



Victor Group Holdings Limited

Appendix 4E

Preliminary Final Report

For the year ended 30 June 2017

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Commentary on Full Year Results

The Directors of Victor Group Holdings Limited (“Victor Group” or “the Company”) and its controlled entities (“the Group”) hereby present the Company’s Appendix 4E – Preliminary Final Report. 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 2017. It should be noted that the Group’s financial reporting period is from 1 July 2016 through 30 June 2017.

The Victor Group realised an after-tax profit of \$838,194 for the reporting financial year. Total revenues have increased as the result of the initiative taken from last financial year to develop data centre service which has driven the increase in revenue year on year. Revenues from training courses have decreased sharply. Given the historical timing, this is expected. The Company’s cash and cash equivalents reserves decreased to \$354,951 (2016: \$562,594).

About Victor Group Holdings Limited

Victor Group Holdings Limited is the parent company of Hong Kong Victor International Enterprise Co., Limited (a company incorporated in Hong Kong) which in turn has a wholly-owned subsidiary (incorporated in the PRC) and Synergy One Holdings Limited (a company incorporated in Cayman) which in turn has wholly-owned subsidiaries incorporated in the BVI, HK and PRC (please refer to the structure chart in page 4). Together, these companies make up the Victor Group. The Victor Group also acquired a IT data centre business in the PRC in 2016.

The Victor Group is a consulting firm specialising in providing enterprise management services. They assist the entrepreneurs/management to better manage their company and provide advisory services in relation to most aspects of running a business (e.g. political, financial, legal, technological, behavioural etc.). Its operating model focuses on carrying out large-scale seminars and specific enterprise management consulting courses. Its current business involves providing Enterprise Management Consulting Services (EMCS) which include marketing management training and consulting courses that are currently delivered offline and face-to-face. Due to the decrease in traditional business and 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 through internet after the data centre acquisition in June 2016.

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.

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 resilience planning.

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period 12 months ended 30 June 2017

Prior Period 12 months ended 30 June 2016

2. Results for announcement to the market

Consolidated Group	12 Months 30 June 2016 A\$'000	12 Months 30 June 2017 A\$'000	% change
2.1 Revenue from ordinary activities	4,846	7,941	63.86%
2.2 Profit from ordinary activities after tax attributable to members	29	838	2,840.21%
2.3 Net Profit for the year attributable to members	29	838	2,840.21%
2.4 Dividend			
The company did not declare 2016 final dividend. The company has not declared 2017 final dividend.			
2.5 Record date for determining entitlements to the dividend	N/A		

Overview

The principal activity of Victor Group Limited and controlled entities ('Consolidated Group' or 'Group') during the financial year was providing enterprise management consulting and operating a data centre business.

The Group currently operates in one geographical segment, being the People's Republic of China.

This financial report includes the consolidated financial statements and notes to the financial statements of the Consolidated Group. Victor Group Limited was incorporated on 11 September 2013 and listed on the Australian Securities Exchange ('ASX') on 9 May 2014. The company is incorporated and domiciled in Australia.

Overview of results

For the year ended 30 June 2017 sales revenue increased by \$3,094,835 and the net profit after tax has increased by \$809,686 as compared to the prior year.

The net assets of the consolidated group have increased by \$372,261 from \$9,197,583 on 30 June 2016 to \$9,569,844 on 30 June 2017.

Significant Changes in the State of Affairs

There have been no other significant changes in the state of affairs of the parent entity during the financial year or prior year.

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income – see accompanying preliminary financial statements

4. Consolidated Statement of Financial Position – see accompanying preliminary financial statements

5. Consolidated Statement of Cash flow – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

No dividend has been paid in respect of the 2017 financial year.

7. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

8. Net tangible assets per security

	30 June 2017
Number of securities	519,560,000
Net tangible assets per security in cents	1.41

9. Details of associates and joint venture entities which control has been gained or lost

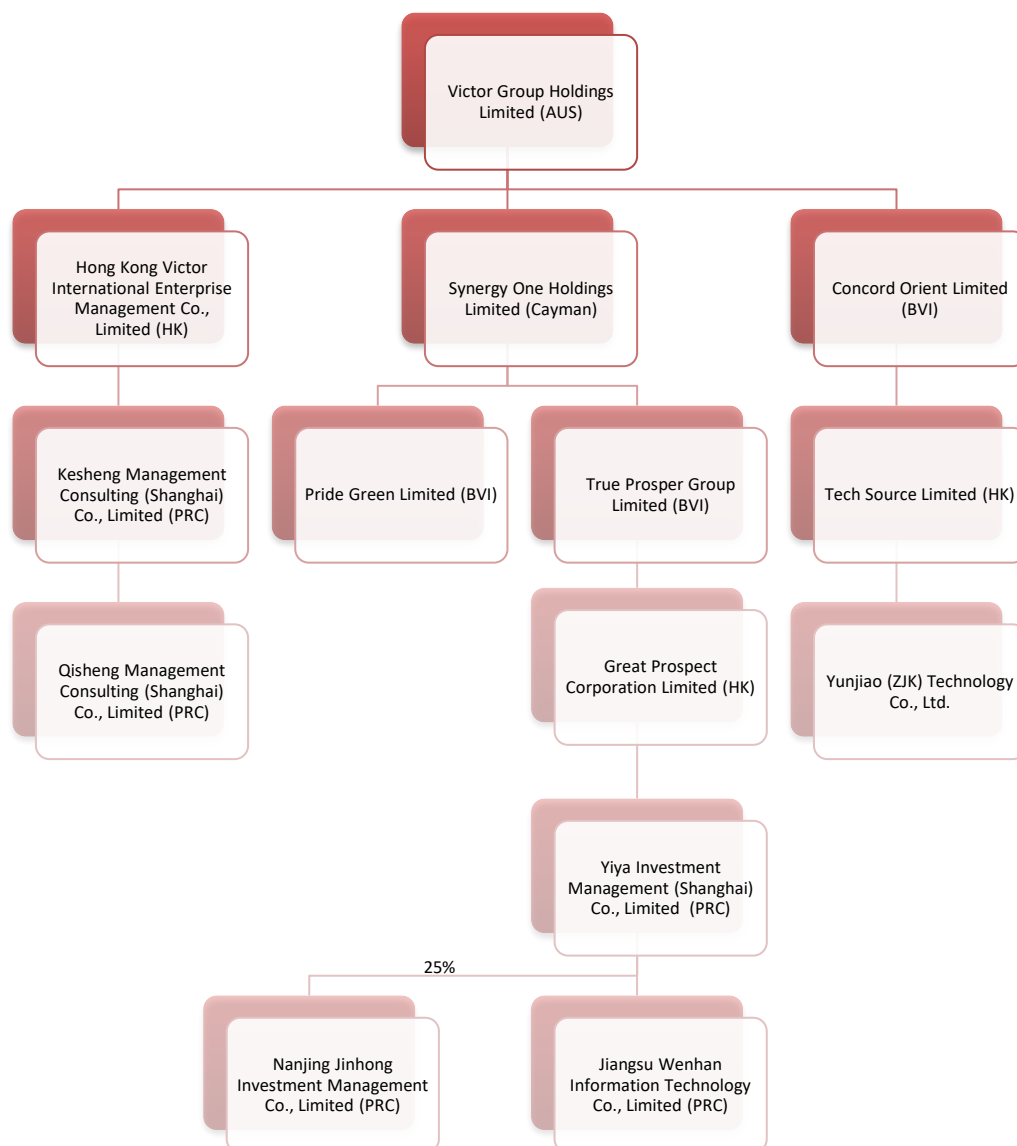
9.1 Control gained over entities.

During the year ended 30 June 2017, a series of wholly owned subsidiaries of the group were incorporated for the purposes of pursuing the opportunity to acquire a cloud-computing platform.

The new entities are:

- Concord Orient Limited (BVI)
- Tech Source Limited (HK)
- Yunjiao (ZJK) Technology Co., Ltd. (PRC)
- Nanjing Jinhong Investment Management Co., Limited (PRC) (Investment in associate)

The group structure as at 30 June 2017 is as follows:



Note: All the entities in the group structure are 100% owned subsidiaries unless otherwise stated.

9.2 Control lost over entities.

N/A

10. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

During the year ended 30 June 2016, Yiya Investment Management (Shanghai) Co., Limited (a wholly owned subsidiary) was established for the acquisition of a data centre which has been consolidated into the Group.

The data centre is called Baoying Distributed Cloud Platform located at 2 Huaijiang Ave, Software Information Industry Park, Baoyin County, Yangzhou, Jiangsu, China. The total purchase paid was RMB 15 million cash (approximately \$3.03 million based on the exchange rate as at 30 June 2016). The data centre is connected by

cloud technologies, which combines the advantage of distributed data and enables clients of the Company to connect to the server in the nearest data centre instead of connecting to a centralised server.

The acquisition was completed in May 2016 and Jiangsu Wenhan Information Technology co., Limited (PRC) has used the data centre to operate and provide Infrastructure as a Service (IaaS) to the Company and other peer consulting firms.

11. Foreign entities disclosures

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*.

All amounts are denominated in Australian Dollars.

12. Compliance Statement

The financial statements are in the process of being audited and are not likely to be subject to dispute or qualification.

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



William Hu – Chairman

Dated this 31st day of August 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Jun-17 \$	Jun-16 \$
Operating Revenue	2	7,941,180	4,846,345
Cost of sales		(4,555,521)	(2,957,776)
Gross profit		3,385,659	1,888,569
Non-operating Revenue		25,513	756,193
Administrative expenses	3	(1,894,004)	(2,358,848)
Finance gain (costs)	3	(11,431)	14,844
Profit before income tax		1,505,737	300,758
Income tax expense	4	(667,543)	(272,250)
Profit for the Year		838,194	28,508
Other Comprehensive Income for the Year, Net of Tax			
Foreign currency gain / (loss) on translation of foreign operations		(465,933)	(527,476)
Total Comprehensive Income for the Year		372,261	(498,968)
Earnings per share			
		Cents	Cents
Basic earnings per share (cents per share)	13	0.16	0.01
Diluted earnings per share (cents per share)	13	0.16	0.01

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

ASSETS	Note	Jun-17	Jun-16
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	354,951	562,594
Trade and other receivables	7	3,566,500	1,592,077
Other assets	8	1,459,099	2,057,892
TOTAL CURRENT ASSETS		5,380,550	4,212,563
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,647,198	4,081,388
Intangible assets	10	4,786,721	1,857,122
Investment in associate	19	485,843	-
TOTAL NON-CURRENT ASSETS		8,919,762	5,938,510
TOTAL ASSETS		14,300,312	10,151,073
CURRENT LIABILITIES			
Trade and other payables	11	3,583,725	704,101
Income tax payable		687,268	249,389
TOTAL CURRENT LIABILITIES		4,270,993	953,490
NON-CURRENT LIABILITIES			
Trade and other payables	11	459,475	-
TOTAL NON-CURRENT LIABILITIES		459,475	-
TOTAL LIABILITIES		4,730,468	953,490
NET ASSETS		9,569,844	9,197,583
EQUITY			
Issued capital	12	3,914,446	3,914,446
Foreign exchange translation reserve	15	182,844	648,777
Reserve	15	287,975	132,081
Retained earnings		5,184,579	4,502,279
TOTAL EQUITY		9,569,844	9,197,583

These financial statements should be read in conjunction with accompanying notes

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2017**

	Issued Capital	Retained Earnings	Foreign Exchange Translation Reserve	Capital Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	3,914,446	4,473,771	1,176,253	132,081	9,696,551
Profit for the year	-	28,508	-	-	28,508
Other comprehensive income	-	-	(527,476)	-	(527,476)
Total comprehensive income for the year	-	28,508	(527,476)	-	(498,968)
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	-	-
Balance at 30 June 2016	3,914,446	4,502,279	648,777	132,081	9,197,583
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	-
Dividends paid	-	-	-	-	-
Balance at 30 June 2017	3,914,446	5,184,579	182,844	287,975	9,569,844

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 30 JUNE 2017

	Note	Jun-17	Jun-16
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Receipts from customers		6,782,473	5,976,582
Payments to suppliers and employees		(3,633,821)	(6,648,505)
Interest received		1,071	11,551
Finance costs		(2,443)	(2,748)
Income tax paid		(217,042)	(292,891)
Government subsidy received		3,702	744,642
Total operating cash flow	18	2,933,940	(211,369)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(946,531)
Purchase of intangible assets		(3,428,715)	(1,958,288)
Deposit paid for land and building acquisition		-	(642,936)
Total investing cash flow		(3,428,715)	(3,547,755)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from related party		283,807	113,525
Dividend payment		71	(291)
Total financing cash flow		283,878	113,234
Net (decrease)in cash held		(210,897)	(3,645,890)
Cash at beginning of financial year		562,594	4,242,023
Effect of exchange rates on cash Holdings in foreign currencies		3,254	(33,539)
Cash at end of financial year	6	354,951	562,594

These financial statements should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**NOTE 1: Statement of significant accounting policies**

This financial report includes the consolidated financial statements and notes of Victor Group Holdings Limited and controlled entities ('Consolidated Group' or 'Group').

Victor Group Holdings Limited listed on the Australian Securities Exchange ("ASX") on 9 May 2014 and is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

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*.

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 by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented Australian dollar (AUD) which is the group's functional and presentational currency, unless otherwise noted.

Significant accounting policies**a) Principle of consolidation**

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The controlled entity is listed in Note 20 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 period then ended. Where controlled entities have entered the group during the period, their operating results have been included from the date control was obtained.

All inter-company transactions and balances between Group companies, including any unrealised 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) Income Tax

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

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

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 realization and settlement of the respective asset and liability will occur.

c) Property, Plant and Equipment

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

Property, plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, 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 income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly, all other decreases are charged to the statement of profit or loss and other comprehensive income. Each year the difference between depreciation based on the re-comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation surplus to retain earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised 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.

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

Class of Fixed Asset	Depreciation Rate
Buildings and lands	5%
Office equipment	20%
Motor vehicles	20%

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 the statement of profit or loss and other comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d) 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 capitalised 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.

e) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised 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 amortised 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 derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised 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 recognised in profit or loss.

Classification and Subsequent Measurement

1) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

2) 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 amortised cost using the effective interest rate method.

3) Held to maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

5) Financial Liabilities

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

6) *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.

7) *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 an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

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 recognised 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 recognised, 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 amortised cost would have been had the impairment not been recognised.

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.

f) 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 income statement.

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.

g) 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 national government bonds with terms to maturity that match the expected timing of cash flows.

h) 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.

i) 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.

j) Revenue and Other Income

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 recognised and the amount ultimately received is interest revenue.

Revenue from the rendering of services 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.

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.

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

k) 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 recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

l) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised 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.

m) 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.

n) Comparative Figures

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

o) 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if 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.

p) Intangibles assets

Trademarks are recognised at cost of acquisition. Trademarks have a finite life and are carried at cost less any accumulated amortization and any impairment losses. Trademarks are amortised over their useful life of 10 years. Software is amortised over the expected useful life of the software. These lives range from 3 to 10 years.

q) 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 recognised in the statement of profit or loss and other comprehensive income, 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 recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

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 the balance sheet. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

NOTE 2: Revenue

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Operating activities		
Provision of training and consulting services	721,770	4,434,315
Infrastructure as a Service	7,219,410	412,030
Total Revenue	7,941,180	4,846,345

NOTE 3: General and administrative expenses

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
General and administrative expenses:		
Salary expenses	658,861	666,331
Consulting expense	779	76,334
Travelling expense	17,724	76,975
Rental expense paid to related party	60,434	66,106
Depreciation and amortization expense	591,679	167,537
Meeting expense	7,169	421,120
Advertising expense	6,969	129,325
Other operating expenses	550,389	755,120
Finance costs:		
Bank charges	2,443	2,748
Foreign exchange loss (gain)	8,988	(17,592)
Total General and administrative expenses	1,905,435	2,344,004

NOTE 4: Income tax expense

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
The components of tax expense comprise:		
Current tax	667,543	272,250
Current tax expense	667,543	272,250
Reconciliation of tax expense		
Profit before income tax	1,505,737	300,758
Prima facie tax payable on profit before income tax at rate of 30%	451,721	90,227
Adjustments of entities not taxed at 30%	13,666	(43,844)
Tax effect on non-deductible expenses	202,156	225,867
Total income tax expense	667,543	272,250

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

The Group is not a tax consolidated group; tax loss incurred by one subsidiary is not deductible for another.

NOTE 5: Auditors' remuneration

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Remuneration of the auditor of the parent entity for:		
-Auditing or reviewing the financial report	143,000	130,000
Other services:		
-Tax Consulting	-	6,000
-Australian tax return	-	2,800
Total auditors' remuneration	143,000	138,800

NOTE 6: Cash and cash equivalents

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Cash on hand	5,856	921
Cash at bank	349,095	561,673
Total Cash and cash equivalents	354,951	562,594

NOTE 7: Trade and other receivables

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Current		
Trade receivables	2,745,114	1,118,510
Other receivables	821,386	473,567
Total current trade and other receivables	3,566,500	1,592,077

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.

The age of trade receivables past due but not impaired is as follows:

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
7-30 days	2,745,114	713,766
31-60 days	-	156,099
61-90 days	-	248,645
>90 days but <180 days	-	-
Total trade receivables	2,745,114	1,118,510

NOTE 8: Other Assets

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Current		
Prepayment for training costs and venue hire	-	2,057,892
Prepayment for the second Cloud-platform	1,459,099	-
Total other assets	1,459,099	2,057,892

NOTE 9: Property, Plant and Equipment

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Office equipment		
At cost	961,259	1,012,505
Accumulated depreciation	(169,615)	(69,808)
Total office equipment	791,644	942,697
Motor vehicles		
At cost	270,753	285,187
Accumulated depreciation	(175,219)	(130,374)
Total motor vehicles	95,534	154,813
Deposit paid for property acquisition		
At cost	2,881,410	3,035,022
Accumulated depreciation	(121,390)	(51,144)
Total deposit paid for property acquisition	2,760,020	2,983,878
Total Property, Plant and Equipment		
At cost	4,113,421	4,332,714
Accumulated depreciation	(466,223)	(251,326)
Total Property, Plant and Equipment	3,647,198	4,081,388

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	Deposit paid for property acquisition	Consolidated Total
	\$	\$	\$	\$
Balance at 1 July 2016	942,697	154,813	2,983,878	4,081,388
Addition	-	-	-	-
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

	Office equipment	Motor vehicles	Deposit paid for property acquisition	Consolidated Total
	\$	\$	\$	\$
Balance at 1 July 2015	99,329	209,621	2,565,600	2,874,550
Addition	935,851	10,680	642,936	1,589,467
Depreciation charges	(39,241)	(56,564)	(54,028)	(149,833)
Net exchange differences	(53,242)	(8,924)	(170,630)	(232,796)
Balance at 30 June 2016	942,697	154,813	2,983,878	4,081,388

NOTE 10: Intangible assets

	Software	Trade Mark	Copyrights	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 July 2016	1,861,592	12,921	2,022	1,876,535
Addition, 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

	Software	Trade Mark	Copyrights	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 July 2015	9,936	11,994	2,138	24,068
Addition, separately acquired	1,956,622	1,666	-	1,958,288
Net exchange differences	(104,966)	(739)	(116)	(105,821)
Balance at 30 June 2016	1,861,592	12,921	2,022	1,876,535
Amortisation and impairment				
Balance at 1 July 2015	(818)	(1,935)	(54)	(2,807)
Amortisation	(16,205)	(1,285)	(213)	(17,703)
Net exchange differences	909	174	14	1,097
Balance at 30 June 2016	(16,114)	(3,046)	(253)	(19,413)
Carrying amount 30 June 2016	1,845,478	9,875	1,769	1,857,122

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 11: Trade and other payables

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Current		
Trade payables	414,476	249,711
Accrued expenses	2,349,664	147,969
Other payables (employee)	42,078	31,569
Payable to Related Party	393,786	93,406
Payable to Non-Related Party	376,823	166,439
Dividend Payable	1,393	1,393
Other tax payable	5,505	13,614
Total trade and other payables	3,583,725	704,101

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Non- Current		
Payable to Associate *	459,475	-
Total trade and other payables	459,475	-

* Further refer to Note 19.

NOTE 12: Issued Capital

	Jun-17	Jun-16	Jun-17	Jun-16
	Shares	Shares	\$	\$
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 13: 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.

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-17	Jun-16
	\$	\$
Net profit attributable to ordinary equity holders of the parent	838,194	28,508
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	0.16 cents	0.01cents
Diluted earnings per share	0.16 cents	0.01cents

NOTE 14: 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.

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.

NOTE 15: Reserves

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Capital reserve ¹	287,975	132,081
Foreign translation reserve ²	182,844	648,777
	<u>470,819</u>	<u>780,858</u>

1. Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 20% 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.
2. *Foreign translation reserve*
The foreign currency translation reserve represents exchange differences arising from translation of the parent entity's functional currency (AUD) into presentation currencies of the group (HKD&RMB).

NOTE 16: Commitments
Operating Commitments

The consolidated group has no operating commitments at 30 June 2017.

Other Commitments

During the period ended 30 June 2017, the Company through its wholly owned subsidiary, Yiya Investment Management (Shanghai) Co., Ltd entered into a MOU for the purchase of an additional data centre of \$3 million. A refundable deposit of \$1.5 million has been paid to secure the deal and the finalisation of the transaction is subject to director and shareholder approval.

The consolidated group has no other commitment at 30 June 2017

NOTE 17: Contingent Assets and Contingent Liabilities

The consolidated group has no contingent liabilities or contingent assets at 30 June 2017.

NOTE 18: Cash Flow Information

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

	Consolidated Group	
	Jun-17	Jun-16
	\$	\$
Profit after income tax	838,194	28,508
Depreciation/amortisation	591,679	167,537
Other revenue	(20,740)	-
Foreign exchange effect	(138,934)	(156,515)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	(1,626,604)	1,259,245
(Increase)/decrease in prepayments	598,793	(1,330,078)
(Increase)/decrease in other receivables	466,452	(473,567)
Increase/ (decrease) in trade and other payables	1,787,221	324,175
Increase/ (decrease) in income taxes payable	437,879	(30,674)
Cash flows from operations	2,933,940	(211,369)

NOTE 19: Investment in Associate

	Jun-17	Jun-16
	\$	\$
Yiya Investment Management (shanghai) Co., Limited	485,843	-
	Percentage interest	Percentage interest
Yiya Investment Management (shanghai) Co., Limited	100%	100%

Investment in Yiya Investment Management (shanghai) Co., Limited amounted to \$485,843 (RMB 2.5m); amount due in 2020 \$459,475 (RMB 2.39m).

NOTE 20: Controlled entities

Controlled entities consolidated	Country of Incorporation	Percentage owned (%)⁽¹⁾	
Subsidiary of Victor Group Holdings Limited		Jun-17	Jun-16
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%	-
Tech Source Limited ⁽⁹⁾	Hong Kong	100%	-
Yunjiao (ZJK) Technology Co., Ltd. ⁽¹⁰⁾	China	100%	-
Nanjing Jinhong Investment Management Co., Limited ⁽¹¹⁾	China	25%	-

(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) Nanjing Jinhong Investment Management Co., Limited was incorporated by Yiya Investment Management (shanghai) Co., Limited and other two companies.