VICTOR GROUP
Enterprise Management

Victor Group Holdings Limited

and its controlled entities

ABN 21 165 378 834

HALF-YEAR FINANCIAL REPORT

For the half-year ended 31 December 2018

Contents

Appendix 4D

1. Company details

Company name: Victor Group Holdings Limited ("the Company")

ABN: 21 165 378 834

Reporting period: Half year ended 31 December 2018

Previous corresponding period: Half year ended 31 December 2017

2. Results for announcement to the market

Consolidated	6 months to 31 December 2018	6 months to 31 December 2017	Movement	% Movement
	$	$	$	
Revenue from continuing operations	775,760	460,866	314,894	68%
Revenue from discontinued operations	-	-	-	-
Total revenue from ordinary activities	775,760	460,866	314,894	68%
Net profit (loss) before tax	500,994	(403,803)	904,797	(224%)
Net profit (loss) from continuing operations after tax attributable to members	(59,577)	(25,410)	(34,167)	134%
Net profit (loss) from discontinued operations after tax attributable to members	(202,637)	(288,080)	85,443	(30%)
Total net profit (loss) from ordinary activites after tax attributable to members	(253,159)	(313,290)	60,137	(19%)

This Appendix 4D is to be read in conjunction with the Annual Report for the year ended 30 June 2018.

The Directors do not propose to pay any dividend for the half year ended 31 December 2018.

Key financial highlights

- Increase in revenues from continuing activities of 68% is following the expanding in the Infrastructure as a Service (IaaS) offering compared to the prior period. Tthe Group has ventered into the cloud-based education market and provide online stream of consulting management and delivery of information management consulting services to its clients. This venture is formed as a part of growing the Group's IaaS offering.
- Profit before tax from continuing operations has increased from a net loss of $403,803 in the corresponding prior period (December 2017) to a net profit of $500,994 in the current period (December 2018) largely due to the gain on the disposal of its subsidiary, Hong Kong Victor International Enterprise Management Co., Ltd amounting to $498,825.

3. Net tangible assets per security

	31 December 2018	31 December 2017
Net tangible assets per security (cents)	1.19	(0.10)

4. Details of entities over which control has been gained or lost

4.1 Control gained over entities.

N/A

4.2 Control lost over entities.

On 18th December 2018, Victor Group Holdings Limited announced the entry into an agreement for the sale of the shares of Hong Kong Victor International Enterprise Management Co; Limited (HKV) to Hong Kong Xu Kun International Enterprise Management Co; Ltd (HKXK) for a purchase price of AUD $357,629 which equals HKV's net assets as at 30 November 2018. HKXK is an unrelated party.

The transaction was completed on 17th December 2018. The consideration was paid to the Group subsequent to period-end and the proceeds will be used for general working capital purposes.

5. Dividends

Individual dividends per security

	Date dividend Is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	-	-	-	-
Previous year	-	-	-	-

6. Dividend reinvestments plans

6.1 The dividend or distribution plans shown below are in operation.

N/A

6.2 The last date(s) for receipt of election notices for the dividend or distribution plans.

N/A

7. Details of associates and joint entities

	31 December 2018	30 June 2018
	$	$
Henan Huifeng Fund Management Co., Ltd	51,532	48,584
Taizhou Zhongke Zhiyun Investment Management Co., Ltd.	-	-
	51,532	48,584

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

8. Accounting Standards

The half-year financial report is a general-purpose financial which has been prepared in accordance with requirement of the Corporation Act 2001, Australian Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with international accounting standards.

Date this 28th day of February 2019

William Hu

Director

Directors' Report

The Directors of Victor Group Holdings Limited ('Victor Group') present their Report together with the financial statements of the Consolidated Entity, being Victor Group Holdings Limited ('the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2018.

Director details

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

- Mr. William Hu — Non-Executive Chairman
- Mr. Hoifung (Alvin) Lam — Executive Director & Chief Executive Officer
- Mr. Aik Siang (Alex) Goh — Non-Executive Director

Review of operations and financial results

Financial

Sales revenue for the half year ended 31 December 2018 increased by 68% to $0.78m compared to $0.46m reported in the previous corresponding period. The increase in revenue was mainly due to the expanding in the IT consulting offering compared to the prior period.

The Group is now offering the cloud-based education services. Leveraging on the existing IaaS offering, this service serve as a platform providing training, consulting, online courses and specialisations ghrough channels such as virtual classroom as to allow its users to readily have access to online learning tools. The project is based in Zhangjiakou City and be especially beneficial for the economic development of that are.

The directors are optimistic that the could-based education service will make major breakthroughs in Zhangjiakou City as the project is being supported by the local government in Zhangjiakou. The directors have great faith that this opportunity will not only help to improve the literacy of the people living in Zhangjiakou but also generate significant growth for the Group.

The operating result of the Group has suffered a loss of $0.26m (December 2017: loss of $0.31m). The Group has just completed the infrastructure work in Zhajiakou and the gross profit for the construction work is low. The Group will enter into the operation and maintenance period next step.

Directors' Report

Audit's independence Declaration

A copy of the Auditor's independence Declaration as required under s307C of the *Corporations Act 2001* for the half year ended 31 December 2018 is set out on page 7 of this financial report.

Signed in accordance with a resolution of the Board of Directors.

William Hu
Director

28 February 2019

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Auditor's Independence Declaration

To the Directors of Victor Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Victor Group Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated Group	
	Note	December 2018	December 2017
		$	$
Operating revenue	7	775,760	460,866
Cost of sales		(234,797)	(300,887)
Gross profit		**540,963**	**159,979**
Non-operating revenue		4,125	471
Gain on the disposal of subsidiaries	17	498,825	-
Salary expenses		(133,901)	(60,412)
Depreciation and amortisation expense		(271,685)	(297,896)
Travelling expense		(15,236)	(10,427)
Audit expense		(38,500)	(46,500)
Other operating expenses		(82,526)	(145,045)
Finance costs		(1,071)	(3,973)
Profit/(loss) before income tax from continuing operations		**500,994**	**(403,803)**
Income tax (expense)/income		(560,571)	378,393
Loss for the period from continuing operations		**(59,577)**	**(25,410)**
Loss for the period from discontinued operations	16	(202,637)	(288,080)
Loss for the period		**(262,214)**	**(313,490)**
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain differences arising on the translation of foreign operations		(30,754)	251,331
Foreign exchange translation reserve released upon disposal of subsidiaries		(498,825)	-
Total comprehensive income for the period		**(791,793)**	**(62,159)**
Loss for the year attributable to:			
Non-controlling interests		(9,055)	(200)
Owners of the Parent		(253,159)	(313,290)
		(262,214)	**(313,490)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated Group	
	Note	December 2018	December 2017
		$	$
Total comprehensive income attributable to:			
Non-controlling interests		(10,773)	(406)
Owners of the parent		(781,020)	(61,753)
		(791,793)	**(62,159)**
Total comprehensive income for the period attributable to owners of the parent			
Continuing operations		(79,558)	226,326
Discontinued operations		(701,462)	(288,079)
		(781,020)	**(61,753)**
Loss per share (on loss attributable to ordinary equity holders)		**Cents**	**Cents**
Basic loss per share (cents per share)			
Loss from continuing operations		(0.01)	(0.00)
Loss from discontinued operations		(0.04)	(0.06)
Total	14	**(0.05)**	**(0.06)**
Diluted loss per share (cents per share)			
Loss from continuing operations		(0.01)	(0.00)
Loss from discontinued operations		(0.04)	(0.06)
Total	14	**(0.05)**	**(0.06)**

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITON

AS AT 31 DECEMBER 2018

	Note	Consolidated Group 31 December 2018	30 June 2018
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,147,524	498,822
Trade and other receivables		4,887,046	9,500,913
Contract assets		290,640	-
Inventory	10	13,014,113	9,945,159
Other assets		169	40,961
TOTAL CURRENT ASSETS		**21,339,492**	**19,985,855**
NON-CURRENT ASSETS			
Property, plant and equipment	11	665,670	3,634,355
Intangible assets	12	4,119,082	3,804,239
Investment in associate		51,532	48,584
TOTAL NON-CURRENT ASSETS		**4,836,284**	**7,487,178**
TOTAL ASSETS		**26,175,776**	**27,473,033**
CURRENT LIABILITIES			
Trade and other payables	13	12,575,119	15,432,764
Contract liabilities		2,805,196	-
Income tax payable		488,382	941,397
TOTAL CURRENT LIABILITIES		**15,868,697**	**16,374,161**
TOTAL LIABILITIES		**15,868,697**	**16,374,161**
NET ASSETS		**10,307,079**	**11,098,872**

CONSOLIDATED STATEMENT OF FINANCIAL POSITON (continued)

AS AT 31 DECEMBER 2018

		Consolidated Group	
	Note	**31 December 2018**	**30 June 2018**
		$	**$**
EQUITY			
Issued capital		3,914,446	3,914,446
Foreign exchange translation reserve		293,432	821,293
Statutory reserve		340,071	472,152
Retained earnings		5,657,046	5,778,124
Total equity attributable to Members		**10,204,995**	**10,986,015**
Non-controlling interests		102,084	112,857
TOTAL EQUITY		**10,307,079**	**11,098,872**

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR HALF-YEAR ENDED 31 DECEMBER 2018

	Share Capital (Ordinary)	Non-Controlling Interests	Retained Earnings	Foreign Exchange Translation Reserve	Statutory Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2017	**3,914,446**	**-**	**5,184,579**	**182,844**	**287,975**	**9,569,844**
Loss for the period	-	(200)	(313,290)	-	-	(313,490)
Non-controlling interests on establishment of subsidiary	-	38,304	-	-	-	38,304
Other comprehensive (expense)/income	-	(206)	-	251,537	-	251,331
Total comprehensive income for the period	**-**	**37,898**	**(313,290)**	**251,537**	**-**	**(23,855)**
Balance at 31 December 2017	**3,914,446**	**37,898**	**4,871,289**	**434,381**	**287,975**	**9,545,989**
Balance at 1 July 2018	**3,914,446**	**112,857**	**5,778,124**	**821,293**	**472,152**	**11,098,872**
Loss for the period	-	(9,055)	(253,159)	-	-	(262,214)
Reclassification of statutory reserve upon disposal of subsidiaries		-	132,081	-	(132,081)	-
Realised upon disposal of subsidiaries	-	-	-	(498,825)	-	(498,825)
Other comprehensive (expense)/income	-	(1,718)	-	(29,036)	-	(30,754)
Total comprehensive income for the period	**-**	**(10,773)**	**(121,078)**	**(527,861)**	**(132,081)**	**(791,793)**
Balance at 31 December 2018	**3,914,446**	**102,084**	**5,657,046**	**293,432**	**340,071**	**10,307,079**

These financial statements should be read in conjunction with accompanying note

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 31 December 2018

		Consolidated Group	
	Note	December 18	December 17
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,702,945	759,104
Payments to suppliers and employees		(5,111,611)	(1,021,512)
Interest received		6,572	471
Finance costs		(3,499)	(1,112)
Income tax paid		(279,788)	(36,177)
Net cash flow from/(used in) operating activities		**3,314,619**	**(299,225)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment			
Purchase of intangible assets		(512,868)	(5,417,343)
Proceeds from establishment of subsidiary – Non-controlling interests contribution		-	37,898
Cash disposed on the disposal of subsidiaries		(4,611)	-
Proceeds from acquiree		-	200
Net cash flow used in investing activities		**(517,479)**	**(5,379,245)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related party		(189,000)	254,722
Increase in borrowings		-	6,338,291
Net cash flow from/(used in) financing activities		**(189,000)**	**6,593,013**
Net increase in cash held		2,608,140	914,543
Cash at beginning of financial period		498,822	354,951
Effect of exchange rates on cash holdings in foreign currencies		40,562	13,956
Cash at end of financial period		**3,147,524**	**1,283,450**

These financial statements should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. Nature of operations

Victor Group Holdings Limited and its controlled entities (the "Group") principal activities providing IaaS service and technical consulting devices to customers, building and operating Education Cloud Platforms which bring together best-in-class resources and applications from strategic partners such as education service and e-learning content providers and offering a wide range of solutions for educational institutions, students and parents.

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

2. General information and basis of preparation

Victor Group Holdings Limited is a profit-oriented entity limited by shares incorporated in Australia whose share are publicly traded on the Australian Securities Exchange (ASX). The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2018 and are presented in Australian dollars ($), which is the functional currency of the parent company.

These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The principle accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period other than listed below:

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments (2014)* became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in Note 3.

The interim financial statements have been approved and authorised for issue by the board of directors on 28 February 2019.

3. Change in accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB *15 Revenue from Contracts with Customers* and AASB 9 Financial *Instruments (2014)* became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

3.1 Revenue

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applies as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

Revenue arises mainly from consulting services, IT services, IaaS, and sale of information technology ("IT") products.
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 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.

Summary of effects arising from initial application of AASB 15

The following adjustments were made to the amounts recognised in the condensed interim consolidated financial statements at 1 July 2018:

	Carrying amounts previously reported 1 July 2018	Reclassification	Carrying amounts under AASB 15 at 1 July 2018
Current assets			
Contract assets	5,576,587	(5,576,587)	-
Accrued revenue	-	5,576,587	5,576,587

Except as described above, there is no material cumulative effect of the initial application of AASB 15 at 1 July 2018 in accordance with the transition requirements based on the assessment by the Group.

Consulting services, IT services and IaaS

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. For a service of standing ready to provide goods or services, the Group recognises the service revenue on a straight-line basis during the service period.

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 are always bundled with a range of IT services (such as installation services, software upgrades, technical supports and warranty).

In order to assess whether IT product(s) and IT service(s) in a 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.

The Group allocates the transaction price to the identified performance obligations and recognises revenue when (or as) those performance obligations are satisfied.

The sales arrangements often contain an assurance-type warranties, which promises the customer that the delivered IT products are as specified in the contract. Such warranties is 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.

3.2 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. Subsequent measurement of financial assets and financial liabilities are described below.

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.

Subsequent measurement financial assets

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 new 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 as well as contract assets 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

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount	AASB 9 carrying amount
Financial assets				
Trade and other receivables	Loans and Receivables	Amortised cost	9,500,913	9,500,913
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	15,432,764	15,432,764

In addition to the change in accounting policies arising from application of new accounting standards stated in Notes 3.1 and 3.2, the following accounting policy is applicable to the disposal of Hong Kong Victor International Enterprise Management Co., Limited ("HKV") and its wholly-owned subsidiaries during the period (Refer to Note 5).

3.3 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.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Significant events and transactions

On 17 December 2018 the Company entered into a sale and purchase agreement with a third party Hong Kong Xu Kun International Enterprise Management Co; Ltd (HKXK) to sell Hong Kong Victor International Enterprise Management Co., Limited's (HKV) entire issued share capital at a consideration of $357,629. The disposal was taken in line with the company's strategy to focus on its digital strategy.

HKV and its wholly-owned subsideraries Kesheng Management Consulting (Shanghai) Co., Limited and Qisheng Management Consulting (Shanghai) Co., Limited together as "HKV Group". HKV Group focused on class-room based training courses and customised consulting services to owners of small to medium sized entities. The Group has been integrating digital technology and resources into its services and initiated its on-line business since 2016. As such the business conducted by HKV has been decreasing in importance and was considered non-core to VIG's operations. The sale of HKV Group will allow the company to focus on its digital strategies. Refer to Note 16 for details of discontinued operations.

6. New and amended accounting standards issued but not yet effective

During the period, a number of Standards and Interpretations were in issued but not yet effective. The Group is yet to assess the full impact of these standards. However, the standards are unlikely to have a significant effect on the Groups financial results.

7. Operating revenue

During the 6 month period ended 31 December 2018, revenue from the top two customers (December 2017: two) amounted to 96 % of total operating revenue (December 2017: 100%).

External customers with revenue greater than 10% of the total revenue is disclosed as follow:

Customer	December 2018		December 2017	
	Revenue	%	Revenue	%
A – IT Consulting Services	129,167	17%	-	-
B – IT services	615,441	79%	-	-
C – IT Consulting Services	-	-	77,919	17%
D – IaaS Service	-	-	382,947	83%
Total	**744,608**	**96%**	**460,866**	**100%**

8. Segment reporting

Following the completion of the data centre acquisition in the prior year, an additional segment was established and reviewed by the chief operating decision maker (the Board) in allocating resources.

As at 31 December 2018, the Group has two operating segments: Infrastructure as a Service (IaaS) and cloud-based education. The traditional face-to-face consulting service was disposed during the half year period, as stated in Note 5. In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group.

The activities undertaken by the training segment includes the sale, cost and expense of management consulting service. Infrastructure as a Service (IaaS) is a form of cloud computing that provides virtualised computing resources over the Internet. In an IaaS model, a third-party provider hosts hardware, software, servers, storage and other infrastructure components on behalf of its users. IaaS providers also host users' applications and handle tasks including system maintenance, backup and resiliency planning.

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

The Group' segments are operating in one geographical segment, being the People's Republic of China

Segment information for the reporting period is as follows:

	31 Decmber 2018			
	Face-to-face Consulting Service	Infrastructure as a Service (IaaS)	Cloud-Based Education	Total
	$	$	$	$
Revenue	-	775,760	-	775,760
Cost of sales	-	(234,789)	(8)	(234,797)
Other revenue		2,873	1,249	4,122
Interest revenue	2,447	-	-	2,447
Salary expense	(126,723)	(74,413)	(50,867)	(252,003)
Depreciation and amortisation	(59,230)	(271,685)	-	(330,915)
Other expenses	(19,174)	(7,490)	(779)	(27,443)
Income tax expense	42	(66,127)	-	(66,085)
Segment operating results	**(202,638)**	**124,129**	**(50,404)**	**(128,914)**
Un-allocated				(133,300)
Total				**(262,214)**
Segment assets	-	21,209,559	4,966,216	26,175,775
Segment liabilities	-	(11,180,565)	(4,688,132)	(15,868,697)

	31 December 2017			
	Face-to-face Consulting Service	Infrastructure as a Service (IaaS)	Cloud-Based Education	Total
	$	$	$	$
Revenue	-	460,866	-	460,866
Cost of sales	-	(300,887)	-	(300,887)
Interest revenue	71	359	40	470
Salary expense	(157,753)	(71,175)	-	(228,928)
Depreciation and amortisation	(76,524)	(297,896)	-	(374,420)
Meeting expense	(8,999)	-	-	(8,999)
Other expenses	(44,875)	(41,085)	(769)	(86,729)
Income tax expense	-	378,393	-	378,393
Segment operating results	**(288,080)**	**128,575**	**(729)**	**(160,234)**
Un-allocated				(153,256)
Total				**(313,490)**
Segment assets	3,182,146	17,375,393	115,450	20,672,689
Segment liabilities	715,271	10,411,729	-	11,127,000

9. Cash and cash equivalents

	31 December 18	30 June 18
	$	$
Cash on hand	-	2,300
Cash at Bank	3,147,524	496,522
Total cash and cash equivalent	**3,147,524**	**498,822**

Cash at bank and on hand balance as at 31 December 2018 includes Chinese Renminbi denominated equivalent balances of $3,145,838 (RMB15,261,577) (30 June 2018: $481,265, RMB2,359,778) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renmimbi 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 Goup is permitted to exchange Renminbi for foreign currencies through banks that are authorized 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 gobernment of the PRC.

10. Inventory

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

	31 December 18	30 June 18
	$	$
Hardware equipment and software products	13,014,113	9,945,159

11. Property, plant and equipment

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 6 months period ended 31 December 2018 is as follows:

	Consolidated Group			
	Office equipment	Motor vehicles	Buildings	Consolidated Total
	$	$	$	$
Balance at 1 July 2018	732,318	47,166	2,854,871	3,634,355
Addition	-	-	-	-
Disposals	(22,085)	(28,386)	(2,726,471)	(2,776,942)
Depreciation charges	(50,180)	(17,536)	(31,802)	(99,518)
Net exchange differences	5,617	(1,244)	(96,598)	(92,225)
Balance at 31 December 2018	**665,670**	**-**	**-**	**665,670**

	Consolidated Group			
	Office equipment	Motor vehicles	Buildings	Consolidated Total
	$	$	$	$
Balance at 1 July 2017	791,644	95,534	2,760,020	3,647,198
Addition	-	-	-	-
Depreciation charges	(52,028)	(25,900)	(36,669)	(114,597)
Net exchange differences	19,250	1,961	69,787	90,998
Balance at 31 December 2017	**758,866**	**71,595**	**2,793,138**	**3,623,599**

12. Intangible Assets

	Software	Trademarks	Copyrights	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2018	**4,596,540**	**13,033**	**2,040**	**4,611,613**
Addition, separately acquired	512,868	-	-	512,868
Disposals	(9,155)	(12,588)	(1,970)	(23,713)
Net exchange differences	60,951	(445)	(70)	60,436
Balance at 31 December 2018	**5,161,204**	**-**	**-**	**5,161,204**
Amortisation and impairment				
Balance at 1 July 2018	**(801,026)**	**(5,604)**	**(744)**	**(807,374)**
Amortisation	(231,098)	(504)	(117)	(231,719)
Disposal	3,879	5,907	833	10,619
Net exchange differences	(13,887)	201	28	(13,648)
Balance at 31 December 2018	**(1,042,122)**	**-**	**-**	**(1,042,122)**
Carrying amount 31 December 2018	**4,119,082**	**-**	**-**	**4,119,082**

	Software	Trademarks	Copyrights	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2017	**5,146,464**	**12,267**	**1,920**	**5,160,651**
Addition, separately acquired	5,417,343	-	-	5,417,342
Net exchange differences	131,392	313	49	131,754
Balance at 31 December 2017	**10,695,199**	**12,580**	**1,969**	**10,709,747**
Amortisation and impairment				
Balance at 1 July 2017	**(369,377)**	**(4,121)**	**(432)**	**(373,930)**
Amortisation	(259,107)	(581)	(135)	(259,823)
Net exchange differences	(14,216)	(116)	(13)	(14,345)
Balance at 31 December 2017	**(642,700)**	**(4,818)**	**(580)**	**(648,098)**
Carrying amount 31 December 2017	**10,052,499**	**7,762**	**1,389**	**10,061,650**

Additions during the current period represent software purchased to deliver IaaS services.

Trademarks and softwares 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 trademarks and software over their estimated useful lives, which have been determined to be 10 years.

13. Trade and other payables

	Consolidated Group	
	31 December 18	30 June 18
	$	$
Current		
Trade payables	11,276,694	14,015,683
Employee payables	15,041	41,854
Payable to Related Party (Refer to Note 20)	648,120	460,292
Dividend Payable	1,393	1,393
Other tax payable	16	5,343
Other payables	633,855	908,199
Total trade and other payables	**12,575,119**	**15,432,764**

14. Loss per share

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the parent company (Victor Group) as the numerator, i.e. no adjustments to loss were necessary during the six months periods to 31 December 2018 and 2017.

The number of ordinary shares used in the calculation of the divided loss per share is the same as the number used in the calculation of basic loss per share, as there are no options on issue.

	Consolidated Group	
	6 Months to 31 December 2018	6 Months to 31 December 2017
	$	$
Loss used to calculate basic and dilutive loss per share	(262,214)	(313,490)
Weighted average number of ordinary shares for basic loss per share	519,560,000	519,560,000
Adjustments for calculation for diluted loss per share	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	519,560,000	519,560,000
Basic loss per share	**(0.05) cents**	**(0.06) cents**
Diluted loss per share	**(0.05) cents**	**(0.06) cents**

15. Dividends

No dividends have been paid or provided by the group during the period (2017: nil).

16. Discontinued operations

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 is reported in the financial statements for the half-year ended 31 December 2018 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 31 December 2017
	$	$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Non-operating revenue	-	-
Salary expenses	(126,722)	(181,715)
Depreciation and amortisation expense	(59,230)	(76,524)
Other expense	(16,685)	(21,741)
Profit/(loss) before income tax	**(202,637)**	**(288,080)**
Income tax expense	-	-
Profit/(loss) after income tax from discontinued operation	**(202,637)**	**(288,080)**
Net cash flow used in operating activities	(143,407)	(211,556)
Net cash flow used in investing activities	-	-
Net cash flow generated from financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	**(143,407)**	**(211,556)**

17. Disposal of subsidiaries

Summary regarding the Disposal (Refer to Note 16) completed during the half-year ended 31 December 2018 is as follows:

	December 2018
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

18. Contingent liabilities

The Group has no contingent liabilities as at 31 December 2018 (30 June 2018: Nil).

19. Events after the reporting date

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

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

20. Related Party transactions

The following balances are outstanding at the end of the reporting period with related parties:

	31 December 2018	30 June 2018
	$	$
Amount payable to Hao Sun [1]	20,510	20,293
Amount payable to Daybreak Corporation Limited[2]	627,610	439,999
Contract liability to Lanxum Technology Co., Ltd [3]	1,133,704	-

(1) Hao Sun is the Chief Financial Officer of Daybreak Corporation Limited (largest shareholder). Daybreak Corporation Limited holds 76.99% share interest of the Group.

(2) Daybreak Corporation Limited ("Daybreak") holds 76.99% equity interest of the Group. The money was transferred from Daybreak to fund the business's operation in Australia. During the period, Daybreak further advanced $189,000 to the Group.

(3) Lanxum Technology Co., Ltd ("Lanxum") is a non-controlling shareholder which holds 40% equity interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd (a subsidiary of the Group). The balance at 31 December 2018 represents the Group's obligation to transfer goods or services to Lanxum for which the Group has received consideration of $1.1 million from Lanxum during the period.

Directors' declaration

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

1. the financial statements and notes, as set out on pages 8 to 29, are in accordance with the *Corporations Act 2001*, including

   (1) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

   (2) giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Signed in accordance with a resolution of the directors:

Managing Director

Hoifung Lam

Dated the 28th day of February 2019

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Independent Auditor's Review Report

To the Members of Victor Group Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Victor Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Victor Group Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Victor Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

D Chau
Partner – Audit & Assurance

Adelaide, 28 February 2019