | **143** | **43.8** | 1,881 | 29.6 |

## 11. DIVIDENDS

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| Final – Nil (2020: HK0.3 cents) per ordinary share | **1,300** | 1,902 |

During the year ended 30 June 2021, final dividends of HK0.3 cents per ordinary share in respect of the year ended 30 June 2020 was declared and paid to the owners of the Company.

## 12. 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 year attributable to owners of the Company of AUD$185,000 (2020: AUD$4,355,000) and the weighted average number of ordinary shares of 2,399,726,000 (2020: 2,479,549,000) on issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company. The weighted average number of shares used in the calculation is the number of shares on issue during the year, 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 year.

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

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company | **185** | 4,355 |

| | Number of shares | |
|---|---|---|
| | **2021 Ordinary shares '000** | 2020 Ordinary shares '000 |
| **Shares** | | |
| Weighted average number of shares in issue used in the basic earnings per share calculation | **2,399,726** | 2,479,549 |
| Effect of dilution – weighted average number of shares: | | |
| Performance rights and share options | **144,076** | 112,466 |
| | **2,543,802** | 2,592,015 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Teacher reference books AUD$'000 | Plant and equipment AUD$'000 | Classroom and office equipment AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|
| **30 June 2021** | | | | |
| At 30 June 2020 and 1 July 2020: | | | | |
| Cost | 317 | 2,509 | 6,549 | 9,375 |
| Accumulated depreciation | (224) | (816) | (651) | (1,691) |
| Net carrying amount | 93 | 1,693 | 5,898 | 7,684 |
| At 1 July 2020, net of accumulated depreciation | 93 | 1,693 | 5,898 | 7,684 |
| Additions | 23 | 531 | 3,768 | 4,322 |
| Disposal | – | – | (155) | (155) |
| Depreciation provided during the year | (38) | (292) | (745) | (1,075) |
| At 30 June 2021, net of accumulated depreciation | 78 | 1,932 | 8,766 | 10,776 |
| At 30 June 2021: | | | | |
| Cost | 340 | 3,041 | 10,146 | 13,527 |
| Accumulated depreciation | (262) | (1,109) | (1,380) | (2,751) |
| Net carrying amount | 78 | 1,932 | 8,766 | 10,776 |

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Teacher reference books AUD$'000 | Plant and equipment AUD$'000 | Classroom and office equipment AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| At 30 June 2019 and 1 July 2019: | | | | |
| Cost | 286 | 1,697 | 4,004 | 5,987 |
| Accumulated depreciation | (185) | (484) | (295) | (964) |
| Net carrying amount | 101 | 1,213 | 3,709 | 5,023 |
| At 1 July 2019, net of accumulated depreciation | 101 | 1,213 | 3,709 | 5,023 |
| Additions | 31 | 637 | 2,375 | 3,043 |
| Acquisition of subsidiaries | – | 66 | 160 | 226 |
| Depreciation provided during the year | (39) | (223) | (346) | (608) |
| At 30 June 2020, net of accumulated depreciation | 93 | 1,693 | 5,898 | 7,684 |
| At 30 June 2020: | | | | |
| Cost | 317 | 2,509 | 6,549 | 9,375 |
| Accumulated depreciation | (224) | (816) | (651) | (1,691) |
| Net carrying amount | 93 | 1,693 | 5,898 | 7,684 |

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for items of office and buildings used in its operation. Leases of buildings generally have lease terms between 1 and 10 years.

*(a) Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | **Office premises** AUD$'000 | **Total** AUD$'000 |
|---|---|---|
| Right-of-use assets as at 1 July 2019 | 8,798 | 8,798 |
| Additions | 93 | 93 |
| Additions as a result of acquisition of a subsidiaries | 410 | 410 |
| Amortisation charge | (2,144) | (2,144) |
| As at 30 June 2020 and 1 July 2020 | 7,157 | 7,157 |
| Additions | 9,210 | 9,210 |
| Amortisation charge | (1,994) | (1,994) |
| As at 30 June 2021 | 14,373 | 14,373 |

*(b) Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

| | **Lease liabilities** | |
|---|---|---|
| | **2021** **AUD$'000** | 2020 AUD$'000 |
| Carrying amount at 1 July | **7,564** | 8,798 |
| New leases | **9,210** | 93 |
| Additions as a result of acquisition of a subsidiaries | **–** | 410 |
| Accretion of interest recognised during the year | **850** | 475 |
| Rent wavier due to COVID-19 | **(159)** | (802) |
| Cash payment received due to COVID-19 | **200** | – |
| Payments | **(1,090)** | (1,410) |
| Carrying amount at 30 June | **16,575** | 7,564 |
| Analysed into: | | |
| Current portion | **1,179** | 778 |
| Non-current portions | **15,396** | 6,786 |

## 14. LEASES (Continued)

### The Group as a lessee (Continued)

*(c)* The amounts recognised in profit or loss in relation to leases are as follows:

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| Interest on lease liabilities | **850** | 475 |
| Amortisation charge of right-of-use assets | **1,994** | 2,144 |
| Expense relating to short-term leases with remaining lease terms ended on or before 30 June 2021 | **50** | 88 |
| Expense relating to leases of low-value assets | **69** | 77 |
| | **2,963** | 2,784 |

*(d)* The total cash outflow for leases are disclosed in note 28 to the financial statements.

## 15. GOODWILL

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| Cost: | | |
| At 1 July | **1,533** | – |
| Acquisition of subsidiaries (note 27) | **–** | 1,533 |
| As at 30 June | **1,533** | 1,533 |
| Accumulated impairment: | | |
| At beginning and end of year | **–** | – |
| Net carrying amount: | | |
| At 1 July | **1,533** | – |
| At 30 June | **1,533** | 1,533 |

## 15. GOODWILL (Continued)

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating units for impairment testing:

| | **2021** **AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Scots English College | **1,533** | 1,533 |
| | **1,533** | 1,533 |

***Cash-generating unit of Scots English College***

The recoverable amount of the Scots English College cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11%. The growth rate used to extrapolate the cash flows of Scots English College beyond the five-year period is 1%.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Discount rate – The discount rate reflects specific risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the industry.

The values assigned to the key assumptions on market development of the cash-generating unit and the discount rate are consistent with external information sources.

## 16. INTANGIBLE ASSETS

| | Registration and other development expenditure AUD$'000 | Course development expenditure AUD$'000 | Trade marks AUD$'000 | Agent Relationship AUD$'000 | Brand AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|---|---|
| **30 June 2021** | | | | | | |
| At 1 July 2020: | | | | | | |
| Cost | 2,098 | 11,662 | 52 | 1,600 | 1,300 | 16,712 |
| Accumulated amortisation | (1,552) | (4,408) | (10) | (107) | – | (6,077) |
| Net carrying amount | 546 | 7,254 | 42 | 1,493 | 1,300 | 10,635 |
| Cost as at 1 July 2020, net of accumulated amortisation | 546 | 7,254 | 42 | 1,493 | 1,300 | 10,635 |
| Additions | 169 | 2,552 | – | – | – | 2,721 |
| Amortisation | (177) | (1,431) | (6) | (160) | – | (1,774) |
| At 30 June 2021, net of accumulated amortisation | 538 | 8,375 | 36 | 1,333 | 1,300 | 11,582 |
| At 30 June 2021: | | | | | | |
| Cost | 2,267 | 14,214 | 52 | 1,600 | 1,300 | 19,433 |
| Accumulated amortisation | (1,729) | (5,839) | (16) | (267) | – | (7,851) |
| Net carrying amount | 538 | 8,375 | 36 | 1,333 | 1,300 | 11,582 |

## 16. INTANGIBLE ASSETS (Continued)

| | Registration and other development expenditure AUD$'000 | Course development expenditure AUD$'000 | Trade marks AUD$'000 | Agent Relationship AUD$'000 | Brand AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| At 1 July 2019: | | | | | | |
| Cost | 1,917 | 8,463 | 52 | – | – | 10,432 |
| Accumulated amortisation | (1,391) | (3,308) | (5) | – | – | (4,704) |
| Net carrying amount | 526 | 5,155 | 47 | – | – | 5,728 |
| Cost as at 1 July 2019, net of accumulated amortisation | 526 | 5,155 | 47 | – | – | 5,728 |
| Additions | 180 | 3,199 | – | 1,600 | 1,300 | 6,279 |
| Amortisation | (160) | (1,100) | (5) | (107) | – | (1,372) |
| At 30 June 2020, net of accumulated amortisation | 546 | 7,254 | 42 | 1,493 | 1,300 | 10,635 |
| At 30 June 2020: | | | | | | |
| Cost | 2,098 | 11,662 | 52 | 1,600 | 1,300 | 16,712 |
| Accumulated amortisation | (1,552) | (4,408) | (10) | (107) | – | (6,077) |
| Net carrying amount | 546 | 7,254 | 42 | 1,493 | 1,300 | 10,635 |

The Group amortises intangible assets, other than those with an indefinite useful life, using the straight-line method of 7 years for course development expenditure and registration and other development expenditure for the years ended 30 June 2021 and 30 June 2020. The Group amortises its registered trademark with finite useful life using the straight-line method of 10 years from 1 July 2018, agency relationships with finite useful lift using the straight-line method of 10 years from 1 November 2019. Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

## 17. INVENTORIES

| | As at 30 June | |
|---|---|---|
| | **2021 AUD$'000** | 2020 AUD$'000 |
| Consumables | **85** | 164 |

## 18. 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:

| | As at 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **AUD$'000** | AUD$'000 |
| Trade receivables | **408** | 229 |
| | **408** | 229 |

| | As at 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **AUD$'000** | AUD$'000 |
| within 1 month | **–** | – |
| 1 to 3 months | **408** | 229 |

The Group applies the simplified approach to provide for the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables from students are considered to be credit-impaired when the students withdraw from the tuition programs and are assessed individually for lifetime ECL provision.

The Group assessed the expected losses on trade receivables from students grouped based on the ageing of the trade receivables, considering the historical default experience and forward-looking information, as appropriate. The Group uses debtors' ageing to assess the impairment for students because these customers consist of a large number of students with common risk characteristics that are representative of the students' abilities to pay all amounts due in accordance with the contractual terms. The loss rate applied is minimal. Generally, trade receivables are written off when the student withdraw from the tuition programs and are not subject to enforcement activity.

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at 30 June | |
|---|---|---|
| | **2021** **AUD$'000** | 2020 AUD$'000 |
| **Non-current assets** | | |
| Prepayments | **1,188** | 1,227 |
| Lease deposits | **26** | 366 |
| | **1,214** | 1,593 |
| **Current assets** | | |
| Prepayments | **266** | 1,100 |
| Long term deposit | **1,629** | 535 |
| Other assets | **102** | 410 |
| Other receivables | **755** | 1050 |
| | **2,752** | 3,095 |

As at 30 June 2021, other assets included the Group's total restricted cash and cash equivalents of AUD$59,000 and AUD$43,000 which were reserved at the Trust and a security account, respectively, to fund the employee performance share scheme.

Deposits and other receivables mainly represent long term deposit (between 3 -12 months), rental deposits and GST receivables. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 30 June 2021, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 30 June 2021 was 0% (2020: 0%).

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.

## 20. CASH AND CASH EQUIVALENTS

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| Cash and bank balances | **23,545** | 33,111 |
| Term deposits (less than 3 months) | **6,030** | 1,305 |
| Cash and cash equivalents | **29,575** | 34,416 |

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE PAYABLES

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

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| Over two months | **2,172** | 1,951 |

## 22. OTHER PAYABLES AND ACCRUALS

| | As at 30 June | |
|---|---|---|
| | **2021 AUD$'000** | 2020 AUD$'000 |
| **Current liabilities** | | |
| Other payables | **1,610** | 1,751 |
| Unpaid leave obligations | **1,336** | 1,394 |
| Other payables and accruals | **2,946** | 3,145 |
| **Non-current liabilities** | | |
| Other payables | **–** | 543 |
| Unpaid leave obligations | **165** | 185 |
| Accruals for reinstatement cost | **147** | 110 |
| Other payables and accruals | **312** | 838 |

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

## 23. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

| | **2021 AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Short-term advances received from students | | |
| Course fees | **1,495** | 1,896 |

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.

## 24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

| | **Share based payments AUD$'000** | **Employee benefits AUD$'000** | **Accruals AUD$'000** | **2021 Blackhole Expenditure AUD$'000** | **Lease Liability AUD$'000** | **Others AUD$'000** | **Total AUD$'000** |
|---|---|---|---|---|---|---|---|
| At 1 July 2020 | **1,124** | **504** | **101** | **1,107** | **2,068** | **(8)** | **4,896** |
| Credited/(charged) to profit or loss | **269** | **(84)** | **60** | **(672)** | **2,129** | **(7)** | **1,695** |
| Equity | **(306)** | | | | | | **(306)** |
| At 30 June 2021 | **1,087** | **420** | **161** | **435** | **4,197** | **(15)** | **6,285** |

| | Share based payments AUD$'000 | Employee benefits AUD$'000 | Accruals AUD$'000 | 2020 Blackhole Expenditure AUD$'000 | Lease Liability AUD$'000 | Others AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2019 | 816 | 420 | 155 | 1,699 | – | (13) | 3,077 |
| Acquisition of subsidiary | | 10 | | | | | 10 |
| Credited/(charged) to profit or loss | 130 | 74 | (54) | (592) | 2,068 | 5 | 1,631 |
| Equity | 178 | | | | | | 178 |
| At 30 June 2020 | 1,124 | 504 | 101 | 1,107 | 2,068 | (8) | 4,896 |

## 24. DEFERRED TAX (Continued)

### Deferred tax liabilities

| | Intangible assets AUD$'000 | Prepayments AUD$'000 | Lease assets AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|
| | **2021** | | | |
| At 1 July 2020 | **2,484** | **6** | **1,956** | **4,446** |
| Charged/(credited) to profit or loss | **117** | **(2)** | **1,696** | **1,811** |
| At 30 June 2021 | **2,601** | **4** | **3,652** | **6,257** |

| | Intangible assets AUD$'000 | Prepayments AUD$'000 | Unrealised foreign exchange gains AUD$'000 | Lease assets AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|---|
| | | | 2020 | | |
| At 1 July 2019 | 1,250 | 5 | 108 | – | 1,363 |
| Acquisition of subsidiary | 731 | | | | 731 |
| Charged/(credited) to profit or loss | 503 | 1 | (108) | 1,956 | 2,352 |
| At 30 June 2020 | 2,484 | 6 | – | 1,956 | 4,446 |

* Total deferred tax charged to profit or loss during the year amounted to AUD$116,000 (2020: AUD$721,000) (note 10).

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2021 AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Gross deferred tax assets | **6,285** | 4,896 |
| Gross deferred tax liabilities | **(6,257)** | (4,446) |
| Net deferred tax assets recognised in the statement of financial position | **28** | 450 |

## 25. SHARE CAPITAL

### Shares

| | 2021<br>AUD$'000 | 2020<br>AUD$'000 |
|---|---|---|
| Issued and fully paid:<br>2,430,270,000 (2020: 2,468,478,000) ordinary shares | **36,281** | 38,371 |

### Treasury shares

| | Number of shares | Total<br>AUD$'000 |
|---|---|---|
| At 1 July 2020 | 38,820,000 | 2,236 |
| Shares held for share-based payments | – | – |
| At 30 June 2021 | 38,820,000 | 2,236 |

| | Number of shares | Total<br>AUD$'000 |
|---|---|---|
| At 1 July 2019 | 19,880,000 | 1,140 |
| Shares held for share-based payments | 18,940,000 | 1,096 |
| At 30 June 2020 | 38,820,000 | 2,236 |

During the year ended 30 June 2021, the Trust did not acquire any shares.

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

| | Number of ordinary shares in issue<br>Note (i) | Share capital<br>AUD$'000 |
|---|---|---|
| At 1 July 2019 | 2,556,588,000 | 43,221 |
| Cancellation of shares | (88,110,000) | (4,850) |
| At 30 June 2020 and 1 July 2020 | 2,468,478,000 | 38,371 |
| Issue of new shares upon exercise of the pre-IPO rights | 3,062,000 | 133 |
| Cancellation of shares (note (ii)) | (41,270,000) | (2,223) |
| At 30 June 2021 | 2,430,270,000 | 36,281 |

## 25. SHARE CAPITAL (Continued)

### Treasury shares (Continued)

Notes:

(i) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of the shares held and amounts paid thereon.

(ii) During the year, the Group purchased a total of 38,930,000 shares on the Stock Exchange for a consideration of AUD$2,021,000. As at 30 June 2021, 38,930,000 shares repurchased during the current reporting period, and 2,340,000 shares repurchased during the year ended 30 June 2020 have been cancelled.

## 26. SHARE-BASED PAYMENTS

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

### Pre-IPO Performance Rights Plan

The Pre-IPO Scheme (the "Scheme") was adopted under written resolutions of the Board of Directors passed on 8 June 2017. As at 30 June 2019, 60,160 performance rights had been granted to the CEO of the Company under this plan. The Group has on 20 April 2018 granted an additional 11,481 performance rights under the Pre-IPO Performance Rights Plan to certain members of the Council and certain Directors, including (i) Mr. Jing Li, being our then non-executive Director; and (ii) Professor Brian James Stoddart and Professor Steven Schwartz, being our independent non-executive Directors and members of the Council. The shareholding of each of Professor Brian James Stoddart and Professor Steven Schwartz in the Group will not be more than 1% of the enlarged share capital of the Group upon completion of the Global Offering assuming that their performance rights above are fully vested.

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

## 26. SHARE-BASED PAYMENTS (Continued)

### Pre-IPO Performance Rights Plan (Continued)

***CEO's performance rights plan***

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

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

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

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

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

On 27 May 2021, the Board of directors has determined that as a good leaver, all of the CEO's unvested performance rights, being 60,160 Performance Rights (equivalent to 120,320,000 Shares upon the full exercise of such rights), have not lapsed and all Vesting Conditions in respect of such rights are deemed to have been satisfied, pursuant to the Plan Rules.

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

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

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

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

## 26. SHARE-BASED PAYMENTS (Continued)

### Pre-IPO Performance Rights Plan (Continued)

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

The details of the performance rights granted are shown below:

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

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Weighted average exercise price AUD$ & HK$ per share** | **Number of rights** | Weighted average exercise price AUD$ & HK$ per share | Number of rights |
| At 1 July | **–** | **134,100,000** | – | 134,100,000 |
| Granted during the year | **–** | **–** | – | – |
| Exercised | **–** | **(3,062,000)** | – | – |
| At 30 June | **–** | **131,038,000** | – | 134,100,000 |
| Weighted average exercise period | | **11 years** | | 12 years |
| Vested and exercisable as at end of the year | | **131,038,000** | | 7,654,000 |

3,062,000 share options were exercised during the reporting period (2020: nil).

## 26. SHARE-BASED PAYMENTS (Continued)

### Post-IPO Schemes

*Share Option Scheme*

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

The details of the performance rights granted are shown below:

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

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$ per share** | **Number of rights** | Weighted average exercise price HK$ per share | Number of rights |
| At 1 July | **0.56*** | **20,501,300** | 0.56* | 25,781,938 |
| Granted during the year | **–** | **–** | – | – |
| Forfeited | **–** | **(1,941,412)** | – | (5,280,638) |
| Exercised | **–** | **–** | – | – |
| At 30 June | **0.56*** | **18,559,888** | 0.56* | 20,501,300 |
| Weighted average exercise period | | **7 years** | | 8 years |
| Exercisable as at end of the year | | **12,373,259** | | 6,833,000 |

* equivalent to AUD$0.11 per share.

No share options were exercised during the reporting period (2020: nil).

## 26. SHARE-BASED PAYMENTS (Continued)

### Post-IPO Schemes (Continued)

*Share Award Scheme*

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

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

The details of the performance rights granted are shown below:

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

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Weighted average exercise price AUD$ & HK$ per share** | **Number of rights** | Weighted average exercise price AUD$ & HK$ per share | Number of rights |
| At 1 July | **–** | **31,000,000** | – | 31,000,000 |
| Granted during the year | **–** | **–** | – | – |
| Exercised | **–** | **–** | – | – |
| At 30 June | **–** | **31,000,000** | – | 31,000,000 |
| Weighted average exercise period | | **8 years** | | 9 years |
| Exercisable as at end of the year | | **–** | | – |

## 26. SHARE-BASED PAYMENTS (Continued)

### Post-IPO Schemes (Continued)

***Share Award Scheme (Continued)***

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

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

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

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

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

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

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

The Group recognised share-based payments of AUD$1,267,000 (2020: AUD$1,074,000) during the year ended 30 June 2021.

## 26. SHARE-BASED PAYMENTS (Continued)

### Post-IPO Schemes (Continued)

*Share Award Scheme (Continued)*

As at 30 June 2021, the Group had 180,597,888 shares outstanding under the various schemes mentioned above. The exercise in full of the outstanding performance rights would, under the present capital structure of the Group, result in the issue of 180,597,888 additional ordinary shares of the Group.

| | **2021**<br>**AUD$'000** | 2020<br>AUD$'000 |
|---|---|---|
| Expense arising from equity-settled share-based payment transactions | **1,267** | 1,074 |
| Deferred tax assets arising from equity-settled share-based payment | **(309)** | 178 |
| | **958** | 1,252 |

## 27. ACQUISITIONS OF BUSINESSES

The Group did not acquire any businesses during the year ended 30 June 2021.

On 1 November 2019, the Group acquired an 85% interest in Scots English College Pty Ltd ("SCOTS"). SCOTS is a private education institution established in Australia providing English language courses. The acquisition was made as part of the Group's strategy to expand its international education network and increase market penetration. The purchase consideration for the acquisition was in the form of cash, with AUD$1,811,210 paid at the acquisition date, AUD$472,554 paid at the adjustment date, and the remaining AUD$1,267,796 estimated to be paid by 31 December 2021 subject to the below two earn out conditions being met:

(a) First earn out: if the financial year 2020 net profit after tax ("NPAT") of SCOTS is AUD$1,000,000 or more, then the Group will pay 100% of the first earn out amount, being AUD$724,472; if the financial year 2020 NPAT of SCOTS is more than AUD$700,000 but less than AUD$1,000,000 and the aggregate of financial year 2020 NPAT plus the first half financial year 2021 NPAT is more than AUD$1,000,000, then the Group will pay 75% of the first earn out amount, being AUD$543,354.

(b) Second earn out: the Group will pay the second earn out amount, being AUD$543,354, within one month after SCOTS provides written evidence of its re-registration with the Australian Skill Quality Authority on or prior to 31 December 2022.

Due to the impact of COVID outbreak, neither of the first earn out conditions set out above have been met, therefore no first earn out amount was paid on the first earn out date, and hence the liability was taken to the income.

## 27. ACQUISITIONS OF BUSINESSES (Continued)

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

| | Fair value recognised on acquisition AUD$'000 |
|---|---|
| Property, plant and equipment | 226 |
| Cash and bank balances | 41 |
| Prepayments and other receivables | 747 |
| Other payables and accruals | (820) |
| Deferred tax asset | 11 |
| Deferred tax liability | (730) |
| Intangible assets | 2,900 |
| Total identifiable net assets at fair value | 2,375 |
| Non-controlling interests | (356) |
| | 2,019 |
| Goodwill on acquisition | 1,533 |
| Satisfied by cash (for 85% shares) | 3,552 |

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

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

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

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

| | AUD$'000 |
|---|---|
| Cash consideration paid | (2,284) |
| Cash and bank balances acquired | 41 |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | (2,243) |

## 28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Change in liability arising from a financing activity:

**2021**

| | **Lease liabilities AUD$'000** |
|---|---|
| At 1 July 2020 | **7,564** |
| Changes from financing cash flows | **(1,090)** |
| Rent wavier due to COVID-19 | **(160)** |
| New lease | **9,211** |
| Interest expense | **850** |
| Cash payment received due to COVID-19 | **200** |
| | **16,575** |

2020

| | Lease liabilities AUD$'000 |
|---|---|
| At 1 July 2019 | 8,798 |
| Changes from financing cash flows | (1,410) |
| Rent wavier due to COVID-19 | (802) |
| New lease | 93 |
| Interest expense | 475 |
| Increase arising from acquisition of subsidiaries | 410 |
| | 7,564 |

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cashflows in as follows:

| | **2021 AUD$'000** | 2020 AUD$'000 |
|---|---|---|
| Within operating activities | **119** | 165 |
| Within investing activities | **–** | – |
| Within financing activities | **1,090** | 1,410 |
| | **1,209** | 1,575 |

## 29. CONTINGENT LIABILITIES

For details of the contingent considerations relates to the acquisition of SCOTS, refer to note 27. As at 30 June 2021, the Group did not have any other significant contingent liabilities (2020: Nil).

## 30. RELATED PARTY TRANSACTIONS

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

On 30 May 2016, PricewaterhouseCoopers partnership in Australia ("PwC Australia") purchased a strategic interest in the ordinary shares of the Company. The consideration of AUD$5,500,000 for the 132,354 ordinary shares was settled by a cash payment of AUD$2,500,000, with the remainder of AUD$3,000,000 to be settled by way of a service allowance. The service allowance which ended on 26 May 2021 enabled the Group to use and apply for services with PwC Australia.

During the year ended 30 June 2021, the Group used AUD$715,853 (2020: AUD$583,080) of the service allowance from PwC Australia. The amounts of unutilised allowance were nil and AUD$715,853 as at 30 June 2021 and 30 June 2020, respectively.

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

The compensation of key management personnel of the Group for the year represented directors' and chief executive's remuneration as further detailed in note 8 to the consolidated financial statements.

(c) Amounts to related parties of the directors totalling AUD$250,000 were paid during the period for administrative support services (2020: AUD$250,000). All transactions were undertaken on an arm's length basis.

(d) There were no transactions other than capital injection paid by the Company to Top Education Consulting (Beijing) Limited and Top Education Development Pty Ltd, the Group's wholly-owned subsidiaries during the financial year (2020: nil).

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

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

| | **2021**<br>**AUD$'000** | 2020<br>AUD$'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Trade receivables | **408** | 229 |
| Financial assets included in deposits and other receivables | **2,075** | 1,392 |
| Cash and cash equivalents | **29,575** | 34,416 |
| | **32,058** | 36,037 |
| **Financial liabilities at amortised cost** | | |
| Trade payables | **2,172** | 1,951 |
| Financial liabilities included in other payables and accruals | **903** | 1,004 |
| | **3,075** | 2,955 |
| **Financial liabilities at fair value** | | |
| Contingent considerations on acquisition | **543** | 1,087 |
| | **3,618** | 4,042 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values due to their short term nature.

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

The fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely because the maturities are short term.

For details of the contingent liabilities relates to the acquisition of SCOTS, refer to note 27.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial assets and liabilities such as trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Credit risk

The Group's credit risk arises from cash and cash equivalents and deposits with banks.

Payments for services to students are required to be settled in cash or using major credit cards, thus mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual students.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further details in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the consolidated financial statements.

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from certain public company related professional fees denominated in HK$.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using its level of cash and cash equivalents. The Group's management reviews the level of cash and cash equivalents monthly to ensure that sufficient working capital is kept for the Group's operation.

The maturity of the Group's financial liabilities as at the end of the year, based on contractual undiscounted payments, is as follows:

| | On demand AUD$'000 | Within 1 year AUD$'000 | 1 to 5 years AUD$'000 | Over 5 years AUD$'000 | Total AUD$'000 |
|---|---|---|---|---|---|
| At 30 June 2021 | | | | | |
| Trade payables | **2,172** | **–** | **–** | **–** | **2,172** |
| Lease liabilities | **–** | **1,344** | **10,474** | **9,567** | **21,385** |
| Financial liabilities included in other payables and accruals | **1,299** | **–** | **147** | | **1,446** |
| | **3,471** | **1,344** | **10,621** | **9,567** | **25,003** |
| At 30 June 2020 | | | | | |
| Trade payables | 1,951 | – | – | – | 1,951 |
| Lease liabilities | – | 1,242 | 4,837 | 4,351 | 10,430 |
| Financial liabilities included in other payables and accruals | 1,981 | – | 110 | | 2,091 |
| | 3,932 | 1,242 | 4,947 | 4,351 | 14,472 |

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2021 AUD$'000 | 2020 AUD$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **10,751** | 7,478 |
| Intangible assets | **8,736** | 7,698 |
| Right-of-use assets | **14,373** | 7,111 |
| Prepayments and deposits | **1,213** | 1,430 |
| Investments in subsidiaries | **3,666** | 3,666 |
| Deferred tax assets | **703** | 1,145 |
| Total non-current assets | **39,442** | 28,528 |
| **CURRENT ASSETS** | | |
| Prepayments, other receivables and other assets | **2,679** | 2,819 |
| Tax receivable | **249** | 289 |
| Cash and cash equivalents | **28,986** | 33,594 |
| Total current assets | **31,914** | 36,702 |
| **CURRENT LIABILITIES** | | |
| Trade payables | **2,091** | 1,783 |
| Other payables and accruals | **3,042** | 2,984 |
| Lease liabilities | **1,179** | 735 |
| Contract liabilities | **1,363** | 1,726 |
| Total current liabilities | **7,675** | 7,228 |
| **NET CURRENT ASSETS** | **24,239** | 29,474 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **63,681** | 58,002 |
| **NON-CURRENT LIABILITIES** | | |
| Other payables | **–** | 543 |
| Lease liabilities | **15,396** | 6,786 |
| Other payables and accruals | **309** | 295 |
| Total non-current assets | **15,705** | 7,624 |
| Net assets | **47,976** | 50,378 |
| **EQUITY** | | |
| Share capital | **36,281** | 38,371 |
| Treasury shares | **(2,236)** | (2,236) |
| Reserves | **13,931** | 14,243 |
| Total equity | **47,976** | 50,378 |

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

| | Share-based payment reserve | Retained profits | Total |
|---|---|---|---|
| Balance at 1 July 2019 | 2,617 | 8,491 | 11,108 |
| Total comprehensive income for the year | | 3,709 | 3,709 |
| Equity-settled share-based payments | 1,252 | – | 1,252 |
| Cancellation of shares | | 76 | 76 |
| Dividend | | (1,902) | (1,902) |
| At 30 June 2020 and 1 July 2020 | 3,869 | 10,374 | 14,243 |
| Total comprehensive income for the year | | 152 | 152 |
| Equity-settled share-based payments | 958 | – | 958 |
| Issue of shares | (133) | | (133) |
| Cancellation of shares | | 11 | 11 |
| Dividend | | (1,300) | (1,300) |
| At 30 June 2021 | 4,694 | 9,237 | 13,931 |

The share-based payments reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.5 to the consolidated financial statements. The amount will either be transferred to issued capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 35. EVENTS AFTER THE REPORTING PERIOD

On 27 July 2021, SCOTS has been approved for a grant of AUD$149,500 from the Innovation Fund, which was established by the Australian Government Department of Education, Skills and Employment to support product innovation and investment in infrastructure, curriculum design, digital teaching solutions and staff expertise.

On 10 September 2021, IMC has successfully applied and received approval for Commonwealth Grant Scheme funding of 684 short course places with a total funding of AUD$376,200.

## 36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 September 2021.

# FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Company for the years ended 30 June 2017, 2018, 2019, 2020 and 2021:

The summary of the results, assets and liabilities of the Company for the year ended 30 June 2017 were extracted from the Prospectus.

## RESULTS

| | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2021 AUD$'000** | 2020 AUD$'000 | 2019 AUD$'000 | 2018 AUD$'000 | 2017 AUD$'000 |
| **REVENUE** | **24,845** | 30,440 | 26,020 | 23,823 | 21,138 |
| Cost of sales | **(13,819)** | (14,996) | (12,841) | (10,996) | (9,977) |
| Gross profit | **11,026** | 15,444 | 13,179 | 12,827 | 11,161 |
| **PROFIT BEFORE TAX** | **326** | 6,345 | 5,905 | 2,305 | 6,769 |
| Income tax expense | **(143)** | (1,881) | (1,766) | (752) | (2,167) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **183** | 4,464 | 4,139 | 1,553 | 4,602 |
| Attributable to: | | | | | |
| Owners of the Company | **183** | 4,355 | 4,139 | 1,553 | 4,602 |

## ASSETS AND LIABILITIES

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | **2021 AUD$'000** | 2020 AUD$'000 | 2019 AUD$'000 | 2018 AUD$'000 | 2017 AUD$'000 |
| **TOTAL ASSETS** | **72,618** | 66,956 | 59,220 | 58,326 | 24,026 |
| **TOTAL LIABILITIES** | **23,500** | 15,467 | 6,031 | 7,390 | 6,494 |
| **TOTAL EQUITIES** | **49,118** | 51,489 | 53,189 | 50,936 | 17,532 |

| | |
|---|---|
| "Academic Board" | the academic board of our Institute |
| "ACCA" | Association of Chartered and Certified Accountants |
| "AGM" | annual general meeting of the Company |
| "Alliance Agreement" | the alliance agreement dated 27 May 2016 entered into between the Company and PwC Australia |
| "AQF" | the Australian Qualifications Framework, which specifies the standards for educational qualifications in Australia |
| "ATP" | the Australian Technology Park |
| "AUD$" | Australian dollars, the lawful currency of Australia |
| "Audit Committee" | the audit committee of the Board |
| "Australia" | the Commonwealth of Australia |
| "award" | a qualification under levels 1 to 10 of the AQF |
| "Awarded Share(s)" | such number of rights awarded by the Board to acquire Shares subject to the Share Award Scheme rules, where each Awarded Share represents the right to acquire one Share |
| "Billion Glory" | Billion Glory Group Holdings Limited 兆隆集團控股有限公司, a company incorporated under the laws of Hong Kong with limited liability on 8 June 2016, which is wholly-owned by Mr. Yang |
| "Board" | the board of Directors |
| "Business School" | Australian National Institute of Management and Commerce, (formerly Sydney City School of Business), as the name adopted for the Company's academic division covering 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 annual report 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", "Institutes", "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 names as Top Education Institute and 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 |
| "Constitution" | the constitution of our Company conditionally adopted on 18 April 2018 and effective upon the Listing, as amended, supplemented or otherwise modified from time to time |
| "Contributed Amount" | cash paid or made available to the Trust by way of settlement or otherwise contributed to the Trust by the Company or such other person as directed by the Board or the Committee from time to time |
| "controlling shareholder(s)" | has the meaning given to it in the Listing Rules and, unless the context otherwise requires, refers to the controlling shareholder(s) of our Company, being the Controlling Shareholders Group |
| "Controlling Shareholders Group" | collectively, Dr. Zhu (deceased), Mr. Yang, Tristar United, Mr. Lee, Mr. Wang and Billion Glory, being a group of six individuals and entities |
| "Corporations Act" | the Corporations Act 2001(Cth) of Australia, as amended, supplemented or otherwise modified from time to time, which is the principal legislation regulating companies in Australia |
| "Council" | Top Education Institute Council |
| "course" | a program of study that will confer an award upon completion |
| "CPA Australia" | CPA Australia Ltd |
| "CRICOS" | the Commonwealth Register of Institutions and Courses for Overseas Students |
| "Director(s)" | the director(s) of the Company |

| | |
|---|---|
| "Dr. Zhu" | Dr. Minshen Zhu 祝敏申 (deceased), formerly an executive Director, the chairman of the Board, the chief executive officer and the appointed representative of the Controlling Shareholders Group |
| "EFTSL" | equivalent full-time student load, which is a measurement of student enrolment at an institution calculated by dividing the total number of units taken by students in a given year by the average number of units a single full-time student should take in a year |
| "ESOS Act" | the Education Services for Overseas Students Act 2000 |
| "GST" | goods and services tax under the GST Law |
| "GST Act" | A New Tax System (Goods and Services Tax) Act 1999 (Cth), as in force from time to time |
| "GST Law" | has the same meaning as in the GST Act |
| "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" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK$" or "HKD" | Hong Kong dollars, the lawful currency of Hong Kong |
| "IFRS" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| "Independent Third Party(ies)" | person(s) or company(ies) which, to the best of our Directors' knowledge having made all due and careful enquiries, is/are not connected (within the meaning of the Listing Rules) with the Company |
| "INED" | the independent non-executive Directors |

| | |
|---|---|
| "Joint Global Coordinators" | China Galaxy International Securities (Hong Kong) Co., Limited, CCB International Capital Limited, Essence International Securities (Hong Kong) Limited and AMTD Global Markets Limited, as defined in the prospectus issued by the Company dated 27 April 2018 |
| "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 Committee" | the listing sub-committee of the board of directors of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| "Loyal Creation" | Loyal Creation Investment Ltd, a company incorporated under the laws of Hong Kong with limited liability on 30 October 2015, and is a Shareholder |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange |
| "Minsheng Development" | Minsheng Education Development Company Limited, a direct wholly-owned subsidiary of Minsheng Education Group |
| "Minsheng Education Group" | Minsheng Education Group Company Limited(民生教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005, listed on the Main Board of the Stock Exchange on 22 March 2017 with Stock Code 1569 |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| "Mr. Lee" | Amen Kwai Ping Lee 李桂平, a non-executive Director and one of the members of the Controlling Shareholders Group |
| "Mr. Wang" | Xin Wang 王新, one of the members of the Controlling Shareholders Group |
| "Mr. Yang" | Qingquan Yang 楊清泉, one of the members of the Controlling Shareholders Group |
| "National Code" | The National Code of Practice Providers of Education and Training to Overseas Students 2018 |

| | |
|---|---|
| "Nomination Committee" | the nomination committee of the Board |
| "NSW LPAB" | the Legal Profession Admission Board, New South Wales |
| "pathway program" | a program by which students who complete certain required studies at one institution may become eligible to transfer to another institution to continue their studies and receive credit for work completed |
| "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 008 474 397), a company registered in Australian Capital Territory, Australia with limited liability on 29 August 1969, which is owned as to 50% by PricewaterhouseCoopers Nominees (N.S.W.) Pty Ltd and 50% by PricewaterhouseCoopers Nominees (Victoria) Pty Ltd, a Shareholder |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Reporting Period" | the period from 1 July 2020 to 30 June 2021 |
| "SAA" | Self-Accrediting Authority |
| "SCOTS" | Scots English College Pty Ltd, a private education institution established in Australia providing English language courses |
| "Securities and Futures Ordinance" or "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Services Allowance" | the AUD$3.0 million credit (exclusive of GST) with PwC Australia for the Company to use and apply to pay for certain services in accordance with the terms of the Alliance Agreement |
| "Share(s)" | share(s) in the capital of the Company |
| "Share Award Scheme" | the Share Award Scheme adopted by the Company on 23 October 2018 |
| "Share Option Scheme" | the Share Option Scheme adopted by the Company on 18 April 2018 |

| | |
|---|---|
| "share split" | a share split on 24 April 2018 pursuant to which each Share was subdivided and designated as 2,000 fully paid Shares in the capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Student Career Development Program" | a training program aimed at helping students become more "business ready" as they graduate and enter today's competitive job market. |
| "substantial shareholder" | has the meaning ascribed to it in the Listing Rules |
| "TEQSA" | the Tertiary Education Quality and Standards Agency in Australia established under the TEQSA Act |
| "Tristar United" | Tristar United Investment Limited, a company incorporated under the laws of New Zealand with limited liability on 12 November 2001, which is owned as to 30% by Ding Jian Yong, 30% by Stanly Cheung S.W., 23% by Mo Lindi and 17% by Zhang Dongbo, who are Independent Third Parties, and is a Shareholder |
| "Trust" | the trust constituted by the Trust Deed |
| "Trust Deed" | a trust deed dated 23 October 2018 entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) |
| "Trustee" | Pacific Custodians Pty Ltd (ACN 009 682 866) (which is independent of and not connected with the Company) and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters, as defined in the prospectus issued by the Company dated 27 April 2018 |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as defined in the prospectus issued by the Company dated 27 April 2018 |
| "US$" or "USD" | United States dollars, the lawful currency of the United States |
| "Xinjiang Guoli" | Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司), a company established under the laws of the PRC with limited liability on 6 November 2000, and is a substantial Shareholder |

**Top Education Group Ltd**

澳洲成峰高教集團有限公司