VICTOR GROUP HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2018

ABN 21 165 378 834

Registered Address
Level 26, 1 Bligh Street
SYDNEY NSW 2000
Australia

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VICTOR GROUP
Enterprise Management

Directors' Report

The directors of Victor Group Holdings Limited ('Victor Group') present their Report together with the financial statements of the consolidated entity, being Victor Group ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2018.

Director details

The following persons were directors of Victor Group during or since the end of the financial year.

Mr. William Hu

Non-Executive Chairman

Chairman of Remuneration and Nomination Committee

Chairman of Audit and Risk Committee

Director appointed 1 March 2017

Mr. William Hu holds a Bachelor of Commerce degree. Mr. Hu is a fellow member of CPA Australia (FCPA) and a fellow of Governance Institution of Australia (FGIA). Mr. Hu brings a wealth of experience in corporate accounting, taxation and finance, as well as experience in mergers and acquisitions in Australia.

Other current listed entity directorships:

None

Previous listed entity directorships (last 3 years):

None

Interest in shares:

None

Interest in options:

None

Mr. Hoifung (Alvin) Lam

Executive Director

Member of Audit and Risk Committee

Member of Remuneration and Nomination Committee

Chief Executive Officer since 9 October 2017

Director appointed 29 January 2016

Mr. Lam is an Executive Director of the Group and he takes charge of the program that embeds the traditional consulting service in the cloud-computing platform. Mr. Lam is an active entrepreneur with extensive experience in the industrial and IT companies. His professional career has been focused on applying statistics, operations research and big data analytics to solve diverse real company problems.

Other current listed entity directorships:

None

Previous listed entity directorships (last 3 years):

None

Interest in shares:

None

Interest in options:

None

Mr. Aik Siang (Alex) Goh

Non-Executive Director
Member of Audit and Risk Committee
Member of Remuneration and Nomination Committee
Director appointed 6 March 2017

Mr. Goh is a seasoned senior executive with enriched experience in globalisation business, corporate management and start-up across IT and internet industry. Mr. Goh was the founding partner and President of 360Cloud, a start-up project funded by Qihu 360 (NYSE:QIHU). Mr. Goh graduated from University of Melbourne, holds Bachelor of Commerce and undergrad in Computer Engineering. Mr. Goh also holds a Master degree in Management with MGSM, Macquarie University Sydney.

Other current listed entity directorships:

None

Previous listed entity directorships (last 3 years):

None

Interest in shares:

None

Interest in options:

None

Mr. Qian Shao

Executive Director
Chief Executive Officer since 29 November 2016 to 9 October 2017
Director since 29 November 2016 to 9 October 2017

Mr. Qian Shao holds a Bachelor's degree in Electronics Engineering from the Southeast University in China. Mr. Shao is an active entrepreneur with extensive experience in the Industrial and IT industries. Before joining the Company, Mr. Shao served as the Vice President of Rycorchina Investment, a venture capital fund focusing on information technology and new media opportunities in China. Mr. Shao is also a founder of "97ticket", a company dedicated to providing the easiest and quickest flight booking experience.

Other current listed entity directorships:

None

Previous listed entity directorships (last 3 years):

None

Interest in shares:

None

Interest in options:

None

Company secretary

Mr Andrew David Bristow was appointed as the new Company Secretary on 2 June 2017. Mr Bristow is a solicitor with over 30 years' experience in corporate and commercial law and he will utilize his expertise and experience to fulfil the responsibility of this role.

Committee Membership

	Audit and Risk Committee	Remuneration and nomination committee
William Hu	Chair	Chair
Alex Goh	Secretary	Secretary
Hoifung Lam	Member	Member

There have been no changes to membership of the Committees.

Principal activities

To take advantage of all aspects of modern digitalised business applications, the Group integrated digital technologies and resources into its services and initiated online business lines. The Group is developing its education technology business via Yunjiao (Zhangjiakou) Technologies, which specializes in developing and operating smart education programs for tier 3 and 4 cities in China. Its innovative education cloud platforms create an open ecosystem that brings together the best-in-class resources and applications from strategic partners such as education service and e-learning content providers and offers a wide range of solutions that cover the key user scenarios and one-stop learning services for educational institutions, students and parents.

The principle activities of the Group during the year are to provide Infrastructure as a Service (IaaS) to customers and consulting service on cloud system and cloud education project. Locating at central part of Jiangsu Province, the data centre at Wenhan (Jiangsu) Information Technology Co., Ltd is used to provide the IaaS service. Along with IaaS and the technical consulting service provided to customers, Wenhan (Jiangsu) Information Technology Co., Ltd is also proposing in selling cloud computing systems to external parties, with the source of the system comes from reputable PRC IT companies.

During the year, the Group secured a cloud-based education and training consulting service contract with Gongcheng Management Consulting Limited.

Review of operations and financial results

Commentary on Full Year Results

Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the financial year ended 30 June 2018. It should be noted that the Group's financial reporting year is from 1 July 2017 through 30 June 2018.

The Victor Group realised an after-tax profit of $777,143 for the reporting financial year. The Company's cash and cash equivalents reserves increased to $498,822.

Financial Position

For the year ended 30 June 2018 sales revenue has decreased by $1,817,743 to $6,123,437 and net profit after tax has decreased by $61,051 to $777,143 from the prior year.

The net assets of the consolidated group have increased by $1,529,028 from $9,569,844 on 30 June 2017 to $11,098,872 on 30 June 2018.

Significant Changes in the State of Affairs

During the year ended 30 June 2018, the following companies were established for the purposes of pursuing a cloud based education and training consultation service.

The new entities are:
- Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd (PRC) (40%)
- Taizhou Zhongke Zhiyun Investment Management Co., Ltd (PRC) (30%)
- Henan Huifeng Fund Management Co., Ltd (PRC) (25%)
- Taizhou Zhongke Zhiyun Internet Industry Investment Fund (Limited Liability Partnership) (PRC) (1%)

No other changes in the state of affairs.

Dividends

No dividends have been paid or provided by the group during or subsequent to the financial year.

Events arising since the end of the reporting period

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either,

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

Likely developments, business strategies and prospects

The Victor Group is a consulting firm specialising in providing enterprise management services traditionally; as well as an operator of cloud-enabled smart education platforms since 2017. For these purposes, the Group intends to pursue the following strategies:

Incorporate the current consulting training course with IT information management consulting services

Due to the fast development of information technology, people now are able to receive financial and management consulting services in a more convenient and easier way which makes the offline consulting services no longer able to meet the client's demand. In May 2016, the Group completed the acquisition of the distributed cloud computing data centre which allows the Group to deliver information management consulting services to clients.

After the completion of the acquisition, Jiangsu Wenhan Information Technology Co., Limited (a wholly-owned subsidiary incorporated in PRC) has commenced the use of that data centre to operate and provide Infrastructure as a Service (IaaS) to the Company and other peer consulting firms. Now, the top managers are leading the company toward another breakthrough in its business model---build and operate (B+O) cloud-based education platforms.

Set up Cloud-distribution platform step by step

The consulting-services provided via internet is more suitable to senior management and executive officers with tight and busy schedules in that the access is easier and more flexible. Also, the online service is more versatile for the users to customize their own consulting services through the cloud-platform.

Cloud Based Education

Education Cloud Platforms are digital educational resources sharing vehicles enabled by cloud computing and other technologies. They connect with online learning spaces and intelligent terminals to provide users with various support functions for teaching, learning, research, administration and social interactions, thereby facilitating full and deep integration of information technologies and learning.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Board Meeting		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
William Hu	5	5	1	1	1	1
Alex Goh	5	5	1	1	1	1
Hoi Fung Lam	5	5	1	1	1	1
Qian Shao(1)	-	-	-	-	-	-

(1) Mr. Qian Shao resigned on 9 October 2017

Column A is the number of meetings the Director was entitled to attend.

Column B is the number of meetings the Director attended.

Share options

There are no options issued by the Victor Group.

Remuneration Report (audited)

The Directors of Victor Group Holdings Limited ('Victor Group' or 'the Company') and controlled entities (together 'the Group') present the Remuneration Report for non-executive directors, executive directors and other key management personnel prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out as follows:

a) Principles used to determine the nature and amount of remuneration

b) Details of remuneration

c) Service agreements

d) Share-based remuneration

e) Other information

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Victor Group has structured a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and executive team. The remuneration structure that has been adopted by the Group consists of fixed remuneration being an annual salary.

The Remuneration and Nomination Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, share options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Use of remuneration consultants

No remuneration consultants have been engaged by the Company during the year.

Short term incentive (STI)

Victor Group performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the company values.

The performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs. Any bonuses paid will not be linked to the Group's share price movement. No person has received any bonus in 2018 (2017: $nil).

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following measures in respect of the current financial year and the previous five financial years:

Item	2018	2017	2016	2015	2014
Basic EPS (cents)	0.15	0.16	0.01	0.60	1.83
Dividends (cents per share)	-	-	-	-	0.48
Net profit / (loss) ($'000)	777	838	29	3,096	4,004
Share price at 30 June (cents)	0.030	0.039	0.100	0.200	0.225

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel (‘KMP’) of Victor Group are shown in the table below

Director and other Key Management Personnel Remuneration for the year ended at 30 June 2018

	Short term employee benefits						Post-employment benefits		Long-term benefits		Termination benefits		Share-based payments		Total ($)		% of remuneration that is performance based	
	Cash salary and fees ($)		Cash bonus ($)		Non-monetary benefits ($)		Superannuation ($)		Long-term bonus ($)		Termination payments ($)		Options ($)					
Directors																		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Hoifung Lam - Executive Director (Appointed 29 January 2016)	146,519	124,784	-	-	-	-	-	-	-	-	-	-	-	-	146,519	124,784	0%	0%
Qian Shao – Executive director and CEO (From 29 November 2016 to 7 October 2017)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
William Hu – Non-Executive Chairman (Appointed 1 March 2017)	26,400	8,800	-	-	-	-	-	-	-	-	-	-	-	-	26,400	8,800	0%	0%
Aik Siang (Alex) Goh – Non-Executive Director (Appointed 6 March 2017)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
David P Batten - Chairman and Independent Non-executive Director (From December 2013 to 2 June 2017)	-	41,250	-	-	-	-	-	3,919	-	-	-	-	-	-	-	45,169	0%	0%
Bin Zhang - Deputy Chairman and CEO (From September 2013 to 29 November 2016)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Xin Jie Liu - Non-Executive Director (From September 2013to 6 March 2017)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Xi Qiang Jiang - Non-Executive Director and CFO (From 19 April 2016 to 28 February 2017)	-	35,000	-	-	-	-	-	3,325	-	-	-	-	-	-	-	38,325	0%	0%

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	Short term employee benefits						Post-employment benefits		Long-term benefits		Termination benefits		Share-based payments		Total ($)		% of remuneration that is performance based	
	Cash salary and fees ($)		Cash bonus ($)		Non-monetary benefits ($)		Superannuation ($)		Long-term bonus ($)		Termination payments ($)		Options ($)					
Other key management personnel																		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Andrew Bristow – Company Secretary of VIG (Appointed 2 June 2017)	42,000	3,500	-	-	-	-	-	-	-	-	-	-	-	-	42,000	3,500	0%	0%
Bo Wang – Chief Financial Officer of VIG (Appointed 1 March 2017)	12,000	4,000	-	-	-	-	1,140	380	-	-	-	-	-	-	13,140	4,380	0%	0%
Total	226,919	217,334	-	-	-	-	1,140	7,624	-	-	-	-	-	-	228,059	224,958		

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalized in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary ($)	Term of agreement	Notice period
Executive directors			
Hoifung Lam	146,519 (RMB 738,293)	3 years	1 month

d. Share-based remuneration

Options

There are no options issued by the Victor Group to Directors and Key Management Personnel.

e. Other Information

Shareholdings

Number of Shares held by Key Management Personnel

30 June 18	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Closing Balance
Directors					
Hoifung Lam[1]	-	-	-	-	-
Alex Goh	-	-	-	-	-
William Hu	-	-	-	-	-
Qian Shao [2]	-	-	-	-	-
Total	-	-	-	-	-
Other KMPs					
Andrew Bristow	-	-	-	-	-
Bo Wang	-	-	-	-	-
Total	-	-	-	-	-

(1) Director of major shareholder of the Group, Daybreak Corporation (holds 76.99% share interest of the Group).

(2) Resigned on 9 October 2017.

Transactions/Balance at end of year for directors and other key management personnel information

Consolidated Group	2018 $	2017 $
Expenses paid on behalf of the Group by Bin Zhang[1)]	-	45,061
Repayment of amount due to Bin Zhang [(1)]	-	41,208
Advances received from Shanghai Hongyue Investment Management Limited[(2)]	277,838	880,428
Repayment of amount due to Shanghai Hongyue Investment Management Limited[(2)]	608,429	587,118
Advances received from Daybreak Corporations Limited	428,300	-

(1) Transactions relate to payment of expenses on behalf of the Group by Bin Zhang during the year.

(2) Achieva Capital Management Limited, Achieva Capital Investment Limited, Shanghai Hongyue Capital Management Limited, and Shanghai Hongyue Investment Management Limited are entities related to Xin Jie Liu (Director resigned 5 March 2017). Transactions relate to related party loan to the Group during the year.

	Payable to related party 2018 $	2017 $
Achieva Capital Management Limited [(1)]	1,893	1,833
Achieva Capital Investment Limited [(1)]	3,889	3,767
Shanghai Hongyue Capital Management Limited [(1)]	-	319,780
Bin Zhang [(2)]	48,706	49,305
Hao Sun [(3)]	20,293	19,101
Daybreak Corporation Limited[(4)]	439,999	-

(1) Achieva Capital Management Limited, Achieva Capital Investment Limited and Shanghai Hongyue Capital Limited are entities related to Xin Jie Liu (Director resigned 5 March 2017). Transactions relate to related party loan to the Group during the year.

(2) Bin Zhang was an executive director who resigned on 29 September 2016.

(3) Hao Sun is the Chief Financial Officer of Daybreak Corporation Limited (largest shareholder).

(4) Daybreak Corporation Limited holds 76.99% share interest of the Group.

Voting and comments made at the Company's 2017 Annual General Meeting

Victor Group Holdings Limited received 100% of 'yes' votes on its remuneration report for the financial year ended 30 June 2017. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report

Environmental legislation

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia or in the People's Republic China.

Indemnities given and insurance premiums paid to auditors and officers

During the year, Victor Group paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Non-audit services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 5 to the Financial Statements.

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 14 of this financial report and forms part of this Director's report.

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Signed in accordance with a resolution of the Board of Directors of Victor Group Holdings Limited.

William Hu

Independent Chairman
Dated the 28 day of September 2018

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Auditor's Independence Declaration

To the Directors of Victor Group Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Victor Group Holdings Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 28 September 2018

Corporate Governance Statement

The Victor Group Board is committed to the implementation and maintenance of good corporate governance practices. This Statement sets out the extent to which the Victor Group Board has followed the best practice recommendations set by the ASX Corporate Governance Council (the Principles and Recommendations) during the twelve month period ending 30 June 2018.

This Statement is accurate and up to date as at 28 September 2018. The disclosures in this Statement respond to the ASX Corporate Governance Council's Third edition of its Corporate Governance Principles and Recommendations.

This statement and corporate governance policy which includes below are posted on The Group's website: http://www.sinovictor.com/corporate.html.

- Board Charter
- Board Performance Evaluation Policy
- Code of Conduct
- Audit Committee Charter
- Remuneration and Nomination Committee Charter
- Security Trading Policy
- Continuous Disclosure Policy
- Shareholder Communications Policy
- Risk Management Policy
- Diversity Policy

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Jun-18	Jun-17
		$	$
Operating Revenue	2	6,123,437	7,941,180
Cost of sales	3	(2,965,346)	(4,555,521)
Gross profit		3,158,091	3,385,659
Non-operating Revenue	2	42,543	25,513
Administrative expenses	3	(461,478)	(643,464)
Depreciation and amortisation expense	3	(768,690)	(591,679)
Employee benefits expense	3	(543,388)	(658,861)
Finance gain (costs)	3	(14,001)	(11,431)
Profit before income tax		1,413,077	1,505,737
Income tax expense	4	(635,934)	(667,543)
Profit for the Year		777,143	838,194
Other Comprehensive Income for the Year, Net of Tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency (losses) /gain on translation of foreign operations		636,973	(465,933)
Total Comprehensive Income for the year		1,414,116	372,261
Total Comprehensive Income attributable to the:			
Owners of the Parent		1,416,172	-
Non-controlling interest		(2,056)	-
Total Comprehensive Income for the year		1,414,116	372,261
Profit/(Loss) Attributable to			
Owners of the Parent		777,722	-
Non-controlling interest		(579)	-
Total Profit/(Loss) for the Year		777,143	-
Earnings per share		Cents	Cents
Basic earnings per share (cents per share)	15	0.15	0.16
Diluted earnings per share (cents per share)	15	0.15	0.16

These financial statements should be read in conjunction with accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITON

AS AT 30 JUNE 2018

ASSETS	Note	Jun-18 $	Jun-17 $
CURRENT ASSETS			
Cash and cash equivalents	7	498,822	354,951
Trade and other receivables	8	9,500,913	3,566,500
Inventory	9	9,945,159	-
Other assets	10	40,961	1,459,099
TOTAL CURRENT ASSETS		19,985,855	5,380,550
NON-CURRENT ASSETS			
Property, plant and equipment	11	3,634,355	3,647,198
Intangible assets	12	3,804,239	4,786,721
Investment in associate	29	48,584	485,843
TOTAL NON-CURRENT ASSETS		7,487,178	8,919,762
TOTAL ASSETS		27,473,033	14,300,312
CURRENT LIABILITIES			
Trade and other payables	13	15,432,764	3,583,725
Income tax payable		941,397	687,268
TOTAL CURRENT LIABILITIES		16,374,161	4,270,993
NON-CURRENT LIABILITIES			
Trade and other payables	13	-	459,475
TOTAL NON-CURRENT LIABILITIES		-	459,475
TOTAL LIABILITIES		16,374,161	4,730,468
NET ASSETS		11,098,872	9,569,844
EQUITY			
Issued capital	14	3,914,446	3,914,446
Foreign exchange translation reserve	17	821,293	182,844
Statutory reserves	17	472,152	287,975
Retained earnings		5,778,124	5,184,579
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS		10,986,015	9,569,844
Non-controlling interests	30	112,857	-
TOTAL EQUITY		11,098,872	9,569,844

These financial statements should be read in conjunction with accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2018

	Issued Capital	Retained Earnings	Foreign Exchange Translation Reserve	Statutory Reserve	Non-controlling interest	Total
	$	$	$	$	$	$
Balance at 1 July 2016	3,914,446	4,502,279	648,777	132,081	-	9,197,583
Profit for the year	-	838,194	-	-	-	838,194
Other comprehensive income	-	-	(465,933)	-	-	(465,933)
Total comprehensive income for the year	-	838,194	(465,933)	-	-	372,261
Transactions with owners in their capacity as owners						
Transfer to Statutory Reserves	-	(155,894)	-	155,894	-	-
Balance at 30 June 2017	3,914,446	5,184,579	182,844	287,975	-	9,569,844
Balance at 1 July 2017	3,914,446	5,184,579	182,844	287,975	-	9,569,844
Profit for the year	-	777,722	-	-	(579)	777,143
Non-controlling interests on consolidation of new subsidiary	-	-	-	-	114,912	114,912
Other comprehensive income	-	-	638,449	-	(1,476)	636,973
Total comprehensive income for the year	-	777,722	638,449	-	112,857	1,529,028
Transactions with owners in their capacity as owners						
Transfer to Statutory Reserves	-	(184,177)	-	184,177	-	-
Balance at 30 June 2018	3,914,446	5,778,124	821,293	472,152	112,857	11,098,872

These financial statements should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR YEAR ENDED 30 JUNE 2018

	Note	Jun-18	Jun-17
CASH FLOWS FROM OPERATING ACTIVITIES		$	$
Receipts from customers		2,719,328	6,782,473
Payments to suppliers and employees		(5,416,498)	(3,633,821)
Interest received		1,754	1,071
Finance costs		(22,754)	(2,443)
Income tax paid		(424,692)	(217,042)
Government subsidy received		40,789	3,702
Total operating cash flow	21	(3,102,073)	2,933,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,103)	-
Purchase of intangible assets		(2,171)	(3,428,715)
Capital contributions received from Non-Controlling Interests		113,436	-
Total investing cash flow		110,162	(3,428,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related party loan		3,043,477	283,807
Total financing cash flow		3,043,477	283,807
Net increase/ (decrease) in cash held		51,566	(210,968)
Cash at beginning of financial year		354,951	562,594
Effect of exchange rates on cash Holdings in foreign currencies		92,305	3,325
Cash at end of financial year	7	498,822	354,951

These financial statements should be read in conjunction with accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of the group, and the separate financial statements and notes of Victor Group Holdings Limited as an individual parent entity ("Parent Entity" and "Company").

Victor Group Holdings Limited was incorporated on 11 September 2013 and listed on the Australian Securities Exchange ("ASX") on 9 May 2014 and is a company limited by shares, incorporated and domiciled in Australia.

Nature of operations

Victor Group Holdings Limited and subsidiaries' ('the Group') principal activities include enterprise management consulting, Infrastructure as a Service (IaaS) and Cloud Education Platforms.

Experiencing higher competition and shrinking market for the offline enterprise management consulting, the Group made a transition into providing IaaS and cloud education industry. To take advantage of all aspects of modern digitalised business applications, the Victor Group expanded its existing business to various economic development zones in China after the data centre acquisition in June 2016.

After the completion of the acquisition, Jiangsu Wenhan Information Technology Co., Ltd (a wholly-owned subsidiary incorporated in the PRC) has commenced the use of that data centre to operate and provide IaaS to the Company and other peer consulting firms.

IaaS is a form of cloud computing that provides virtualised computing resources over the Internet. In an IaaS model, a third-party provider hosts hardware, software, servers, storage and other infrastructure components on behalf of its users. IaaS providers also host users' applications and handle tasks including system maintenance, backup and resiliency planning. Along with IaaS and the technical consulting service provided to customers, Jiangsu Wenhan Information Technology Co., Ltd is also engaging in the selling of cloud computing software to external parties.

Education Cloud Platforms are digital educational resources sharing vehicles, connecting with online learning spaces and intelligent terminals to provide users with various support functions for teaching, learning, research, administration and social interactions.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The Group is a for-profit entity for the purposes of preparing the financial statements. The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 28 September 2018.

a. Principles of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the parent. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The controlled entities are listed in Note 22 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Group during the year, their operating results have been included from the date control was obtained.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All inter-company transactions and balances between Group companies, including any unrealized profits and losses on transactions, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

b. Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence, but which are not subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

c. Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets including buildings and capitalized lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Residual value
Cloud-distribution equipment	10%	-
Buildings	5%	5%
Office equipment	20%	5%
Motor vehicles	20%	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values, lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

f. Segment reporting

As at 30 June 2018, the Group has three (3) operating segments: training and consulting service, Data Centre as a Service and Cloud Education Platforms. In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group.

The activities undertaken by the training and consulting segment includes the sale, cost and expense of management consulting service.

Data Centre (Infrastructure) as a Service (Iaas) includes system maintenance, backup, resiliery and computing resources services over internet. Also the provision of technical consulting services and selling of cloud computing software. Education Cloud Platforms are digital educational resources sharing vehicles, connecting with online learning spaces and intelligent terminals to provide users with various support functions for teaching, learning, research, administration and social interactions.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Group uses for segment reporting under *AASB 8* are the same as those used in its financial statements.

Unallocated assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's headquarters.

g. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognized when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

De-recognition

Financial assets are derecognized where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in profit or loss.

Classification and Subsequent Measurement

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost using the effective interest rate method.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost using the effective interest rate method.

3) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

4) Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognized in profit or loss.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognized directly in the financial assets reserve in other comprehensive income.

h. Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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 for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

j. Provisions

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

l. Revenue and Other Income

Revenue arises from the sale of goods and the rendering of services. Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognized and the amount ultimately received is interest revenue.

Revenue from the provision of training courses is recognised when the course has been completed as this is when the stage of completion of the transaction can be reliably measured and cost incurred for the transaction can be measured reliably and is probable that economic benefits associated with the transaction will flow to the entity.

Revenue from the provision of infrastructure as a service, technical consulting services and cloud education is recognised as services are provided to the customer as this is when the transaction can be reliably measured and cost incurred for the transaction can be measured reliably and is probable that economic benefits associated with the transaction will flow to the entity. Revenue not yet invoiced at year end is disclosed as accrued revenue.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Grant revenue is recognised upon receipt from the government.

All revenue is stated net of the amount of goods and services tax (GST) or value added tax (VAT).

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of GST and VAT, except where the amount of GST or VAT incurred is not recoverable from the Tax Office. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST and VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

o. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised of the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Estimates — Provision for receivables

In assessing the recoverability of accrued revenue, management estimates the recoverable amount for each customer based on their historical knowledge and best available current information over the customers.

r. Intangible assets

Trademarks, software and copyrights are recognised at cost of acquisition. Trademarks, software and copyrights have a finite life and are carried at cost less any accumulated amortization and any impairment losses, and amortised over their useful life of 10 years.

s. Foreign Currency Transactions and Balances

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognized in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized directly in equity to the extent that the gain or loss is directly recognized in equity; otherwise the exchange difference is recognized in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of functional currency to presentation currency are transferred directly to foreign currency translation reserve in other comprehensive income. These differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

t. New and amended standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. Adoption has not had a material impact on amounts recognised and disclosed in these financial statements.

u. Accounting Standards issued but not yet effective and not being adopted early by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Consolidated Entity will adopt this standard from 1 July 2018 and the Consolidated Entity has assessed the impact of the new requirements on the consolidated financial statements and determined the impact to be minimal.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

The Consolidated Entity is currently undertaking a detailed assessment of the impact of AASB 15 and based on an preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16 Leases

AASB 16 will replace AASB 117 Leases. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting would largely remain unchanged. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Consolidated Entity will first apply AASB 16 in the financial year beginning 1 July 2019. The Consolidated Entity is currently assessing the impact of the new requirements on the consolidated financial statements.

v. Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

NOTE 2: REVENUES

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Operating activities		
Provision of training and consulting services	-	721,770
Infrastructure as a Service/Technical Consulting[1]	5,027,217	7,219,410
Cloud Education	161,011	-
Gain on sale of intangible (software)	935,209	-
Total Operating Revenue	6,123,437	7,941,180
Non-operating revenue		
Government grant	40,789	3,702
Other revenue	1,754	20,740
Interest revenue	-	1,071
Total	42,543	25,513

(1) The Group's exposure to customer concentration risk relates to its dependence on major customers. 70% of operating revenue is derived from 2 customers for the current financial year. (June 2017: 82% from 4 customers)

NOTE 3: EXPENSES

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Cost of Sales:		
Training expenses	-	225,965
Data centre expenses	2,965,237	4,329,556
Cloud Education	109	-
Total cost of sales	2,965,346	4,555,521
Administrative expenses:		
Consulting expense	-	779
Travelling expense	19,680	17,724
Rental expense	-	60,434
Meeting expense	12,320	7,169
Advertising expense	-	6,969
Other operating expenses	429,478	550,389
Total administrative expense	461,478	643,464
Depreciation and amortisation expense:		
Depreciation	235,067	230,959
Amortisation	533,623	360,720
Total depreciation and amortisation expense	768,690	591,679

NOTE 3: EXPENSES (CONT)

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Employee benefits expense:		
Salaries and wages	542,248	651,237
Superannuation	1,140	7,624
Total employee benefits expense:	543,388	658,861
Finance costs/ (gain):		
Bank charges	2,183	2,443
Foreign exchange loss (gain)	11,818	8,988
Total finance cost	14,001	11,431

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	Jun-18	Jun-17
	$	$
The components of tax expense comprise:		
Current tax	635,934	667,543
Current tax expense	635,934	667,543
Reconciliation of tax expense		
Profit before income tax	1,413,077	1,505,737
Prima facie tax payable on profit before income tax at rate of 30%	423,923	451,721
Differences in taxation in foreign subsidiaries	(135,027)	(62,911)
Foreign tax losses not recognised	247,295	144,622
Losses in the parent entity not recognised	99,743	134,111
Total income tax expense	635,934	667,543
The applicable weighted average effective tax rate are as follows:	45%	44%

The effective tax rate disclosed is distorted by losses made by holdings companies within the Group which are unable to be utilised to offset tax profits generated by the main operating entities in the PRC.

The Company is subject to the tax law of Australia and its operating subsidiaries are separately subject to income law of Hong Kong and the People's Republic of China (PRC).

As at 30 June 2018, Victor Group Limited (parent entity) had an estimated available tax loss of approximately $1,802,254 (2017:$1,594,135). Tax losses in the parent entity have not been recognised as it is likely they will not be utilised due to the parent entity's holding nature of operation. Tax losses in other subsidiaries outside of China are not presented as they are unlikely to be realized due to the nature of those entities being holding companies.

NOTE 5: AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for service provided by Grant Thornton, the auditor of the Company, its network firms and unrelated firms:

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Remuneration of the auditor of the parent entity for:		
-Auditing or reviewing the financial report	144,500	143,000
Other services:		
-Australian tax return	2,800	2,800
Total auditors' remuneration	147,300	145,800

NOTE 6: DIVIDEND DECLARED

During the year and since the year end, the Directors have not declared final dividend. (2017: Nil)

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Cash on hand	2,300	5,856
Cash at bank	496,522	349,095
Total Cash and cash equivalents	498,822	354,951

Cash at bank and on hand balances as at 30 June 2018 includes Chinese Renminbi denominated equivalent balances of $481,265 (RMB 1,748,210) (2017: $343,167; RMB 1,787,645) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC (People's Republic of China) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Current		
Trade receivables	-	-
Accrued revenue[(1)]	5,576,587	2,745,114
VAT/GST receivable	1,970,499	814,271
Other receivables	1,953,827	7,115
Total current trade and other receivables	9,500,913	3,566,500

(1) Represents revenue incurred but not yet invoiced to the customer.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The group does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

Credit terms offered by the Group range between 7 and 90 days depending on the services provided.

NOTE 9: INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is based on the purchase prices. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

	Jun-18	Jun-17
	$	$
Hardware equipment and software products	9,945,159	-

NOTE 10: OTHER ASSETS

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Current		
Deposit paid for a second Cloud-platform	-	1,459,099
Other assets	40,961	-
Total other assets	40,961	1,459,099

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Office equipment		
At cost	1,022,376	961,259
Accumulated depreciation	(290,058)	(169,615)
Total office equipment	732,318	791,644
Motor vehicles		
At cost	287,649	270,753
Accumulated depreciation	(240,483)	(175,219)
Total motor vehicles	47,166	95,534
Buildings		
At cost	3,061,214	2,881,410
Accumulated depreciation	(206,343)	(121,390)
Total Buildings	2,854,871	2,760,020
Total Property, Plant and Equipment		
At cost	4,371,239	4,113,422
Accumulated depreciation	(736,884)	(466,224)
Total Property, Plant and Equipment	3,634,355	3,647,198

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

	Consolidated Group			
	Office equipment	Motor vehicles	Buildings	Consolidated Total
	$	$	$	$
Balance at 1 July 2017	791,644	95,534	2,760,020	3,647,198
Additions	1,103	-	-	1,103
Depreciation charges	(106,903)	(52,868)	(75,296)	(235,067)
Net exchange differences	46,474	4,500	170,147	221,121
Balance at 30 June 2018	732,318	47,166	2,854,871	3,634,355
Balance at 1 July 2016	942,697	154,813	2,983,878	4,081,388
Depreciation charges	(104,857)	(52,199)	(73,903)	(230,959)
Net exchange differences	(46,196)	(7,080)	(149,955)	(203,231)
Balance at 30 June 2017	791,644	95,534	2,760,020	3,647,198

NOTE 12: INTANGIBLE ASSETS

	Software	Trade Mark	Copyrights	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2017	5,146,464	12,267	1,920	5,160,651
Additions, separately acquired	2,171	-	-	2,171
Disposal	(849,799)	-	-	(849,799)
Net exchange differences	297,704	766	120	298,590
Balance at 30 June 2018	4,596,540	13,033	2,040	4,611,613
Amortisation and impairment				
Balance at 1 July 2017	(369,377)	(4,121)	(432)	(373,930)
Amortisation	(532,153)	(1,193)	(277)	(533,623)
Depreciation written back	134,551	-	-	134,551
Net exchange differences	(34,047)	(290)	(35)	(34,372)
Balance at 30 June 2018	(801,026)	(5,604)	(744)	(807,374)
Carrying amount 30 June 2018	3,795,514	7,429	1,296	3,804,239

	Software	Trade Mark	Copyrights	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2016	1,861,592	12,921	2,022	1,876,535
Additions, separately acquired	3,428,715	-	-	3,428,715
Net exchange differences	(143,843)	(654)	(102)	(144,599)
Balance at 30 June 2017	5,146,464	12,267	1,920	5,160,651
Amortisation and impairment				
Balance at 1 July 2016	(16,114)	(3,046)	(253)	(19,413)
Amortisation	(359,278)	(1,247)	(195)	(360,720)
Net exchange differences	6,015	172	16	6,203
Balance at 30 June 2017	(369,377)	(4,121)	(432)	(373,930)
Carrying amount 30 June 2017	4,777,087	8,146	1,488	4,786,721

All intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment losses; amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, which have been determined to be 10 years.

NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Current		
Trade payables	14,015,683	2,854,677
Employee payables	41,854	42,078
Payable to Related Party[(1)]	514,780	393,786
Other payables	853,711	286,286
Dividend Payable	1,393	1,393
Other tax payable	5,343	5,505
Total trade and other payables	15,432,764	3,583,725

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Non- Current		
Payable to Associate [(2)]	-	459,475
Total trade and other payables	-	459,475

(1) Payable to related party consists of advance from related entities. Refer Note 25.

(2) Payable to Associates represents amount due to associate (Nanjing Jinhong Investment Management Limited $nil in 2018 (2017 $459,475). Refer to Note 29.

NOTE 14: ISSUED CAPITAL

The share capital of the Group consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

	Jun-18 Shares	Jun-17 Shares	Jun-18 $	Jun-17 $
Shares issued and fully paid:				
Beginning of the year	519,560,000	519,560,000	3,914,446	3,914,446
Share issue	-	-	-	-
Total contributed equity at 30 June	519,560,000	519,560,000	3,914,446	3,914,446

NOTE 15: EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

NOTE 15: EARNINGS PER SHARE (CONT)

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Net profit attributable to ordinary equity holders of the parent	777,143	838,194
Weighted average number of ordinary shares for basic earnings per share	519,560,000	519,560,000
Adjustments for calculation for diluted earnings per share	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	519,560,000	519,560,000
Basic earnings per share	0.15 cents	0.16 cents

NOTE 16: CAPITAL MANAGEMENT

Management controls the capital of the group in order to maintain a good debt to equity ratio and ensure that the company can fund its operations and continue as a going concern.

The group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2018	2017
	$	$
Total equity	11,098,872	9,569,844
Cash and cash equivalents	498,822	354,951
Capital	11,597,694	9,924,795
Total equity	11,098,872	9,569,844
Overall financing	11,098,872	9,569,844
Capital-to-overall financing ratio	104%	104%

NOTE 17: FOREIGN EXCHANGE TRANSLATION RESERVE

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Statutory reserve	472,152	287,975
Foreign translation reserve	821,293	182,844
	1,293,445	470,819

Statutory reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from translation of the parent entity's wholly owned subsidiaries functional currencies (HKD and RMB) into the presentation currency of the Group (AUD).

NOTE 18: COMMITMENTS

Operating Commitments
The consolidated group has no operating commitments at 30 June 2018 (2017: nil).

Other Commitments
The consolidated group has no other commitments at 30 June 2018 (2017: nil).

NOTE 19: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The consolidated group has no contingent liabilities or contingent assets at 30 June 2018 (2017: nil).

NOTE 20: SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. There have been no changes from prior period in the measurement methods used to determine operating segments and reported profit and loss.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment; and
- the type or class of customer for the products or services.

Types of products and services by segment

Segments as determined by the Directors and Management are as follows:

- management training consulting services;
- Infrastructure as a Service/Technical Consulting (Data Centre); and
- Cloud Education

The group operates predominately in one geographical area, being the People's Republic of China where sales revenues and non-current assets are located.

Basis of accounting for purposes of reporting by operating segments:

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

NOTE 20: SEGMENT REPORTING (CONTINUED)

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Corporate items

Revenue, expenses, assets and liabilities of the parent entity (Victor Group Holdings Ltd) as a holding company are not allocated to operating segments as they are not considered part of the core operations of any segment:

Segment information for the 2018 and 2017 reporting period is as follows:

2018	Training	Data Centre	Cloud Education	Unallocated	Total
	$	$	$	$	$
Segment revenue	-	5,962,426	161,011	-	6,123,437
Segment cost of sales	-	(2,965,237)	(109)	-	(2,965,346)
Government Support	-	40,789	-	-	40,789
Interest revenue	167	1,255	331	1	1,754
Segment salary expense	(322,011)	(162,689)	(4,688)	(54,000)	(543,388)
Segment depreciation and amortisation	(156,818)	(611,872)	-	-	(768,690)
Segment meeting expense	(12,320)	-	-	-	(12,320)
Segment other expenses	(95,146)	(67,996)	(4,034)	(295,983)	(463,159)
Segment income tax expense	-	(597,531)	(38,403)	-	(635,934)
Segment operating results	(586,128)	1,599,145	114,108	(349,982)	777,143

	Training	Data Centre	Cloud Education	Unallocated	Total
Segment assets	284,006	22,369,178	1,941,743	2,878,105	27,473,032
Segment liabilities	307,366	13,839,197	1,612,174	615,423	16,374,160

NOTE 20: SEGMENT REPORTING (CONTINUED)

2017	Training	Data Centre	Cloud Education	Unallocated	Total
	$	$	$	$	$
Segment revenue	721,770	7,219,410	-	-	7,941,180
Segment cost of sales	(225,965)	(4,329,556)	-	-	(4,555,521)
Government Support	2,742	960	-	-	3,702
Other revenue	-	20,740	-	-	20,740
Interest revenue	133	639	-	299	1,071
Segment salary expense	(444,885)	(147,927)	-	(66,049)	(658,861)
Segment depreciation and amortisation	(154,226)	(437,453)	-	-	(591,679)
Advertising expense	(6,969)	-	-	-	(6,969)
Segment meeting expense	(7,169)	-	-	-	(7,169)
Segment other expenses	(234,651)	(18,639)	-	(387,467)	(640,757)
Segment income tax expense	-	(667,543)	-	-	(667,543)
Segment operating results	(349,220)	1,640,631	-	(453,217)	838,194

	Training	Data Centre	Cloud Education	Unallocated	Total
	$	$		$	$
Segment assets	3,159,677	11,129,313	-	11,322	14,300,312
Segment liabilities	301,362	4,173,809	-	255,297	4,730,468

External customers with revenue greater than 10% of the total revenue

	Jun-18		Jun-17	
Customer (Segment)	$	%	$	%
Customer A (Data Centre)	3,025,292	49%	2,161,011	27%
Customer B (Data Centre)	-	-	2,076,482	26%
Customer C (Data Centre)	-	-	1,323,068	17%
Customer D (Data Centre)	-	-	918,797	12%
Customer E (Data Centre)	1,300,534	21%	-	-
Total	4,325,826	70%	6,479,358	82%

NOTE 21: CASH FLOW INFORMATION

Reconciliation of Net Profit after Tax to Net Cash Flow from Operations

	Consolidated Group	
	Jun-18	Jun-17
	$	$
Profit after income tax	777,143	838,194
Depreciation/amortisation	768,690	591,679
Gain on sale of intangible (software)	(935,209)	(20,740)
Foreign exchange effect	62,826	(138,934)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	(2,831,473)	(1,626,604)
(Increase)/decrease in prepayments	1,418,138	598,793
(Increase)/decrease in other receivables	644	466,452
(Increase)/decrease in inventory	(9,945,159)	-
Increase/ (decrease) in trade and other payables	7,328,198	1,787,221
Increase/ (decrease) in income taxes payable	254,129	437,879
Cash flows from operations	(3,102,073)	2,933,940

NOTE 22: CONTROLLED ENTITIES

Controlled entities consolidated	Country of Incorporation	Percentage owned (%) [1]	
Subsidiary of Victor Group Holdings Limited		Jun-18	Jun-17
Hong Kong Victor International Enterprise Management Co., Limited [2]	Hong Kong	100%	100%
Kesheng Management Consulting (Shanghai) Co., Limited[3]	China	100%	100%
Qisheng Management Consulting (Shanghai) Co., Limited	China	100%	100%
Synergy One Holdings Limited[4]	Cayman	100%	100%
Pride Green Limited[5]	BVI	100%	100%
True Prosper Group Limited[5]	BVI	100%	100%
Great Prospect Corporation Limited[6]	Hong Kong	100%	100%
Yiya Investment Management (shanghai) Co., Limited [7]	China	100%	100%
Jiangsu Wenhan Information Technology Co., Limited[8]	China	100%	100%
Concord Orient Limited[2]	BVI	100%	100%
Tech Source Limited[9]	Hong Kong	100%	100%
Yunjiao (ZJK) Technology Co., Ltd. [10]	China	100%	100%
Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd [11]	China	40%	-

NOTE 22: CONTROLLED ENTITIES (CONTINUED)

(1) Percentage of voting power is in proportion to ownership.
(2) Victor Group Holding Limited is the parent entity of Synergy One Holdings Limited, Hong Kong Victor International Enterprise Management Co., Limited and Concord Orient Limited.
(3) Hong Kong Victor International Enterprise Management Co., Limited is the intermediate parent entity of Kesheng Management Consulting (Shanghai) Co., Limited.
(4) Kesheng Management Consulting (Shanghai) Co., Limited is the intermediate parent entity of Qisheng Management Consulting (Shanghai) Co., Limited.
(5) Synergy One Holdings Limited is the intermediate parent entity of Pride Green Limited and True Prosper Group Limited.
(6) True Prosper Group Limited is the intermediate parent entity of Great Prospect Corporation Limited.
(7) Great Prospect Corporation Limited is the intermediate parent entity of Yiya Investment Management (Shanghai) Co. Limited.
(8) Yiya Investment Management (Shanghai) Co., Limited is the intermediate parent entity of Jiangsu Wenhan Information Technology Co., Limited.
(9) Concord Orient Limited is the intermediate parent entity of Tech Source Limited.
(10) Tech Source Limited is the intermediate parent entity of Yunjiao (ZJK) Technology Co., Ltd.
(11) Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd was incorporated on 30 Sep 2017 with registered capital of RMB 6 million, and registered capital has increased to RMB 1,000,000. Yunjiao (ZJK) Technology Co., Ltd holds 40% of ownership in this entity. The Group has appointed two of three Directors on the Board of Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd.

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to the key management personnel of the Group during the year are as follows:

	2018	2017
	$	$
Short term benefits	226,919	217,334
Post-employment benefit	1,140	7,624
	228,059	224,958

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 25: Related Party Transactions.

NOTE 24: SUBSEQUENT EVENTS

There were no significant events have occurred subsequent to year end to the date of this report being issued that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

NOTE 25: RELATED PARTY TRANSACTIONS

The following comprises transactions with related parties:

Consolidated Group	2018 $	2017 $
Expenses paid on behalf of the Group by Bin Zhang(1)	-	45,061
Repayment of amount due to Bin Zhang (1)	-	41,208
Advances received from Shanghai Hongyue Investment Management Limited(2)	277,838	880,428
Repayment of amount due to Shanghai Hongyue Investment Management Limited(2)	608,429	587,118
Advances received from Daybreak Corporation Limited(3)	437,874	-

The above relate to transaction between the Group and the Group's Directors and their related entities. Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

(1) Transactions relate to payment of expenses on behalf of the Group by Bin Zhang during the year.

(2) Achieva Capital Management Limited, Achieva Capital Investment Limited, Shanghai Hongyue Capital Management Limited, and Shanghai Hongyue Investment Management Limited are entities related to Xin Jie Liu (Director resigned 5 March 2017). Transactions relate to related party loan to the Group during the year.

(3) The amount $437,874 has been advanced from Daybreak Corporation Limited

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts payable to related parties and the Group at balance date comprise the following,

	Payable to related party	
	2018	2017
	$	$
Achieva Capital Management Limited (1)	1,893	1,833
Achieva Capital Investment Limited (1)	3,889	3,767
Shanghai Hongyue Capital Management Limited (1)	-	319,780
Bin Zhang (2)	48,706	49,305
Hao Sun (3)	20,293	19,101
Daybreak Corporation Limited(4)	439,999	-

(1) Achieva Capital Management Limited, Achieva Capital Investment Limited and Shanghai Hongyue Capital Limited are entities related to Xin Jie Liu (Director resigned 5 March 2017). Transactions relate to related party loan to the Group during the year.

(2) Bin Zhang was an executive director who resigned on 29 September 2016.

(3) Hao Sun is the Chief Financial Officer of Daybreak Corporation Limited (largest shareholder).

(4) Daybreak Corporation Limited holds 76.99% share interest of the Group.

Key management personnel

A list of key management personnel and their shareholdings and remuneration is disclosed in the Directors Report. No other person had the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year.

NOTE 26: FINANCIAL ASSETS AND LIABILITIES

a. Categories of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Financial assets at amortised cost $	Total $
30 June 2018		
Financial assets		
Trade and other receivables	7,530,414	7,530,414
Cash and cash equivalents	498,822	498,822
Totals	8,029,236	8,029,236

	Other liabilities carried at amortised cost $	Total $
30 June 2018		
Financial liabilities		
Trade and other payables	15,432,764	15,432,764
Totals	15,432,764	15,432,764

	Financial assets at amortised cost $	Total $
30 June 2017		
Financial assets		
Trade and other receivables	2,752,229	2,752,229
Cash and cash equivalents	354,951	354,951
Totals	3,107,180	3,107,180

	Other liabilities carried at amortised cost $	Total $
30 June 2017		
Financial liabilities		
Trade and other payables	4,043,200	4,043,200
Totals	4,043,200	4,043,200

The carrying amount of the financial assets and liabilities is considered a reasonable approximation of fair value.

NOTE 27: FINANCIAL INSTRUMENT RISKS

The Group is exposed to a variety of financial risks through its use of financial instruments.

This note discloses the Group's objectives, policies for managing and measuring these risks.

The Group's overall risk management plan seeks to minimize potential adverse effects due to the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below,

Specific risks

- Market risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Company,

- Cash at bank
- Trade receivables
- Trade and other payables

Objectives, policies and processes

Risk managements are carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place. Specific information regarding the mitigation of each financial risk to which the Company is exposed is provided below.

a. Foreign currency risk

The Group does not have significant balances denominated in currency other than the functional currency of the respective companies within the Group.

b. Credit risk analysis

Credit risk is managed on a group basis and reviewed regularly by the management. It arises from exposures to customers as well as through deposits with financial institutions.

The management monitors credit risk on a regular basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognized financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

NOTE 27: FINANCIAL INSTRUMENT RISKS (CONTINUED)

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 30 June 2018 and 30 June 2017.

c. Liquidity risk analysis

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

At the balance sheet date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need any further external funding.

d. Interest rate risk

The Group's exposure to interest rate risk relates principally to its short term deposits placed with financial institutions. The Group's financial instruments do not have significant exposure to interest rate risk.

e. Customer concentration risk

The Group's exposure to customer concentration risk relates to its dependence on major customers. 70% of operating revenue is derived from 2 customers for the current financial year. (June 2017: 82% from 4 customers)(Refer Note 20).

f. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments

NOTE 27: FINANCIAL INSTRUMENT RISKS (CONTINUED)

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Non-interest Bearing Maturing within 1 Year		Non-interest Bearing Maturing within 1 - 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	$	$	$	$	$	$	$	$
Financial Assets:										
- Cash and Cash equivalents	0.30%	0.30%	496,522	349,095	2,300	5,856	-	-	498,822	354,951
- Short term deposit	-	-	-	-	-	-	-	-	-	-
- Trade and other receivables	-	-	-	-	7,530,414	2,752,229	-	-	7,530,414	2,752,229
Total Financial Assets	-	-	496,522	349,095	7,532,714	2,758,085	-	-	8,029,236	3,107,180
Financial Liabilities:										
- Trade and other payables	-	-	-	-	15,432,764	3,583,725	-	459,475	15,432,764	4,043,200
Total Financial Liabilities	-	-	-	-	15,432,764	3,583,725	-	459,475	15,432,764	4,043,200
Net Financial Assets/(Liabilities)	-	-	496,522	349,095	(7,900,050)	(825,640)	-	(459,475)	(7,403,528)	(936,020)

NOTE 28: FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The group does not hold any financial assets or liabilities carried at fair value as at 30 June 2018 and 30 June 2017. All financial assets and liabilities are carried at amortised cost. The carrying amounts of current receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is net significant.

NOTE 29: INVESTMENT IN ASSOCIATE

	Jun-18	Jun-17
	$	$
Nanjing Jinhong Investment Management Co., Ltd	-	485,843
Henan Huifeng Fund Management Co., Ltd	48,584	-
Taizhou Zhongke Zhiyun Investment Management Co., Ltd.	-	-
	48,584	485,843

	Percentage interest	Percentage interest
Nanjing Jinhong Investment Management Co., Ltd	-	25%
Henan Huifeng Fund Management Co., Ltd	25%	-
Taizhou Zhongke Zhiyun Investment Management Co., Ltd.	30%	-

During the year ended 30 June 2018, the Group has decided to withdraw and dispose of the investment in Nanjing Jinhong Investment Management Co., Ltd. Investment in Henan Huifeng Fund Management Co., Ltd was entered into during the year. The investment totalled $48,584 (RMB 250,000). Taizhou Zhongke Zhiyun Investment Management Co., Ltd was incorporated at 26 Sep 2017 with registered capital of RMB 10 million. The registered capital hasn't been paid up and is only due before September 2037.

Summarised aggregated financial information of the Group's share in these associates:

	30 June 2018	From the date of incorporation to 30 June 2017
Financial Performance	$	$
Revenue	-	-
Total comprehensive income/(loss)	-	-

NOTE 30: NON-CONTROLLING INTERESTS

	Jun-18	Jun-17
	$	$
Balance at the beginning of the year	-	-
Share of net assets	112,857	-
Balance at the end of the year	112,857	-

Non-controlling interests relate to the 60% interest in Zhangjiakou Zhiyou Yunjiao Information Technology held by other parties which was incorporated on 30 September 2017. During the period from incorporation to 30 June 2018, Zhangjiakou Zhiyou Yunjiao Information Technology incurred a net loss after tax of $579. Refer to Note 22 for more details on the Group's controlled entities.

NOTE 31: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Victor Group Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1, other than investment in subsidiaries which are recorded at cost, less provision for impairment.

	Jun-18	Jun-17
	$	$
ASSETS		
CURRENT ASSETS	43,662	22,943
NON-CURRENT ASSETS	67,312	67,112
TOTAL ASSETS	110,974	90,055
CURRENT LIABILITIES	(617,027)	263,632
TOTAL LIABILITIES	(617,027)	263,632
NET ASSETS / (LIABILITIES)	(506,053)	(173,577)
EQUITY		
Issued capital	3,914,446	3,914,446
Accumulated (losses)	(4,420,499)	(4,088,023)
TOTAL EQUITY / (DEFICIT)	(506,053)	(173,577)
FINANCIAL PERFORMANCE		
Loss for the year	(332,476)	(447,038)
Total Comprehensive Income for the year	(332,476)	(447,038)

The Parent entity has no contingent liabilities or contingent assets at 30 June 2018 (30 June 2017: Nil).

The Parent entity has no capital commitments at 30 June 2018 (30 June 2017: Nil).

Victor Group Holdings Limited (parent entity) was incorporated on the 11 September 2013.

Company Details

Registered Office
Level 26, 1 Bligh Street,
Sydney, New South Wales, 2000

Principal Place of Business
Room Y223,868 ChangPing Road,
JingAn District, Shanghai, 200041
People's Republic of China

Website
www.sinovictor.com

Telephone:
+61 2 8226 8786

Directors' Declaration

In accordance with a resolution of the directors of Victor Group Holdings Limited, the directors of the company declare that,

1. the financial statements and notes, as set out on pages 16 to 53, are in accordance with the *Corporations Act 2001* and

   (1) comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (2) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of the directors:

William Hu

Independent Chairman

Dated the 28 day of September 2018

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Independent Auditor's Report

To the Members of Victor Group Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Victor Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

GrantThornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition – Notes 1 & 2	
During the year ended 30 June 2018, the Group recognised operating revenues of $6,123,437. Revenue is derived from a number of service contracts and is recognised when the stage of completion can be reliably measured. Revenue recognised during the year is material to the Group's operations, and the Group focuses on revenue as a key performance measure. Revenue is considered by management as a key driver for the Group. This area is a key audit matter due to the significance of individual transactions and the total balance of revenue.	Our procedures included, amongst others: • Documenting the processes and assessing internal controls for design effectiveness relating to revenue processing and recognition; • Reviewing the revenue recognition policy to assess compliance with AASB 118 *Revenue*; • Performing analytical procedures to understand the movements and trends in revenue for comparison against expectations; • Tracing a sample of revenue transactions to supporting documentation to evaluate whether revenue has been recognised in line with the revenue recognition policy and the relevant accounting standards; • Testing a sample of revenue transactions recognised just before and after year-end to assess whether they were recorded in the correct period; and • Assessing the adequacy of the related disclosures within the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Victor Group Holdings Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 28 September 2018

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 28 September 2018.

Substantial Shareholders

The number of substantial shareholders and their associates are set out below,

Shareholder	Number of Shares
DAYBREAK CORPORATION LIMITED	400,000,000
ACHIEVA CAPITAL HOLDINGS LTD	54,850,000

Voting Rights

Ordinary shares	On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote

Distribution of equity security holders

	Ordinary shares			Options
Holdings	Holders	Shares	%	
1 - 1,000	5	1,147	0.000	-
1,001 - 5,000	1	2,000	0.000	-
5,001 - 10,000	288	2,880,000	0.554	-
10,001 - 100,000	35	938,717	0.181	-
100,001 and over	10	515,738,136	99.264	-
	339	**519,560,000**	**100.000**	-

Twenty largest shareholders	Ordinary Shares Number Held	% of issued shares
DAYBREAK CORPORATION LIMITED	400,000,000	76.988
ACHIEVA CAPITAL HOLDINGS LTD	54,850,000	10.557
BEST FAITH DEVELOPMENTS	25,000,000	4.812
VANTAGE PATH HOLDINGS LIMITED	20,000,000	3.849
TOP PROSPER INVESTMENT LIMITED	8,987,250	1.730
VANTAGE PATH HOLDINGS LIMITED	3,749,764	0.722
MAIN GAIN DEVELOPMENTS LIMITED	2,613,500	0.503
JILCY PTY LTD	200,000	0.038
PERSHING AUSTRALIA NOMINEES	169,400	0.033
BRACTON CONSULTING	168,222	0.032
MS SUFAN DONG	100,000	0.019
MR XIANG WANG	75,000	0.014
MS SHUANGXIN LI	60,000	0.012
MR BO SHEN	55,000	0.011
MS DONGLIAN LI	50,000	0.010
MR GUOJIAO DONG	50,000	0.010
MS ZHIYUE FENG	50,000	0.010
RUSLA PTY LTD	35,300	0.007
MR RUIJUN MIAO	35,000	0.007
CX & J PTY LTD	33,683	0.006
Totals for Top 20	519,282,119	99.369
Total Issued Capital	519,560,000	100

Unissued equity securities

There are no Options issued by the Company.

Securities exchange

The Company is listed on the Australian Securities Exchange