

Victor Group Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Victor Group Holdings Limited
ABN: 21 165 378 834
Reporting period: For the half-year ended 31 December 2022
Previous period: For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	39.5% to	2,042,645
Loss from ordinary activities after tax attributable to the owners of Victor Group Holdings Limited	up	135.9% to	(678,386)
Loss for the half-year attributable to the owners of Victor Group Holdings Limited	up	135.9% to	(678,386)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$678,386 (31 December 2021: \$287,568).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.29</u>	<u>0.96</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year report.

11. Attachments

Details of attachments (if any):

The Half-year report of Victor Group Holdings Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed  Date: 28 February 2023

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Victor Group Holdings Limited

ABN 21 165 378 834

Half-year report - 31 December 2022

Victor Group Holdings Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Victor Group Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled ('the Group') for the half-year ended 31 December 2022.

Directors

The following persons were directors of the company during the whole financial half-year and up to the date of this report, unless otherwise stated:

Mr William Hu
Mr Zhenxian Wu
Mr Aik Siang Goh - Resigned 6 December 2022
Mr Guojun Liang - Appointed 6 December 2022

Principal activities

During the period, the principal activities of the Group included: providing Software-as-a-Service (SaaS) and Platform-as-a-service (PaaS) solutions; building and operating cloud-based platforms for education and remote office applications; and providing cloud-based e-learning solutions for educational institutions, students and parents.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$678,386 (31 December 2021: \$287,568).

For the half-year ended 31 December 2022 sales revenue decreased by 39% to \$2,042,645 (2021: \$3,375,232) and gross profit decreased by 43% to \$362,468 (2021: \$637,987). The gross profit margin remained stable at 18% for the reporting period compared to 19% for the prior-year period.

In line with the strategic transformation announced in the last financial year, the consolidated entity has fully transformed its SaaS and PaaS business into software development and operation.

As a part of the strategic transformation disclosed in the last financial year, the SaaS and PaaS business of the consolidated entity has fully turned into a software development and operation service. Last year, inventory sales were a major contributor to revenue, so the decline in revenue for the period is due to a phase-out of inventory sales. During the reporting period, the consolidated entity took delivery of another cloud-platform integrated server machine which is used for cloud-based data storage analysis services in Shanghai, China.

As the development of the Australian market is slower than expected, the management has reviewed the consolidated entity's operational costs with a view to finding new strategies to continue exploring the Australian market. The management is looking for opportunities to upscale commercial activities which are related to data storage and analysis, live streaming, and short video marketing in e-commerce. Furthermore, the management believes there is a synergistic effect for the consolidated entity to vertically integrate the downstream content generators and e-commerce vendors.

The company also has in place a support agreement with major shareholders to provide funding where necessary.

The group foresees that the online education market in both China and Australia will remain prosperous in the coming years. The group will continue to explore organic and inorganic growth opportunities. Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF VICTOR GROUP HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 28 February 2023

Victor Group Holdings Limited

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31 December 2022

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General information

The financial statements cover Victor Group Holdings Limited as a consolidated entity. The financial statements are presented in Australian dollars, which is Victor Group Holdings Limited's functional and presentation currency.

Victor Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

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

Principal place of business

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2023.

Victor Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue			
Revenue	5	2,042,645	3,375,232
Cost of sales		<u>(1,680,177)</u>	<u>(2,737,245)</u>
Gross Profit		362,468	637,987
Other income		374	588
Expenses			
Employee benefits expense		(78,180)	(94,968)
General and administration expenses		(222,248)	(294,179)
Depreciation and amortisation		(740,434)	(522,814)
Finance costs		<u>(366)</u>	<u>-</u>
Loss before income tax expense		(678,386)	(273,386)
Income tax expense		<u>-</u>	<u>(14,182)</u>
Loss after income tax expense for the half-year attributable to the owners of Victor Group Holdings Limited		(678,386)	(287,568)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) arising on the translation of foreign operations		<u>(268,738)</u>	<u>587,875</u>
Other comprehensive income for the half-year, net of tax		<u>(268,738)</u>	<u>587,875</u>
Total comprehensive income for the half-year attributable to the owners of Victor Group Holdings Limited		<u>(947,124)</u>	<u>300,307</u>
		Cents	Cents
Basic earnings per share		(0.12)	(0.05)
Diluted earnings per share		(0.12)	(0.05)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Victor Group Holdings Limited
Consolidated statement of financial position
As at 31 December 2022

31 December
2022 **30 June 2022**
\$ **\$**

Assets

Current assets

Cash and cash equivalents	433,070	688,224
Trade and other receivables	541,674	1,133,983
Prepayments	207,428	345,998
Total current assets	1,182,172	2,168,205

Non-current assets

Property, plant and equipment	1,351,734	1,064,504
Right-of-use assets	900,607	705,324
Intangibles	9,200,084	6,780,037
Prepayments for plant and equipment and software	-	2,816,476
Total non-current assets	11,452,425	11,366,341

Total assets

12,634,597 **13,534,546**

Liabilities

Current liabilities

Trade and other payables	1,296,211	1,027,936
Contract liabilities	147,560	347,693
Income tax	323,051	349,172
Employee benefits	28,176	24,022
Total current liabilities	1,794,998	1,748,823

Non-current liabilities

Employee benefits	7,713	6,713
Total non-current liabilities	7,713	6,713

Total liabilities

1,802,711 **1,755,536**

Net assets

10,831,886 **11,779,010**

Equity

Issued capital	5,494,446	5,494,446
Reserves	961,778	1,230,516
Retained profits	4,375,662	5,054,048

Total equity

10,831,886 **11,779,010**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Victor Group Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital \$	Foreign exchange translation reserve \$	Statutory reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	5,494,446	167,251	411,219	5,205,649	11,278,565
Loss after income tax expense for the half-year	-	-	-	(287,568)	(287,568)
Other comprehensive income for the half-year, net of tax	-	587,875	-	-	587,875
Total comprehensive income for the half-year	-	587,875	-	(287,568)	300,307
Balance at 31 December 2021	<u>5,494,446</u>	<u>755,126</u>	<u>411,219</u>	<u>4,918,081</u>	<u>11,578,872</u>

	Issued capital \$	Foreign exchange translation reserve \$	Statutory reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	5,494,446	673,002	557,514	5,054,048	11,779,010
Loss after income tax expense for the half-year	-	-	-	(678,386)	(678,386)
Other comprehensive income for the half-year, net of tax	-	(268,738)	-	-	(268,738)
Total comprehensive income for the half-year	-	(268,738)	-	(678,386)	(947,124)
Balance at 31 December 2022	<u>5,494,446</u>	<u>404,264</u>	<u>557,514</u>	<u>4,375,662</u>	<u>10,831,886</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Victor Group Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	31 December 2022	31 December 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,241,337	3,635,075
Payments to suppliers and employees	(1,856,498)	(4,698,242)
Interest and other finance costs paid	(740)	(305)
Income taxes paid	(4,314)	-
	<u>379,785</u>	<u>(1,063,472)</u>
Net cash from/(used in) operating activities		
Cash flows from investing activities		
Payments for the acquisition of plant, equipment and intangible assets	(925,732)	-
Payments for right-of-use assets	(363,661)	-
Proceeds from sale of property, plant and equipment and intangible assets in the prior period	287,800	-
Interest received	374	1,193
	<u>(1,001,219)</u>	<u>1,193</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Proceeds/(Repayments) of borrowings to related parties	227,143	129,479
Proceeds/(Repayments) of borrowings to related parties	(55,000)	-
	<u>172,143</u>	<u>129,479</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(449,291)	(932,800)
Cash and cash equivalents at the beginning of the financial half-year	688,224	1,179,633
Effects of exchange rate changes on cash and cash equivalents	194,137	44,724
	<u>433,070</u>	<u>291,557</u>
Cash and cash equivalents at the end of the financial half-year		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Victor Group Holdings Limited
Notes to the consolidated financial statements
31 December 2022

Note 1. Nature of Operations

Victor Group Holdings Limited and its controlled entities (the “Group”) principal activities providing Software-as-a-Service (SaaS) and Platform-as-a-service (PaaS) solutions; building and operating cloud-based platforms for education and remote office applications; and providing cloud-based e-learning solutions for educational institutions, students, and parents.

The Group currently operates in the People’s Republic of China and Australia.

Note 2. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The interim consolidated financial statements (the interim financial statements) of the Group are for the half-year ended 31 December 2022 and are presented in Australian dollars (\$), which is the functional currency of the parent company

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

There was no impact arising from the adoption of those new Standards and Interpretations, nor do the directors foresee any material impact arising on future financial statements upon the adoption of those Standards and Interpretations that will be due for adoption in future reporting periods.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Economic Dependency

As disclosed in the financial statements, the consolidated entity incurred a net loss of \$678,386 and had net cash inflows from operating activities of \$379,785 for the period ended 31 December 2022. As at that date, the consolidated entity had net assets of \$10,831,886 and net current deficit of \$612,826.

The directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following:

- Selected shareholders have represented that should the company require financial support, they will have the intention and the ability to support the company with additional funding for up to 12 months from the date of signing the financial report.

As a consequence, the financial report has been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets, and the settlement of liabilities in the ordinary course of business.

Victor Group Holdings Limited
Notes to the consolidated financial statements
31 December 2022

Note 3. Critical accounting judgements, estimates and assumptions

Coronavirus (COVID-19) pandemic

Whilst operations in Australia have largely returned to normal with respect to the COVID-19 pandemic, the situation in China has not been as smooth. Due to the reoccurring COVID-19 outbreaks and lockdowns in many major cities in China, we have faced operational obstacles including the closure of the Group's headquarters and suspension of operations during the first 6 month period of FY2023 to adhere to government restrictions guidelines. The operational restrictions affected project deliveries and slowed cash inflows of the Group. We believe these obstacles may reoccur in the second half of FY2023 at a lower level of operational disruption than the first half of FY2023.

Note 4. Operating segments

Identification of reportable operating segments

The company is organised into predominantly 2 operating segments: The first consisting of SaaS, IaaS and PaaS solutions and the second being Cloud Education. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

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

Types of products and services

The principal products and services of each of these operating segments as determined by management are as follows:

SaaS, IaaS and PaaS Solutions	Software as a Service, Infrastructure as a Service, Platform as a Service solutions; and
Cloud Education	Cloud Education

Major customers

	31 December 2022	31 December 2022	31 December 2021	31 December 2021
Customer	\$	%	\$	%
Customer A - IaaS and Cloud Education	1,572,816	77%	1,859,610	57%
Customer B - IaaS	159,474	8%	966,812	29%
Customer C - IaaS	203,861	10%	-	-
	<u>1,936,151</u>		<u>2,826,422</u>	

Victor Group Holdings Limited
Notes to the consolidated financial statements
31 December 2022

Note 4. Operating segments (continued)

Operating segment information

	SaaS, IaaS and PaaS solutions \$	Cloud Education \$	Other segments \$	Total \$
31 December 2022				
Revenue				
Sales to external customers	1,429,430	613,215	-	2,042,645
Segment cost of sales	(1,292,699)	(387,478)	-	(1,680,177)
Total revenue	136,731	225,737	-	362,468
EBITDA				
Depreciation and amortisation	22,381	39,659	-	62,040
Interest revenue				(740,434)
Finance costs				374
Loss before income tax expense				(678,386)
Income tax expense				-
Loss after income tax expense				(678,386)
31 December 2021				
Revenue				
Sales to external customers	3,259,856	115,377	-	3,375,233
Segment cost of sales	(2,737,246)	-	-	(2,737,246)
Total revenue	522,610	115,377	-	637,987
EBITDA				
Depreciation and amortisation	133,463	115,377	-	248,840
Interest revenue				(522,814)
Loss before income tax expense				588
Income tax expense				(273,386)
Loss after income tax expense				(14,182)
				(287,568)

Geographical information

	Sales to external customers	
	31 December 2022	31 December 2021
	\$	\$
China	2,042,645	3,375,232
Australia	-	-
	<u>2,042,645</u>	<u>3,375,232</u>

The group operates in two geographical areas, being the People's Republic of China (PRC) and Australia but predominantly in the PRC, where sales revenues are generated and non-current assets are held.

Victor Group Holdings Limited
Notes to the consolidated financial statements
31 December 2022

Note 5. Revenue

	31 December 2022	31 December 2021
	\$	\$
SaaS, IaaS and PaaS solutions	1,429,430	2,364,723
Cloud Education	<u>613,215</u>	<u>1,010,509</u>
	<u><u>2,042,645</u></u>	<u><u>3,375,232</u></u>

Revenue relating to performance obligations that are unsatisfied as at 31 December 2022 amounting to \$147,560 (30 June 2022: \$347,693), which have been recognised as contract liabilities under current liabilities the year-end, are expected to be recognised during the financial year ended 30 June 2023 after the provision of services.

Note 6. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year (30 June 2022: 31 December 2021: nil).

Note 7. Contingent liabilities

The company had no contingent liabilities as at 31 December 2022 (30 June 2022: nil).

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Victor Group Holdings Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



William Hu
Independent Chairman

28 February 2023

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Victor Group Holdings Limited Independent auditor's review report

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 the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2022, 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 summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Victor Group Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

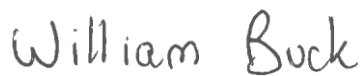
Responsibility of Management for the Financial Report

The directors of Victor Group Holdings Limited 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 Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 consolidated entity's financial position as at 31 December 2022 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*.

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.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 28 February 2023

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