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TOP EDUCATION GROUP LTD

澳洲成峰高教集團有限公司

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

(ACN 098 139 176)

(Stock code: 1752)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year was approximately AUD\$24.8 million.
- Gross profit was approximately AUD\$11.0 million.
- Gross profit margin for the year was approximately 44%.
- The adjusted net profit for the year was approximately AUD\$4.2 million^{Note}.
- Cash and cash equivalents as at 30 June 2021 was AUD\$29.6 million.
- The Board has resolved not to recommend any final dividend in respect of the year ended 30 June 2021.

Note:

The adjusted net profit is calculated as the net profit for the period, excluding the impact from certain expenses which are not indicative of the Group's operating performance.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 AUD\$'000	2020 AUD\$'000
REVENUE	4	24,845	30,440
Cost of sales		<u>(13,819)</u>	<u>(14,996)</u>
Gross profit		11,026	15,444
Interest income		60	249
Other income and gains	4	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	6	<u>(850)</u>	<u>(475)</u>
PROFIT BEFORE TAX	5	326	6,345
Income tax expense	7	<u>(143)</u>	<u>(1,881)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>183</u></u>	<u><u>4,464</u></u>
Attributable to:			
Owners of the Company		185	4,355
Non-controlling interests		<u>(2)</u>	<u>109</u>
		<u><u>183</u></u>	<u><u>4,464</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share (AUD cents)	9	<u><u>0.008</u></u>	<u><u>0.176</u></u>
Diluted earnings per share (AUD cents)	9	<u><u>0.007</u></u>	<u><u>0.168</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	10,776	7,684
Intangible assets		11,582	10,635
Right-of-use assets	<i>11</i>	14,373	7,157
Prepayments and deposits		1,214	1,593
Goodwill	<i>12</i>	1,533	1,533
Deferred tax assets		28	450
Total non-current assets		39,506	29,052
CURRENT ASSETS			
Inventories		85	164
Trade receivables	<i>13</i>	408	229
Prepayments, other receivables and other assets		2,752	3,095
Tax receivable		292	–
Cash and cash equivalents		29,575	34,416
Total current assets		33,112	37,904
CURRENT LIABILITIES			
Trade payables	<i>14</i>	2,172	1,951
Other payables and accruals		2,946	3,145
Lease liabilities	<i>11</i>	1,179	778
Contract liabilities	<i>15</i>	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	<i>11</i>	15,396	6,786
Other payables and accruals		312	838
Total non-current liabilities		15,708	7,624
Net assets		49,118	51,489
EQUITY			
Share capital		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

1. CORPORATE AND GROUP INFORMATION

The consolidated financial statements of Top Education Group Ltd (the “**Company**”), 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 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 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 will be provided in the section headed “Report of the Directors” of the Group’s annual report for the year ended 30 June 2021. Information on other related party relationships of the Group will be provided in note 30 of the Group’s annual report for the year ended 30 June 2021.

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		Principal activities
			Direct	Indirect	
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.

2.1. 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.

2.2. 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	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the 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.

(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 IFRS9, 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.

3. OPERATING SEGMENT INFORMATION

The Group has identified the Chief Executive Officer (“CEO”) and the Board of Directors as the chief operating decision makers. The Group has only one reporting segment being the provision of private 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.

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>AUD\$’000</i>	2020 <i>AUD\$’000</i>
<i>Revenue from contracts with customers</i>		
Course fee income	23,439	28,324
Other service fee income	1,406	2,116
	<u>24,845</u>	<u>30,440</u>
Revenue from contracts with customers		
<i>(i) Disaggregated revenue information</i>		
Geographical markets		
Australia	<u>24,845</u>	<u>30,440</u>
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
	<u>24,845</u>	<u>30,440</u>

(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 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Contract liabilities (<i>Note 15</i>)	<u>1,495</u>	<u>1,896</u>

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 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Other income and gains		
Foreign exchange gains	28	459
Remeasurement of contingent consideration	543	181
Rent waiver	160	801
Government grants (<i>Note</i>)	890	184
Others	<u>134</u>	<u>41</u>
	<u>1,755</u>	<u>1,666</u>

Note: government grants represent temporary subsidies from government to support businesses during the economic downturn associated with COVID-19.

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Amortisation of intangible assets	16	1,774	1,372
Depreciation	10	1,075	608
Amortisation of right-of-use assets	11	1,994	2,144
Auditors' remuneration		250	270
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other employee benefits		7,675	9,538
Share-based payments		1,267	1,074
Pension scheme contributions (defined contribution schemes)		631	808
Less: Amount capitalised		(672)	(1,182)
		8,901	10,238

6. FINANCE COST

	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Interest on lease liabilities	850	475
	850	475

7. INCOME TAX

The Group is subject to income tax on profits arising in or derived from the jurisdiction in which the Group is domiciled and operates. Profits tax has been provided at the Group's statutory tax rate of 26% for the 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 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Current – Elsewhere		
Charge for the year	126	1,154
Underprovision for current tax of prior periods	(99)	6
Deferred	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		2020	
	AUD\$'000	%	AUD\$'000	%
Profit before tax	<u>326</u>		<u>6,346</u>	
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	<u>(99)</u>	<u>(30.4)</u>	<u>6</u>	<u>0.1</u>
Tax charge at the Group's effective rate	<u>143</u>	<u>43.8</u>	<u>1,881</u>	<u>29.6</u>

8. DIVIDENDS

	2021	2020
	AUD\$'000	AUD\$'000
Final – Nil (2020: HK0.3 cents) per ordinary share	<u>1,300</u>	<u>1,902</u>

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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the 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	2020
	AUD\$'000	AUD\$'000
Earnings		
Profit attributable to owners of the Company	<u>185</u>	<u>4,355</u>

	Number of shares	
	2021	2020
	Ordinary shares	Ordinary shares
	'000	'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
	<u>2,543,802</u>	<u>2,592,015</u>

10. 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	<u>93</u>	<u>1,693</u>	<u>5,898</u>	<u>7,684</u>
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	<u>78</u>	<u>1,932</u>	<u>8,766</u>	<u>10,776</u>
At 30 June 2021:				
Cost	340	3,041	10,146	13,527
Accumulated depreciation	(262)	(1,109)	(1,380)	(2,751)
Net carrying amount	<u>78</u>	<u>1,932</u>	<u>8,766</u>	<u>10,776</u>

	Teacher reference books <i>AUD\$'000</i>	Plant and equipment <i>AUD\$'000</i>	Classroom and office equipment <i>AUD\$'000</i>	Total <i>AUD\$'000</i>
30 June 2020				
At 30 June 2019 and 1 July 2019:				
Cost	286	1,697	4,004	5,987
Accumulated depreciation	<u>(185)</u>	<u>(484)</u>	<u>(295)</u>	<u>(964)</u>
Net carrying amount	<u>101</u>	<u>1,213</u>	<u>3,709</u>	<u>5,023</u>
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 (<i>note 16</i>)	–	66	160	226
Depreciation provided during the year	<u>(39)</u>	<u>(223)</u>	<u>(346)</u>	<u>(608)</u>
At 30 June 2020, net of accumulated depreciation	<u>93</u>	<u>1,693</u>	<u>5,898</u>	<u>7,684</u>
At 30 June 2020:				
Cost	317	2,509	6,549	9,375
Accumulated depreciation	<u>(224)</u>	<u>(816)</u>	<u>(651)</u>	<u>(1,691)</u>
Net carrying amount	<u>93</u>	<u>1,693</u>	<u>5,898</u>	<u>7,684</u>

11. 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:

Right-of-use assets	Office premises <i>AUD\$'000</i>	Total <i>AUD\$'000</i>
As at 1 July 2019	8,798	8,798
Additions	93	93
Additions as a result of acquisition of a subsidiary	410	410
Amortisation charge	<u>(2,144)</u>	<u>(2,144)</u>
As at 30 June 2020 and 1 July 2020	<u>7,157</u>	<u>7,157</u>
Additions	9,210	9,210
Amortisation charge	<u>(1,994)</u>	<u>(1,994)</u>
As at 30 June 2021	<u>14,373</u>	<u>14,373</u>

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities	
	2021	2020
	<i>AUD\$'000</i>	<i>AUD\$'000</i>
Carrying amount at 1 July	7,564	8,798
New leases	9,210	93
Additions as a result of acquisition of a subsidiary	–	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	<u>(1,090)</u>	<u>(1,410)</u>
Carrying amount at 30 June	<u>16,575</u>	<u>7,564</u>
Analysed into:		
Current portion	1,179	778
Non-current portions	<u>15,396</u>	<u>6,786</u>

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
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
	<u>2,963</u>	<u>2,784</u>

12. GOODWILL

	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Cost:		
At 1 July	1,533	–
Acquisition of subsidiaries (<i>note 16</i>)	–	1,533
	<u>1,533</u>	<u>1,533</u>
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	<u>1,533</u>	<u>1,533</u>

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating units for impairment testing:

	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Scots English College	<u>1,533</u>	<u>1,533</u>
	<u>1,533</u>	<u>1,533</u>

Cash-generating unit of Scots English College

The recoverable amount of the Scots English College Pty Ltd (“SCOTS”) 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 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.

13. 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
	<i>AUD\$’000</i>	<i>AUD\$’000</i>
Trade receivables	<u>408</u>	<u>229</u>
	<u>408</u>	<u>229</u>
	As at 30 June	
	2021	2020
	<i>AUD\$’000</i>	<i>AUD\$’000</i>
Within 1 month	–	–
1 to 3 months	<u>408</u>	<u>229</u>

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.

14. 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 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Over two months	<u>2,172</u>	<u>1,951</u>

15. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2021 <i>AUD\$'000</i>	2020 <i>AUD\$'000</i>
Short-term advances received from students		
Course fees	<u>1,495</u>	<u>1,896</u>

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition fees from students in advance prior to the beginning of each academic term. Tuition fees are recognised proportionately over the relevant period of the applicable program.

16. 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. 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.

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 <i>AUD\$'000</i>
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	<u>2,900</u>
Total identifiable net assets at fair value	2,375
Non-controlling interests	<u>(356)</u>
	2,019
Goodwill on acquisition	<u>1,533</u>
Satisfied by cash (for 85% shares)	<u><u>3,552</u></u>

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:

	<i>AUD\$'000</i>
Cash consideration paid	(2,284)
Cash and bank balances acquired	<u>41</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>(2,243)</u></u>

17. 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, Australian National Institute of Management and Commerce (“**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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 happened 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.

Communication:

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.

Monitoring:

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.

Resource:

Based on the students' needs and situation of COVID-19, TOP has been tailoring the content of the weekly newsletter 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 to 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 the 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.

Feedback:

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 the 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 to continue learning English and some 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 the 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 operation. 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 reasons, 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 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		Domestic	
	2021 <i>AUD\$</i>	2020 <i>AUD\$</i>	2021 <i>AUD\$</i>	2020 <i>AUD\$</i>
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

Course Name	International		Domestic	
	2021 AUD\$	2020 AUD\$	2021 AUD\$	2020 AUD\$
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 announcement, 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 regulator 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	2020	Change
	<i>AUD\$'000</i>	<i>AUD\$'000</i>	%
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	2020
	AUD\$'000	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	<u>4,154</u>	<u>5,908</u>

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 announcement, 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 Note 16 of the consolidated financial statements. As at 30 June 2021, the Group did not have any other significant contingent liabilities.

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.

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.

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.

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.

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 announcement.

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.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

The Company is of the view that during the year ended 30 June 2021, the Company has complied with applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules except code provisions A.2.1 as noted in the paragraph headed “Chairman and Chief Executive Officer”.

Chairperson and Chief Executive Officer

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

The chairperson and CEO of the Company were both 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. The Board believes that the roles of both Chairperson and CEO vested in the same individual would enable our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

Furthermore, in view of Ms. Cao’s extensive industrial experience and significant role in the historical development of our Company, the Board believes that it is beneficial to the business prospects of our Company that Ms. Cao acts as both our Chairperson and CEO, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors, and independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding Directors’ securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the Employees 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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of four independent non-executive Directors. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2021, including the accounting principles and practices adopted by the Group.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, Recognised Public Interest Entity Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young, Recognised Public Interest Entity Auditor, in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.top.edu.au. The annual report of the Company for the year ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and published on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Company's management and staff members for their dedication and hard work and our Shareholders for their trust and support.

DEFINITIONS

“Academic Board”	the academic board of our Institutes
“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
“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”	Sydney City School of Business, as the name adopted for the Company’s academic division covering higher education courses in the field of Management and Commerce
“CAANZ”	Chartered Accountants Australia and New Zealand
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this announcement and for geographical reference only, except where the context requires, does not include Hong Kong, Macau and Taiwan
“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 and trading as Top Education Institute as well as Australian National Institute of Management and Commerce
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“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”	the Council of our Institutes
“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
“Employee”	<p>(a) any employee (including without limitation any executive Director) of the Company;</p> <p>(b) any non-executive Director (including independent non-executive Directors);</p> <p>(c) any member of the Council; and</p> <p>(d) any consultant of the Company,</p> <p>excluding any employee who is resident in a place where the award of Awarded Shares and/or the vesting of Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee</p>
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time

“higher education”	studies in pursuit of a qualification under levels 5 to 10 of the AQF, including a diploma, advanced diploma, associate degree, bachelor’s 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
“Law School”	Sydney City School of Law, as the name adopted for the Company to provide degree courses in law
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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

“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
“SCDP”	the Student Career Development Program
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEQSA”	the Tertiary Education Quality and Standards Agency in Australia established under the Tertiary Education Quality and Standards Agency Act 2011
“Tristar United”	Tristar United Investment Limited, a company incorporated under the laws of New Zealand with limited liability on 12 November 2001, and is a Shareholder

“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
“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

By order of the Board of
Top Education Group Ltd
Sumeng Cao
Chairperson of the Board

Sydney, Australia, 24 September 2021

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