VICTOR GROUP
Enterprise Management

Victor Group Holdings Limited

Appendix 4E

Preliminary Final Report

For the year ended 30 June 2020

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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 2020. It should be noted that the Group's financial reporting period is from 1 July 2019 through 30 June 2020.

The Victor Group realised a loss of $261,200 for the reporting financial year. Total revenues have decreased as the impact of the Covid-19 pandemic. The net assets of the group are $11,732,663 at 30 June 2020 being an increase of $993,381 on the net assets of 2019.

About Victor Group Holdings Limited

Victor Group Holdings Limited is the parent company of Synergy One Holdings Limited (a company incorporated in Cayman) which in turn has wholly-owned subsidiaries incorporated in the BVI, HK and PRC. Together, these companies make up the Victor Group. The Victor Group also acquired an IT data centre business in the PRC in 2017.

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 Year 2017. The management team led the company towards another breakthrough in its business model---build and operate (B+O) cloud-based education platforms.

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.

In March 2020, the company appointed a new CEO – Zhenxian Wu and completed an AUD$1.58 million placement to develop the cloud education market in Australia. The new CEO is building a local team to expand the cloud education business in Australia. The company is operating in both China and Australia from now on.

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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

1. Reporting period

Current Period 12 months ended 30 June 2020
Prior Period 12 months ended 30 June 2019

2. Results for announcement to the market

Consolidated Group	**12 Months 30 June 2020 A$'000**	**12 Months 30 June 2019 A$'000**	**% change**
Revenue from continuing operation	5,870	6,945	(15%)
Revenue from discontinued operations	3	2,076	(99%)
Total revenue from ordinary activities			
Net profit (loss) before tax *(continued and discontinued operations)*	(203)	884	(123%)
Net profit (loss) from continuing operations after tax attributable to members	(346)	341	(201%)
Net profit (loss) from discontinued operations after tax attributable to member	85	(237)	136%
Total net profit (loss) from ordinary activities after tax attributable to members	(261)	104	(351%)
Dividend			
The company did not declare a 2019 final dividend. The company has not declared a 2020 final dividend.			
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 IaaS service, building and operating cloud based platforms including education and remote office, as well as offering a wide range of e-learning solutions for educational institutions, students and parents.

VIG is committed to delivering and developing EdTech-based services with innovative solutions and aims to become China's best builder and operator of smart education platforms.

The Group launched the Australian cloud education market in March 2020. A new CEO has been appointed with an AUD$1.58 million fund raised to develop the market in Australia. The group currently operates in two geographical segments, being the People's Republic of China and Australia. The group believes it is a great opportunity to expand the business in Australia as the cloud education demand is facing a significant growth in Australia no matter during or after the Covid-19.

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 2020 sales revenue decreased by $1,074,575 and realized $261,200 loss. The Covid-19 pandemic shocks the economy of PRC and then worldwide. It deeply changes our industry and our society. The Victor group experience the slow turnover of trade receivables and suspension of the on-site works from Feb 2020. Fortunately, the business began to recover from May after the block-down was lifted and the economy was restarted in PRC. The group also forecasts a significant growth on the demand of cloud education during and after the pandemic, which will be good on company's cloud education business.

The net assets of the consolidated group have increased by $993,382 from $10,739,281 on 30 June 2019 to $11,732,662 on 30 June 2020. The net assets increase because of the repayment of major shareholder's loan and the decrease of trade payables.

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. Consolidated Statement of Changes in Equity – see accompanying preliminary financial statements

7. Dividends Paid or Recommended

No dividend has been paid in respect of the 2020 financial year.

8. Dividend or Distribution Reinvestment Plans

No dividend or distribution reinvestment plans in respect of the 2020 financial year.

9. Net tangible assets per security

	30 June 2020	30 June 2019
Number of securities	572,226,672	519,560,000
Net tangible assets per security in cents	1.55	1.34

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

10.1 Control gained over entities.

N/A

10.2 Control lost over entities.

On 26 November 2019 the Company entered into a sale and purchase agreement with a third-party Ms Shen to sell Tech Source Ltd (TSL) entire issued share capital at a consideration of $191,058 (RMB 933,185). The consideration has been settled in cash during the period and the proceeds will be used for general working capital purposes.

TSL is the holding company of Yunjiao (ZJK) Technology Co., Ltd which provided project management consulting services for a specific project in Zhangjiakou City, China to its customer. Yunjiao (ZJK) Technology Co., Ltd holds 51% interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd. TSL and its subsidiaries represented less than 10% of the Company's net assets and profit before tax at the time of disposal.

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

The management team leaded the company toward another breakthrough in its business model---build and operate (B+O) many cloud platforms including cloud education and remote office rather than the basic Infrastructure as a Service. As plenty of the experience and resources of the cloud education platform has been cumulated during the operation in China, the Victor group decided to launch the Australian cloud education market. The group appointed a new CEO – Zhenxian Wu and raised AUD$1.58 million through private placement in March 2020 to develop the cloud-based education business in Australia. The Victor Group plans to turn the business focus into the exploration of Australian cloud education market and desires to operate business in both China and Australia.

12. 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, unless otherwise stated.

13. Compliance Statement

The financial statements are in the process of being audited.

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 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Jun-20 $	Jun-19 $
Operating Revenue	2	5,870,107	6,944,682
Cost of sales	3	(5,082,316)	(5,996,637)
Gross profit		**787,791**	**948,045**
Non-operating revenue	2	135,822	139,030
General and administrative expenses	3	(1,089,138)	(506,274)
Finance costs		-	(2,011)
Profit/(loss) before income tax from continuing operations		**(165,524)**	**578,790**
Income tax expense	4	(180,656)	(237,335)
Profit/(loss) from continuing operations		**(346,180)**	**341,455**
Profit/(loss) from discontinued operations	10	**84,980**	**(236,886)**
Profit for the Year		**(261,200)**	**104,569**
Other Comprehensive Income for the Year, Net of Tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain differences arising on the translation of foreign operations		(240,930)	53,960
Foreign exchange translation reserve released upon disposal of subsidiaries		(10,732)	(498,825)
Total Comprehensive Income for the Year		**(512,862)**	**(340,296)**
Profit/(Loss) Attributable to:			
Owners of the Parent		(248,581)	121,150
Non-controlling interest		(12,619)	(16,581)
Total profit for the year		**(261,200)**	**104,569**
Total Comprehensive Income attributable to the:			
Owner of the Parent		(499,320)	(333,017)
Non-controlling interest		(13,542)	(7,279)
Total Comprehensive Income for the year		**(512,862)**	**(340,296)**

Earnings per share (on loss attributable to ordinary equity holders)		Cents	Cents
Basic earnings per share (cents per share)			
Loss from continuing operations		(0.06)	0.07
Profit from discontinued operations		0.02	(0.05)
Total	9	**(0.04)**	**0.02**
Diluted earnings per share (cents per share)			
Loss from continuing operations		(0.06)	0.07
Profit from discontinued operations		0.02	(0.05)
Total	9	**(0.04)**	**0.02**

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITON
AS AT 30 JUNE 2020

ASSETS	Note	Jun-20 $	Jun-19 $
CURRENT ASSETS			
Cash and cash equivalents	5	396,810	1,374,909
Trade and other receivables	6	3,634,809	10,528,109
Inventory		7,487,920	6,019,919
Other assets		516,429	169
TOTAL CURRENT ASSETS		**12,035,968**	**17,923,106**
NON-CURRENT ASSETS			
Non-current receivables		-	25,946
Property, plant and equipment		538,223	627,530
Intangible assets		3,335,039	3,884,623
Investment in associate	13	51,380	48,584
TOTAL NON-CURRENT ASSETS		**3,924,642**	**4,586,683**
TOTAL ASSETS		**15,960,610**	**22,509,789**
CURRENT LIABILITIES			
Trade and other payables	7	4,165,743	10,168,330
Contract liabilities		62,205	1,399,650
Income tax payable		-	202,528
TOTAL CURRENT LIABILITIES		**4,227,948**	**11,770,508**
TOTAL LIABILITIES		**4,227,948**	**11,770,508**
NET ASSETS		**11,732,662**	**10,739,281**
EQUITY			
Issued capital	8	5,494,446	3,914,446
Foreign exchange translation reserve		118,147	368,886
Statutory reserves		411,219	411,219
Retained earnings		5,708,850	5,957,431
Total equity attributable to members		**11,732,662**	**10,651,982**
Non-controlling interests		-	87,299
TOTAL EQUITY		**11,732,662**	**10,739,281**

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2020

	Issued Capital	Retained Earnings	Foreign Exchange Translation Reserve	Statutory Reserve	Non-controlling interest	Total
	$	$	$	$	$	$
Balance at 1 July 2018	**3,914,446**	**5,778,124**	**821,293**	**472,152**	**112,857**	**11,098,872**
Profit for the year	-	121,150	-	-	(16,581)	104,569
Exchange differences arising in the translation of foreign operations	-	-	44,658	-	9,302	53,960
Realised upon disposal of subsidiaries	-	-	(498,825)	-	-	(498,825)
Total comprehensive income for the year	**-**	**121,150**	**(454,167)**	**-**	**(7,279)**	**(340,296)**
Transactions with owners in their capacity as owners						
Reclassification of statutory reserve upon disposal of subsidiaries	-	132,081	-	(132,081)	-	-
Acquisition of partial interests in a subsidiary	-	(2,776)	1,760	-	(18,279)	(19,295)
Transfer to Statutory Reserves	-	(71,148)	-	71,148	-	-
Balance at 30 June 2019	**3,914,446**	**5,957,431**	**368,886**	**411,219**	**87,299**	**10,739,281**
Balance at 1 July 2019	**3,914,446**	**5,957,431**	**368,886**	**411,219**	**87,299**	**10,739,281**
Profit for the year	-	(248,581)	-	-	(12,619)	(261,200)
Exchange differences arising on the translation of foreign operations	-	-	(240,007)	-	(923)	(240,930)
Realised upon disposal of subsidiaries	-	-	(10,732)	-	-	(10,732)
Total comprehensive income for the year	**-**	**(248,581)**	**(250,739)**	**-**	**(13,542)**	**(512,862)**
Transactions with owners in their capacity as owners						
Reclassification of statutory reserve upon disposal of subsidiaries	-	-	-	-	(73,757)	(73,757)
Issues of Shares	1,580,000	-	-	-	-	1,580,000
Balance at 30 June 2020	**5,494,446**	**5,708,850**	**118,147**	**411,219**	**-**	**11,732,662**

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 30 JUNE 2020

	Note	Jun-20	Jun-19
CASH FLOWS FROM OPERATING ACTIVITIES		**$**	**$**
Receipts from customers		10,852,390	6,385,354
Payments to suppliers and employees		(10,207,763)	(6,305,835)
Interest received		6,610	5,203
Finance costs		(1,436)	(2,011)
Income tax paid		(23,515)	(742,666)
Total operating cash flow		**626,286**	**(659,955)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(531,569)
Proceeds from non-controlling interests		-	17,161
Total investing cash flow		**-**	**(514,408)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issues of Shares		1,579,997	-
Advance (to)/from related party		(803,003)	2,006,715
Advance from non-related parties		(382,525)	-
Net cash outflow on disposal of subsidiaries		(2,004,264)	(4,611)
Total financing cash flow		**(1,609,796)**	**2,002,104**
Net increase/(decrease) in cash held		(983,510)	827,741
Cash at beginning of financial year		1,374,909	498,822
Effect of exchange rates on cash holdings in foreign currencies		5,411	48,346
Cash at end of financial year	5	**396,810**	**1,374,909**

These financial statements should be read in conjunction with accompanying notes

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.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

(i) AASB 16 Leases

AASB 16 'Leases' replaces AASB 117 'Leases' along with three Interpretations (AASB Interpretation 4 'Determining whether an Arrangement contains a Lease', AASB Interpretation 115 'Operating Leases-Incentives' and AASB Interpretation 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The new Standard has been applied as at 1 July 2019 using the modified retrospective approach. Based on the assessment by the Group, there is no cumulative effect of the initial application of AASB 16 at 1 July 2019 as the Group did not have any leasing commitments.

(ii) Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

New Accounting Standards issued but not yet effective and not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Significant accounting polices

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 expose 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 entities are listed in Note 14 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.

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.

Depreciation

The depreciable amount of all fixed assets 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.

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

Class of Fixed Asset	**Depreciation Rate**
IT equipment	10%

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) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, the Group classifies its trade and other receivables as financial assets at amortised cost upon initial recognition.
All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

e) 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.

f) 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.

g) Provisions

Provisions are recognised 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.

h) 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.

i) Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The total transaction price for a contract is allocated amongst its various performance obligations based on their relative stand-alone selling prices.

The Group recognises contract assets when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed from ECL in accordance with the policy set out in Note 1(f) and are reclassified to trade receivables when the right to the consideration has become unconditional.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Consulting services and IT services

The Group generally recognises service revenue over time. When the Group's promise requires actual delivery of specified services, the Group recognises the service revenue based on a percentage-of-completion method or straight-line basis, whichever provides a more faithful depiction of the transfer of services.

Sale of IT products

Revenue from the sale of IT products for a fixed fee is recognised when (or as) the Group transfers control of the assets to the customer. The control is normally transferred at the point in time when the customers takes undisputed delivery of the IT products.

The sale of IT products may be bundled with a range of IT services (such as installation services, software upgrades, technical supports and warranty) as IT solutions.

In order to assess whether IT product(s) and IT service(s) in an IT solution contract are distinct and therefore give rise to separate performance obligations, the Group considers the following criteria:

- the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and
- the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

For stand-alone sales of IT products that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time when the customer takes undisputed delivery of the goods.

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed using the input method on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation.

The sales arrangements may contain an assurance-type warranties, which promises the customer that the delivered IT products are as specified in the contract. Such warranties are accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Asset. If a warrant provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the promised service-type warranty is a separate performance obligation and the revenue is recognised over the service period.

j) 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.

k) 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.

l) 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.

m) Comparative Figures

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

n) 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 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 judgement - Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

o) Intangibles assets

Software is amortised over the expected useful life of the software. These lives range from 3 to 10 years.

p) 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.

q) Inventory

Inventories held for sale or resale are recorded at cost or, when no longer required or obsolete, are valued at the net realisable value.

r) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income.

NOTE 2: Revenue

	Consolidated Group	
	Jun-20	**Jun-19**
	$	**$**
Operating activities		
Provision of training and consulting services	-	938,528
IaaS and PaaS solutions	5,517,093	6,006,154
Cloud Education	353,014	-
Total Revenue	**5,870,107**	6,944,682
Other income		
Government grant	-	136,274
Other revenue	135,822	-
Interest revenue	-	2,756
Total Other Income	**135,822**	**139,030**

NOTE 3: Expenses by nature

	Consolidated Group	
	Jun-20	**Jun-19**
	$	**$**
Cost of sales - inventory	4,281,433	5,996,637
Cost of services rendered	800,888	-
Employee benefits	180,337	181,886
Depreciation and amortization expense	622,336	96,767
Other operating expenses	286,460	227,621
Total	**6,171,454**	**6,502,911**

NOTE 4: Income tax expense

	Consolidated Group	
	Jun-20	**Jun-19**
	$	**$**
The components of tax expense comprise:		
Current tax	180,656	237,335
Current tax expense	**180,656**	**237,335**

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: Cash and cash equivalents

	Consolidated Group	
	Jun-20	**Jun-19**
	$	**$**
Cash at bank	396,810	1,374,909
Total Cash and cash equivalents	**396,810**	**1,374,909**

Cash at bank as at 30 June 2020 includes Chinese Renminbi denominated equivalent balance of $1,785 (RMB 8,689) (compared with 30 June 2019: $1,372,041 or RMB 6,615,816). RMB balances are held with 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 remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTE 6: Trade and other receivables

	Consolidated Group	
	Jun-20	Jun-19
	$	$
Current		
Trade receivables	3,206,938	8,632,521
VAT/GST receivable	427,871	1,272,255
Other receivables	-	623,333
Total current trade and other receivables	**3,634,809**	**10,528,109**

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.

NOTE 7: Trade and other payables

	Consolidated Group	
	Jun-20	Jun-19
	$	$
Current		
Trade payables	3,075,581	6,825,438
Employee benefit provisions	-	13,725
Payable to Related Parties	1,066,768	1,538,669
Other payables	-	1,787,210
Dividend Payable	1,394	1,393
Other tax payable	-	1,895
Total trade and other payables	**4,165,743**	**10,168,330**

NOTE 8: Issued Capital

	Jun-20	Jun-19	Jun-20	Jun-19
	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	52,666,672	-	1,580,000	-
Total contributed equity at 30 June	572,226,672	519,560,000	5,494,446	3,914,446

NOTE 9: 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-20	**Jun-19**
	$	**$**
Net profit/(loss) attributable to ordinary equity holders of the parent *(continued operations)*	(346,180)	341,455
Net profit/(loss) attributable to ordinary equity holders of the parent *(discontinued operations)*	84,980	(236,886)
Weighted average number of ordinary shares for basic earnings per share	539,328,039	519,560,000
Adjustments for calculation for diluted earnings per share	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**539,328,039**	**519,560,000**

NOTE 10: Discontinued operations

(a) On 26 November 2019 the Company entered into a sale and purchase agreement with a third-party to sell Tech Source Ltd (TSL) entire issued share capital at a consideration of $191,058 (RMB 933,185). The consideration has been settled in cash during the period and the proceeds will be used for general working capital purposes.

TSL is the holding company of Yunjiao (ZJK) Technology Co., Ltd which provided project management consulting services for a specific project in Zhangjiakou City, China to its customer. Yunjiao (ZJK) Technology Co., Ltd holds 51% interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd. TSL and its subsidiaries represented less than 10% of the Company's net assets and profit before tax at the time of disposal.

The core business of the Company remains unchanged and Company continues to focus on its digital strategies.

	From 1 July 2019 to 27 November 2019	**From 1 July 2018 to 30 June 2019**
	$	**$**
Revenue	2,945	2,076,350
Cost of sales	(6)	(2,006,083)
Gross profit/(loss)	**2,939**	**70,267**
Non-operating revenue	4,475	-
General and administrative expenses	(41,590)	(108,897)
Financial costs	3,792	-
Profit/(loss) before income tax	**(30,384)**	**(38,630)**
Income tax expense	(3,927)	-
Profit/(loss) after income tax	**(34,311)**	**(38,630)**
Gain on disposal of subsidiaries	132,544	-
Withholding tax for capital gain	(13,254)	-
Profit/(loss) after income tax from discontinued operation	**84,980**	**(38,630)**
Net cash flow generated from/(used in) operating activities	1,576,984	1,017,198
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**1,576,984**	1,017,198

(b) The disposal of Hong Kong Victor International Enterprise Management Co; Limited (HKV) and its subsidiaries (the "HKV Group") was completed on 17 December 2018 and the financial performance of the HKV Group was reported in the financial statements as a discontinued operation. The financial performance and cash flow information set out below reflect the operations of HKV Group for the period to the date of disposal.

	From 1 July 2018 to 17 December 2018 $	From 1 July 2017 to 30 June 2018 $
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Non-operating revenue	-	-
Salary expenses	(126,722)	(368,667)
Depreciation and amortisation expense	(59,230)	(156,818)
Other expense	(16,685)	(60,642)
Loss before income tax	**(202,637)**	**(586,127)**
Income tax expense	-	-
Loss after income tax	**(202,637)**	**(586,127)**
Gain on disposal of subsidiaries	498,825	-
Withholding tax for dividend declared by disposed subsidiaries	(494,444)	-
Loss after income tax from discontinued operation	**(198,256)**	**(586,127)**
Net cash flow used in operating activities	(143,407)	(429,306)
Net decrease in cash and cash equivalents from discontinued operations	**(143,407)**	**(429,306)**

NOTE 12: Disposal of subsidiaries

(a) TSL summary regarding the disposal (Note 11 (a)) completed during the year is as follow:

	June 2020
Consideration receivable:	$
Cash	191,058
Total disposal consideration	191,058
Carrying amount of net assets sold	(69,246)
Gain on disposal before reclassification of foreign exchange translation reserve	121,812
Release of foreign exchange translation reserve	10,732
Gain on disposal	132,544

(b) HKV Group summary regarding the disposal (Note 11 (b)) completed in prior year is as follow:

	June 2019
	$
Consideration receivable:	
Cash	357,629
Total disposal consideration	357,629
Carrying amount of net assets sold	(357,629)
Gain on disposal before reclassification of foreign exchange translation reserve	-
Release of foreign exchange translation reserve	498,825
Gain on disposal	498,825

NOTE 13: Investment in Associate

	Jun-20 Percentage interest	Jun-19 Percentage interest
Taizhou Zhongke Zhiyun Investment Management Co., Ltd.	-	30%
Henan Huifeng Fund Management Co., Ltd	25%	25%