

AME.APPENDIX 4C AND REPORT ON QUARTERLY ACTIVITIES

On 30 April 2020 Victor Group Holdings (ASX:VIG) (“VIG” or “the Company”), released its cash flow report for the March 2020 quarter (Appendix 4C). VIG now releases an amended Appendix 4C for the March 2020 quarter which replaces that lodged on 30 April 2020 provides an update on the key areas of activity during the quarter ended 31 March 2020.

Principal Activities

VIG and its controlled entities (the “Group”) is providing IaaS services 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 e-learning solutions for educational institutions, students and parents.

Prior to March 2020, the company only operated its business in The Peoples Republic of China (“PRC”). In order to develop the Australian market (“local market”), the company raised capital via a share placement (all funds contributed in AUD) and appointed a new CEO to operate the business both in Australia and PRC, which means VIG now will build its local team and develop e-learning and cloud service business in Australia. VIG is now in advanced discussions regarding an exclusive distribution arrangement of a third party cloud based education platform in Oceania area.

Key areas of activity during the quarter:

- IaaS service in PRC – VIG operates its IaaS service in PRC through its subsidiaries, Yiya & Wenhan. During the quarter, the Covid-19 pandemic shocked the world major economy. Fortunately, our business was still running smoothly as we were not in the industry which is deeply damaged by the Covid-19. Whereas the turnover of the accounts receivable was getting slower due to the impact of Covid-19. Some of our customers were facing the shortage of cash flow, which may affect our accounts. The company forecasted the worse scenario will occur in the next quarter and decided to suspend the purchase of devices from suppliers to protect the cash flow from the deterioration of the economy environment.
- Local E-learning and cloud education platform – After the new CEO was appointed, the company commenced to build its technical and sales team to develop the local market in national wide of Australia. The first project will be in Melbourne. VIG will introduce the cooperation with Tencent Cloud who is one of the world biggest cloud

service provider and recently committed to exploring the international market. The cooperation will include two parts:

1. Distributing Tencent's cloud education platform, which providing one-stop online education solution for educational institutions, students and teachers.
2. Developing and introducing excellent educational content providers.

The company believes as the epidemic continues to deteriorate, human's lifestyle will embrace the digitalization. The experience of online education or e-learning has been greatly improved. People will more likely accept this kind of education method.

- Raising Capital via a share placement – To cope with the development of local business, the company has raised AUD\$1,580,000 by issuing a total of 52,666,672 new ordinary shares via the placement for working capital purposes.
- The company has strengthened its balance sheet by repaying just under AUD\$1,000,000 of debt owed to Daybreak Corporation Limited which is a related party.
- A summary of the expenditures incurred in respect of the company's business activities is as follows:

Activities	Australia \$A'000	China \$A'000
Daily Operation & Administration	(60)	(2)
IaaS Services (Purchase & Direct Cost)	-	(217)
Online Education platform*	-	-

The purchase of IaaS devices happened in Jan 2020. Now the company has already suspended the purchase to protect the cash flow from the impact of poor economic environment.

The local online education business has been introduced in March 2020 while the cash expenditure incurred in early Apr. The company expects the local business would improve its cash flow in late this year.

Comment on Appendix 4C Cash Flow Report

Due to the dual impact of Covid-19 pandemic and Chinese New Year in January 2020, the turnover of our Chinese subsidiaries' trade debtors became slower, which resulted in a substantial decrease in our cash receipt in the Q3 quarter. The company already made actions to suspend the purchase of devices from the suppliers to protect the future cash flow.

Victor Group Holdings Limited

ABN 21 165 378 834

Level 26, 1 Bligh Street SYDNEY NSW 2000

T: +61 2 8226 8786 F: +61 2 8226 8899 E: info@sinovictor.com

www.sinovictor.com

The March 2020 report includes \$4,000 director fee paid to one of our independent directors, who is the chairman of the board as well. The report also included the funds received from the recent capital raising via a private share placement, which intended to explore the Australian market of online education and cloud service. The loan from the major shareholder has been paid off in March, which improves the company's balance sheet. The major shareholder – Daybreak Corporation Ltd still agreed to unconditionally provide the financial support to VIG to make the business operating smoothly.

ENDS

For further information, Please contact:

Brady Wu, CEO/Managing Director

Andrew Bristow, Company Secretary

Victor Group Holdings Ltd

Victor Group Holdings Ltd

Wu_brandy@sinovictor.com

Andrew.bristow@sinovictor.com

+61 2 8226 8786

+61 2 8226 8786

The release of this announcement was authorised by Andrew Bristow, Company Secretary.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Victor Group Holdings Limited

ABN

21 165 378 834

Quarter ended ("current quarter")

31 Mar 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	83	10,843	
1.2 Payments for			
(a) research and development	-	-	
(b) product manufacturing and operating costs	(217)	(9,826)	
(c) advertising and marketing	-	-	
(d) leased assets	-	-	
(e) staff costs	(6)	(6)	
(f) administration and corporate costs	(58)	(228)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	-	6	
1.5 Interest and other costs of finance paid	-	(1)	
1.6 Income taxes paid	-	(24)	
1.7 Government grants and tax incentives	1	1	
1.8 Other (provide details if material)	-	-	
1.9 Net cash from / (used in) operating activities	(197)	962	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities	-	-	
(b) businesses	-	-	
(c) property, plant and equipment	-	-	
(d) investments	-	-	
(e) intellectual property	-	-	
(f) other non-current assets	-	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Net cash disposed on disposal of subsidiary Dec 2019)	-	(2,004)
2.6	Net cash from / (used in) investing activities	-	(2,004)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,580	1,580
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	12	197
3.6	Repayment of borrowings	(1,000)	(1,382)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	592	395

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	127	1,375
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(197)	765
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2,004)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	592	395
4.5	Effect of movement in exchange rates on cash held	12	3
4.6	Cash and cash equivalents at end of period	534	534

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	534	127
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	534	127

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

7.5 **Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	50
8.2 Cash and cash equivalents at quarter end (Item 4.6)	520
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	520
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:5th May 2020.....

Authorised by: By the board.....

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.