Victor Group Holdings Limited

ABN 21 165 378 834

Annual Report - 30 June 2021

Corporate directory

Directors	Mr William Hu Mr Zhenxian Wu Mr Aik Siang Goh
Company Secretary	Mr Jun Wu
Notice of Annual General Meeting	The details of the annual general meeting of Victor Group Holdings Limited are: to be determined
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
Share Register	Boardroom
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000, Australia
Solicitor	Andrew Bristow Barclay Pearce Corporate Lawyers Level 17, 155 Pitt Street Sydney NSW 2155, Australia
Bankers	Westpac Banking Corporation 341 George Street Sydney NSW 2000, Australia Bendigo and Adelaide Bank Limited 12 Bath Lane Bendigo VIC 3550, Australia
Stock Exchange Listing	Victor Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: VIG)
Website	https://sinovictor.com/
Corporate Governance Statement	https://sinovictor.com/investor-relations/

Victor Group Holdings Limited
Directors' report
30 June 2021

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 at the end of, or during, the year ended 30 June 2021.

Directors

Mr William Hu
Mr Zhenxian Wu
Mr Aik Siang Goh

Principal activities

During the year, 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.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $640,048 (30 June 2020: $111,734).

For the year ended 30 June 2021 sales revenue increased by $2,774,747 and gross profit increased by $751,854, while the group realised a $640,048 loss from continuing operations (30 June 2020:$209,333). The increase of sales revenue and gross profit are mainly contributed by the promoted sales of inventory. Due to a large one-time amortisation of a capitalised VAT receivable ($241,826) and an increased promotional cost in Australian market, the group realised an increase to prior year loss by $500,387. As the development of Australian market is slower than expected, the management has reviewed the group's operational costs with a view to finding new strategies to explore the Australian market.

The group foresees that the online education market in Australia will remain prosperous in the coming years. The group will continue to explore organic and inorganic growth opportunities. The management will continue to protect the company's cash flow and allocate capital expenditure to projects with high assurance and stability. The group recorded $1,179,633 cash or cash equivalents position at the end of financial period (30 June 2020: $396,810). The management anticipates its cash flow will remain in a healthy state. 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

Disposal of subsidiary (Concord Orient Limited)

On 25 September 2020, considering to be more operational cost effective, the Group decided to dispose its BVI subsidiary Concord Orient Limited (COL) and enter the sale of the shares of COL to two third parties at a consideration of $131 (USD $100). COL was the holding company of Tech Source Limited, which was disposed in November 2019. COL was a dormant entity and the disposal would not impact the revenue and operation of the Group.

COVID-19 Impact

Whilst operations in the PRC have largely returned to normal with respect to the COVID-19 pandemic, the situation in Australia has not been as smooth. Due to the reoccurring COVID-19 outbreaks in Australia, especially in Victoria, we have faced obstacles arising from the mobility restrictions imposed in Victoria throughout the financial year. This has slowed our Australian expansion plans, especially with respect to our organic and inorganic market development activities.

We believe that these obstacles will remain in place for much of the first half of FY2022 but are hopeful that the second half of FY2022 will provide opportunities to travel without restriction to explore market development activities across Australia.

Purchase of software intangibles and IT equipment

On 1 June 2021, the Group completed the purchase of software together with the necessary hardware for its operation for $3,591,585. The software is designed to assist with calculating what, when and how difference power sources should be purchased based on sources of information such as geographical information, historical usage and seasonal demand. This will assist the Group in expanding its SaaS and PaaS offerings to customers with future projects in the pipeline which hopes to deliver revenue to the Group for the next 3 years with the potential to extend beyond this time period, in addition to reducing electricity costs by securing more sources of electricity at lower rates, such as sourcing environmentally friendly options.

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to fully estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

The group will continue to pursue its objectives of increasing its profitability and market share in its cloud education business during the next financial year. This will be achieved through a number of operational efficiency initiatives as well as a focus on inorganic growth opportunities, particularly in the Australian marketplace.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr William Hu
Title:	Non-Executive Chairman
Qualifications:	Bachelor of Commerce, CPA.
Experience and expertise:	Mr. William Hu holds a Bachelor of Commerce and is a Fellow member of CPA Australia. Mr Hu brings a wealth of experience in corporate, accounting, taxation, and finance, as well as in mergers and acquisitions in Australia.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	

Name:	Mr Zhenxian Wu
Title:	Managing Director/CEO
Qualifications:	Bachelor of Accounting and Finance, Masters in Applied Finance
Experience and expertise:	Mr Wu was a senior executive of a globalized PE fund, which emphasized on IT and Education investment. He also has enriched experience in management accounting and corporate finance. Mr Wu graduated from Cardiff University, holds a Bachelor of Accounting and Finance. Mr Wu also holds a Master’s degree in applied finance, Monash University.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Special responsibilities:	Member of Remuneration and Nomination Committee
Interests in shares:	

Name:	Mr Aik Siang Goh
Title:	Director
Qualifications:	Bachelor of Commerce, Computer Engineering and Masters of Management MGSM
Experience and expertise:	Mr Goh is a seasoned senior executive with enriched experience in globalisation business, corporate management and start-up across IT and internet industry. Mr Goh was the founding partner and president of 360 Cloud, a start-up project funded by Qihu 360 (NSYE:QIHU). Mr Goh graduated from University of Melbourne, holds a Bachelor of Commerce and undergraduate in Computer Engineering. Mr Goh also holds a master's degree in management MGSM, Macquarie University Sydney.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Special responsibilities:	Member of Remuneration and Nomination Committee
Interests in shares:	

Name:	Mr Jun Wu
Title:	Company Secretary : Appointed 25 November 2020.
Qualifications:	Bachelor of Commerce - Marketing
Experience and expertise:	Mr Jun Wu has over 10 years experience in corporate advisory providing a range of services across M&A, Capital Raisings, IPOs and Funds Management. Mr Wu is also a senior executive at SSVK Investments, a corporate advisory firm predominantly focusing on cross-border transactions between China and Australia.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Interests in shares:	

Name:	Mr David Andrew Bristow
Title:	Company Secretary : Appointed 2 June 2017, resigned 25 December 2020.
Experience and expertise:	He has over 30 years of legal experience. He specialises in Corporate and Commercial Law with an emphasis on corporate governance and company secretarial practice.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Interests in shares:	

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
William Hu	11	11	-	-	1	1
Zhenxian Wu	11	11	1	1	-	-
Alex Goh	11	11	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The Directors of Victor Group Holdings Limited ('Victor Group' or 'the Company') and controlled entities (together 'the Group') present the Remuneration Report for non-executive directors, executive directors and other key management personnel prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The remuneration report is set out as follows:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The principles of the Group's executive strategy and supporting incentive programs and frameworks are:
- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Victor Group has structured a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and executive team. The remuneration structure that has been adopted by the Group consists of fixed remuneration being an annual salary.

The Remuneration and Nomination Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

In addition to the fixed remuneration being an annual salary, the payment of bonuses, share options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Use of remuneration consultants
No remuneration consultants have been engaged by the Company during the year.

Short term incentive (STI)
Victor Group performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the company values.

The performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.
The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the board. The board may, from time to time receive advice from independent remuneration consultants to ensure non-executive director's fees and payments are appropriate and in line with the market.
Consequences of performance on shareholder wealth
In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following measures in respect of the current financial year and the previous four financial years:

	2021	2020	2019	2018	2017
Item					
Basic EPS (cents)	(0.12)	(0.02)	0.03	0.15	0.16
Dividends (cents per share)	-	-	-	-	-
Net (loss)/profit ($'000)	(709)	(124)	105	777	838
Share price at 30 June ($)	0.030	0.030	0.030	0.030	0.039

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors and other personnel of the company:

- William Hu - Non-Executive Director
- Aik Siang (Alex) Goh - Non-Executive Director
- Zhenxian Wu - Executive Director
- Bo Wang - Chief Financial Office
- Andrew Bristow - Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	Cash salary and fees $	Cash bonus $	Non-monetary and annual leave $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
William Hu	38,400	-	-	-	-	-	38,400
Aik Siang (Alex) Goh	-	-	-	-	-	-	-
Executive Directors:							
Zhenxian Wu	108,000	-	6,646	6,840	1,800	-	123,286
Other Key Management Personnel:							
Bo Wang	12,000	-	-	1,140	233	-	13,373
Andrew Bristow*	21,000	-	-	-	-	-	21,000
Jun Wu**	17,500	-	-	-	-	-	17,500
	196,900	-	6,646	7,980	2,033	-	213,559

* Resigned 25 December 2020
** Appointed 25 November 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary and annual leave $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
William Hu	30,400	-	-	-	-	-	30,400
Aik Siang (Alex) Goh	-	-	-	-	-	-	-
Executive Directors:							
Hoifeng (Alvin) Lam*	46,271	-	-	8,407	-	-	54,678
Zhenxian Wu**	36,000	-	-	3,420	-	-	39,420
Other Key Management Personnel:							
Andrew Bristow	42,000	-	-	-	-	-	42,000
Bo Wang	12,000	-	-	1,140	-	-	13,140
	166,671	-	-	12,967	-	-	179,638

* Resigned 13 February 2020
** Appointed 13 February 2020

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. All service agreements are for an unlimited duration but may be terminated immediately in the event of serious misconduct, in which case the executive is not entitled to any payment in lieu of notice. Details of these agreements are as follows:

Name:	Zhenxian Wu
Title:	Chief Executive Officer
Agreement commenced:	13/02/2020
Term of agreement:	ongoing
Details:	a) Remuneration: fixed annual salary $108,000 plus employer superannuation contribution. b) Short-term incentives: the Board may, at its discretion, determine that Mr. Zhenxian may be eligible for short-term incentives in the form of a cash bonus. c) Termination: the company and Mr. Zhenxian may terminate the Executive Services Agreement without cause giving the other party one month’s notice.
Name:	Bo Wang
Title:	Chief Financial Officer
Agreement commenced:	3/01/2017
Term of agreement:	ongoing
Details:	a) Remuneration: fixed annual salary $12,000 plus employer superannuation contribution. b) Short-term incentives: the Board may, at its discretion, determine that Ms. Bo may be eligible for short-term incentives in the form of a cash bonus. c) Termination: the company and Ms. Bo may terminate the services Agreement without cause giving the other party one month’s notice.

Name:	Andrew Bristow
Title:	Company Secretary
Agreement commenced:	6/02/2017
Term of agreement:	resigned on 25/12/2020

Name:	William Hu
Title:	Chairman (Non-executive director)
Agreement commenced:	3/01/2017
Term of agreement:	ongoing
Details:	a) Remuneration: fixed annual fee $38,400. b) Termination: the company and Mr. Hu may terminate the services Agreement without cause giving the other party one month's notice.

Name:	Aik Siang (Alex) Goh
Title:	Non-executive Director
Agreement commenced:	3/06/2017
Term of agreement:	Ongoing
Details:	a) Remuneration:nil. b) Termination: the company and Mr. Hu may terminate the services Agreement without cause giving the other party one month's notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional disclosures relating to key management personnel
The transaction balance at the end of the year with the directors and other key management personnel is as follows:

	2021 **$**	**2020** **$**
Management fee charged by Daybreak Corporation Limited	-	28,000
Advances received from Daybreak Corporation Limited	215,246	201,640
Repayment of amount due to Daybreak Corporation Limited	-	999,997

Amounts payable to related parties and the group at balance compromised of the following:

	2021 **$**	**2020** **$**
Achieva Capital Management Limited	2,005	2,005
Achieva Capital Investment Limited	4,120	4,120
Daybreak Corporation Limited	215,246	-

Daybreak Corporation Limited holds 69.90% (2020: 69.90%) share interest of the Group. The amount of $215,246 has been advanced from Daybreak Corporation Limited during the period.

Achieva Capital Investment Limited holds 9.59% (2020: 9.59%) share interest of the Group. Achieva Capital Management Limited is the ultimate parent of Achieva Capital Investment Limited.

The above relates to transactions between the Group and major shareholders and their related entities. All non-loan related party transactions are on commercial terms and conditions no more favourable than those available to other parties unless stated otherwise. The loans received from related parties are non-interest-bearing loans.

SSVK Investments Pty Ltd
During the financial year ended 30 June 2021, SSVK Investments Pty Ltd were engaged to provide advisory services to the group. The total amount incurred is $139,500 (2020:nil).
As Jun Wu is a partner at SSVK Investments Pty Ltd, SSVK Investments Pty Ltd is considered a related party.

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Disposals/ other	Balance at the end of the year
Ordinary shares			
William Hu	-	-	-
Alex Goh	-	-	-
Zhenxian Wu	16,666,667	(16,666,667)	-
Andrew Bristow	-	-	-
Bo Wang	-	-	-
	16,666,667	(16,666,667)	-

There are no other additional disclosures relating to key management personnel.

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 18 to the financial statements.

The directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of William Buck
There are no officers of the company who are former partners of William Buck.

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
William Buck was appointed during the financial year ended 30 June 2021 in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

William Hu
Independent Chairman

30 September 2021

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

William Buck

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

N. S. Benbow
Director

Melbourne, 30th September 2021

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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	Principal place of business
Level 26, 1 Bligh Street Sydney, New South Wales 2000	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 30 September 2021. The directors have the power to amend and reissue the financial statements.

Victor Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Operating income	4	8,586,457	5,811,710
Cost of sales	5	(7,105,209)	(5,082,316)
Gross Profit		1,481,248	729,394
Other income		31,811	305,355
Expenses			
Employee benefits expense	6	(301,657)	(176,358)
General and administration expenses		(514,027)	(404,546)
Depreciation and amortisation		(864,878)	(617,151)
Research and development		(477,103)	-
Finance costs		(901)	(1,849)
Loss before income tax (expense)/benefit from continuing operations		(645,507)	(165,155)
Income tax (expense)/benefit		5,459	(44,178)
Loss after income tax (expense)/benefit from continuing operations		(640,048)	(209,333)
Profit after income tax expense from discontinued operations		-	84,980
Loss after income tax (expense)/benefit for the year		(640,048)	(124,353)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) arising on the translation of foreign operations		42,836	(234,662)
Foreign exchange translation reserve released upon the disposal of subsidiaries		-	(10,732)
Other comprehensive income for the year, net of tax		42,836	(245,394)
Total comprehensive income for the year		(597,212)	(369,747)
Loss for the year is attributable to:			
Non-controlling interest		-	(12,619)
Owners of Victor Group Holdings Limited		(640,048)	(111,734)
		(640,048)	(124,353)
Total comprehensive income for the year is attributable to:			
Continuing operations		-	(13,542)
Discontinued operations		-	-
Non-controlling interest		-	(13,542)
Continuing operations		(597,212)	(356,205)
Discontinued operations		-	-
Owners of Victor Group Holdings Limited		(597,212)	(356,205)
		(597,212)	(369,747)

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 profit or loss and other comprehensive income
For the year ended 30 June 2021

		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of Victor Group Holdings Limited			
Basic earnings per share	24	(0.11)	(0.04)
Diluted earnings per share	24	(0.11)	(0.04)
Earnings per share for profit from discontinued operations attributable to the owners of Victor Group Holdings Limited			
Basic earnings per share	24	-	0.02
Diluted earnings per share	24	-	0.02

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 30 June 2021

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents		1,179,633	396,810
Trade and other receivables	7	2,486,632	4,611,870
Inventories	8	2,530,125	7,487,920
Prepayments		555,669	187
Total current assets		6,752,059	12,496,787
Non-current assets			
Property, plant and equipment	9	868,623	538,223
Intangibles	10	6,234,793	3,335,039
Investment in associates		-	51,380
Total non-current assets		7,103,416	3,924,642
Total assets		13,855,475	16,421,429
Liabilities			
Current liabilities			
Trade and other payables	11	1,833,372	4,190,550
Contract liabilities		723,111	118,756
Income tax		-	236,346
Employee benefits	12	15,715	-
Total current liabilities		2,572,198	4,545,652
Non-current liabilities			
Employee benefits	12	4,712	-
Total non-current liabilities		4,712	-
Total liabilities		2,576,910	4,545,652
Net assets		11,278,565	11,875,777
Equity			
Issued capital	13	5,494,446	5,494,446
Reserves	14	578,470	535,634
Retained profits		5,205,649	5,845,697
Total equity		11,278,565	11,875,777

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 year ended 30 June 2021

	Issued capital $	Foreign exchange translation reserve $	Statutory reserve $	Non-controlling interest $	Retained profits $	Total equity $
Balance at 1 July 2019	3,914,446	368,886	411,219	87,299	5,957,431	10,739,281
Loss after income tax expense for the year	-	-	-	-	(111,734)	(111,734)
Other comprehensive income for the year, net of tax	-	(244,471)	-	(923)	-	(245,394)
Total comprehensive income for the year	-	(244,471)	-	(923)	(111,734)	(357,128)
Loss attributable to the non-controlling interest	-	-	-	(12,619)	-	(12,619)
Transactions with owners in their capacity as owners:						
Disposal of subsidiaries	-	-	-	(73,757)	-	(73,757)
Issue of shares	1,580,000	-	-	-	-	1,580,000
Balance at 30 June 2020	5,494,446	124,415	411,219	-	5,845,697	11,875,777

	Issued capital $	Foreign exchange translation reserve $	Reserves $	Non-controlling interest $	Retained profits $	Total equity $
Balance at 1 July 2020	5,494,446	124,415	411,219	-	5,845,697	11,875,777
Loss after income tax benefit for the year	-	-	-	-	(640,048)	(640,048)
Other comprehensive income for the year, net of tax	-	42,836	-	-	-	42,836
Total comprehensive income for the year	-	42,836	-	-	(640,048)	(597,212)
Balance at 30 June 2021	5,494,446	167,251	411,219	-	5,205,649	11,278,565

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 year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		11,611,175	11,024,251
Receipts from government grants		31,800	-
Payments to suppliers and employees		(7,291,924)	(10,185,990)
Interest received		11	2,647
Interest and other finance costs paid		(901)	(4,460)
Income taxes paid		(230,887)	(39,006)
Net cash from operating activities	23	4,119,274	797,442
Cash flows from investing activities			
Payments for purchase of intangible assets		(3,232,875)	-
Proceeds from disposal of associate		51,380	-
Payments for purchase of property, plant and equipment		(358,710)	-
Cash outflow on disposal of subsidiaries		-	(2,004,264)
Net cash used in investing activities		(3,540,205)	(2,004,264)
Cash flows from financing activities			
Proceeds from issue of shares	13	-	1,580,000
(Repayment to)/advance from related party		215,246	(798,357)
(Repayment to)/borrowings from non-related parties		-	(576,509)
Net cash from financing activities		215,246	205,134
Net increase/(decrease) in cash and cash equivalents		794,315	(1,001,688)
Cash and cash equivalents at the beginning of the financial year		396,810	1,374,909
Effects of exchange rate changes on cash and cash equivalents		(11,492)	23,589
Cash and cash equivalents at the end of the financial year		1,179,633	396,810

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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

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. All amounts are presented Australian dollar (AUD) which is the group’s functional and presentational currency, unless otherwise noted.

Principles 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 21 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 and excluded from the date the controlled entity left the group.

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.

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.

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.

Note 1. Significant accounting policies (continued)

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:

	Depreciation rate %
Class of fixed asset	
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.

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; and
- The contractual cash flow characteristics of the 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.

Note 1. Significant accounting policies (continued)

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.

Trade receivables and contract assets
The Group makes use of a simplified approach of recognising lifetime expected credit losses as these trade receivables and contract assets do not have a significant financial component. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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.

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.

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.

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.

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.

Note 1. Significant accounting policies (continued)

Revenue recognition
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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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(*Financial Instruments)* 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. The Group recognises the service revenue of the delivery of specific services 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.

Note 1. Significant accounting policies (continued)

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 warranty 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.

Inventories
The group's inventory comprises software purchased from suppliers and is stored in a server. Following initial recognition, the inventory is carried at the lower of cost or net realisable value.

Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Victor Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of 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.

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

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The useful life of the intangible assets is 10 years.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Victor Group Holdings Limited's functional and presentation currency.

Foreign currency transactions
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.

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; and
- 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 1. Significant accounting policies (continued)

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

The consolidated entity has incurred net loss after tax of $640,048 and net cash inflows from operations of $4,119,274 for the year ended 30 June 2021, and had working capital surplus of $4,179,861 at 30 June 2021. Cash balance at 30 June 2021 was $1,179,633 while there were no borrowings as at 30 June 2021.

As the development of Australian market is slower than expected, the management has reviewed the group's operational costs with a view to finding new strategies to explore the Australian market.

The group foresees that the online education market in Australia will remain prosperous in the coming years, and as such a more effective strategy must be found to explore the market. The management will continue protecting the company's cash flow and allocate capital expenditure to projects with high certainty and stability.

The management anticipates its cash flow will remain healthy. 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Disputed value added tax (VAT)
The group's subsidiary Shenghan had $449,120 worth of disputed VAT receivable with the local Tax authority in 2019. This VAT receivable is from a capital purchase of a data centre in 2016. As the dispute has not been resolved, the group has decided to capitalize this VAT receivable and amortise it over the relevant period matching the life of the asset purchased (10 years). In the 2021 financial year, an accelerated amortisation approach has been taken in order to include amounts that would have been amortised in previous years had the amortisation of the VAT receivable at the purchase of the data centre was recognised in the accounts of the Group.

Inventory recognition
The inventory comprises software packages used for cloud data mining, analysing and storing systems, and a municipal administration database operation system, which were purchased on 10 Sep 2019. The group split this inventory into 6 independent modules and adds customisations when selling the software to customers. To date 3 out of the 6 modules have been sold. The remaining 3 modules have been quoted to customers. and management believes the sales of the rest module is achievable. The modules are therefore currently carried and not considered impaired.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic
Whilst operations in the PRC have largely returned to normal with respect to the COVID-19 pandemic, the situation in Australia has not been as smooth. Due to the reoccurring COVID-19 outbreaks in Australia, especially in Victoria, we have faced obstacles arising from the mobility restrictions imposed in Victoria throughout the financial year. This has slowed our Australian expansion plans, especially with respect to our organic and inorganic market development activities.

We believe that these obstacles will remain in place for much of the first half of FY2022 but are hopeful that the second half of FY2022 will provide opportunities to travel without restriction to explore market development activities across Australia.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment
The company assesses impairment at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Non-recognition of deferred tax assets
We apply management judgement to recognise a deferred tax asset and review its carrying amount at each reporting date. The carrying amount is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. Any amount unrecognised could be subsequently recognised if it has become probable that future taxable profit will allow us to benefit from this deferred tax asset.

Multiple element contracts
SaaS, IaaS and PaaS solution contracts entered into by the Group require management judgement in the identification of performance obligations. The Group assesses each customer contract individually into its elements and considers if any element should be aggregated where they cannot be separately determined. Revenue is assigned to each performance obligation based on the stand-alone fair value of the component relevant to the total contract value.

Note 3. 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. There is no aggregation of operating segments.

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.

Note 3. Operating segments (continued)

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
During the year ended 30 June 2021, there were 3 external customers that contributed over 10% of the total revenue.

Customer	30 June 2021 $	30 June 2021 %	30 June 2020 $	30 June 2020 %
Customer A (SaaS, IaaS and PaaS)	2,008,289	23%	1,352,296	23%
Customer B (SaaS, IaaS and PaaS)	1,542,106	18%	633,889	11%
Customer C (SaaS, IaaS and PaaS)	1,211,363	14%	633,889	11%
	4,761,758		2,620,074	

Operating segment information

2021	SaaS, IaaS and PaaS solutions $	Cloud Education $	Other segments $	Total $
Revenue				
Sales to external customers	8,245,806	321,567	19,084	8,586,457
Segment cost of sales	(7,105,209)	-	-	(7,105,209)
Gross Profit	1,140,597	321,567	19,084	1,481,248
Other revenue	-	-	31,811	31,811
Total revenue	1,140,597	321,567	50,895	1,513,059
EBITDA	219,371	-	-	219,371
Depreciation and amortisation				(864,878)
Loss before income tax benefit				(645,507)
Income tax benefit				5,459
Loss after income tax benefit				(640,048)

Note 3. Operating segments (continued)

2020	SaaS, IaaS and PaaS solutions $	Cloud Education $	Other segments $	Total $
Revenue				
Segment revenue	5,458,696	353,013	-	5,811,709
Segment cost of sales	(4,882,094)	(200,222)	-	(5,082,316)
Total sales revenue	576,602	152,791	-	729,393
Total segment revenue	576,602	152,791	-	729,393
Unallocated revenue:				
Other Revenue				302,727
Total revenue				1,032,120
EBITDA	449,368	-	-	449,368
Depreciation and amortisation				(617,151)
Interest revenue				2,628
Loss before income tax expense				(165,155)
Income tax expense				-
Loss after income tax expense				(165,155)

Geographical information

	Sales to external customers	
	2021 **$**	**2020** **$**
China	8,586,457	5,811,709
Australia	-	-
	8,586,457	5,811,709

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.

Note 4. Operating income

Operating income

	2021 **$**	**2020** **$**
SaaS, IaaS and PaaS solutions	8,245,806	5,458,696
Cloud Education	321,567	353,014
Consulting	19,084	-
	8,586,457	5,811,710

Disaggregation of revenue recognition

Note 4. Operating income (continued)

	2021 $	2020 $
Over time	8,567,373	5,458,696
At a point in time	19,084	353,013
	8,586,457	5,811,709

Revenue relating to performance obligation that are unsatisfied as at 30 June 2021 amounting to $723,111 (2020: $118,756), which have been recognised as contract liabilities under current liabilities the year-end, are expected to be recognised during the year ended 30 June 2022 after the provision of services.

Note 5. Cost of sales

	2021 $	2020 $
Cost of sales - inventory	(4,340,197)	(4,075,900)
Cost of services rendered	(2,765,012)	(1,006,416)
	(7,105,209)	(5,082,316)

Note 6. Employee benefits expense

	2021 $	2020 $
Salaries and wages	282,312	154,786
Superannuation	19,345	21,572
	301,657	176,358

Note 7. Trade and other receivables

	2021 $	2020 $
Current assets		
Trade receivables	2,311,800	3,209,692
Less: Allowance for expected credit losses	(188,345)	(87,017)
	2,123,455	3,122,675
VAT/GST receivable	361,637	1,326,813
Other receivables	1,540	162,382
	363,177	1,489,195
	2,486,632	4,611,870

Note 7. Trade and other receivables (continued)

	Current $	Greater than 30 days past due $	Greater than 60 days past due $	Greater than 90 days past due $	Greater than 120 days past due $	Total $
30 June 2021						
Gross carrying amount	190,612	1,618,265	-	-	502,923	2,311,800
Expected credit loss	-	-	-	-	(188,345)	(188,345)
Net carrying amount	190,612	1,618,265	-	-	314,578	2,123,455
30 June 2020						
Gross carrying amount	3,019,093	-	-	-	190,599	3,209,692
Expected credit loss	-	-	-	-	(87,017)	(87,017)
Net carrying amount	3,019,093	-	-	-	103,582	3,122,675

Note 8. Inventories

	2021 $	**2020 $**
Current assets		
IT Products	2,530,125	7,487,920

Note 9. Property, plant and equipment

	2021 $	2020 $
IT equipment - at cost	1,238,143	882,352
IT equipment - less accumulated depreciation	(527,574)	(341,210)
Net exchange difference	158,054	(2,919)
	868,623	538,223

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	$
Balance at 1 July 2019	627,532
Exchange differences	(2,919)
Depreciation expense	(86,390)
Balance at 30 June 2020	538,223
Additions	358,710
Exchange differences	4,043
Capitalisation of VAT	149,706
Depreciation expense	(182,059)
Balance at 30 June 2021	868,623

Note 10. Intangibles

	2021 $	2020 $
Non-current assets		
Software - at cost	8,732,434	5,192,753
Less: Accumulated amortisation	(2,373,744)	(1,839,542)
Net exchange difference	(123,897)	(18,172)
	6,234,793	3,335,039

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software $
Balance at 1 July 2019	3,884,623
Exchange differences	(18,172)
Amortisation expense	(531,412)
Balance at 30 June 2020	3,335,039
Additions	3,232,875
Exchange differences	50,284
Capitalisation of VAT	299,413
Amortisation expense	(682,818)
Balance at 30 June 2021	6,234,793

Note 11. Trade and other payables

	2021 $	2020 $
Current liabilities		
Trade payables	1,546,933	4,171,992
Payable to related parties	221,371	6,125
Other payables	65,068	12,433
	1,833,372	4,190,550

Refer to note 16 for further information on financial instruments.

Note 12. Employee benefits

	2021 $	2020 $
Current liabilities		
Annual leave	15,715	-
Non-current liabilities		
Long service leave	4,712	-
	20,427	-

Note 13. Issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	572,226,672	572,226,672	5,494,446	5,494,446

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 14. Reserves

	2021 $	2020 $
Foreign currency reserve	167,251	124,415
Statutory reserve	411,219	411,219
	578,470	535,634

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Statutory reserve
Pursuant to the current People's Republic of China Company Law, the Company is required to transfer 10% of its profit after taxation to statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital.

For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

Note 15. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year (2020:nil).

Note 16. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Financial instruments used
The principal categories of financial instruments used by the company are:

	2021 $	2020 $
Cash and cash equivalents	1,179,633	396,810
Trade and other receivables	2,124,995	3,285,057
	3,304,628	3,681,867
Trade and other payables	1,833,372	4,190,550

The above mentioned financial instruments are carried at amortised cost.

Remaining contractual maturities
As of the end of the year all financial liabilities of the consolidated entity were repayable within 60 day terms (2020: 60 days).

Market risk

Foreign currency risk
The consolidated entity does not have significant balances denominated in currency other than the functional currency of the respective companies within the Group.

Interest rate risk
Interest rate risk is deemed to be minimal as the consolidated entity's exposure on interest rate risk relates principally to its short-term deposits placed with financial institutions.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 16. Financial instruments (continued)

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets as detailed in Note 1(d).

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

At the balance sheet date, these reports indicate that the consolidated entity expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need any further external funding.

Note 17. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2021 $	2020 $
Short-term employee benefits	203,546	166,671
Post-employment benefits	7,980	12,967
Long-term benefits	2,033	-
	213,559	179,638

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company.

	2021 $	2020 $
Audit services		
Audit or review of the financial statements - William Buck	50,000	-
Audit or review of the financial statements - Grant Thornton	50,731	98,000
	100,731	98,000
Non-audit services		
Taxation services - Grant Thornton	-	5,000
	-	5,000

Note 19. Contingent liabilities

The company had no contingent liabilities as at 30 June 2021 (2020:nil).

Note 20. Related party transactions

Parent entity
Victor Group Holdings Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	2021 $	2020 $
Daybreak Corporations Limited		
Management fee charged	-	28,000
Advances received	215,246	201,640
Repayment of amount due	-	999,997

Daybreak Corporations Limited holds 69.90% (2020: 69.90%) share interest in the group.

SSVK Investments Pty Ltd
During the financial year ended 30 June 2021, SSVK Investments Pty Ltd were engaged to provide advisory services to the group. The total amount incurred is $139,500 (2020:nil).
As Jun Wu is a partner at SSVK Investments Pty Ltd, SSVK Investments Pty Ltd is considered a related party.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2021 $	2020 $
Achieva Capital Management Limited	2,005	2,005
Achieva Capital Investment Limited	4,120	4,120
Daybreak Corporations Limited	215,246	-

Achieva Capital Investment Limited Holds 9.585% (2020: 9.585%) share interest in the group. Achieva Capital Management Limited is the ultimate parent of Achieva Capital Investment Limited.

Terms and conditions
All non-loan related party transactions are on commercial terms and conditions no more favourable than those available to other parties unless stated otherwise. The loans received from related parties are non-interest-bearing loans.

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	2020 %
Synergy One Holdings Limited (1)	Cayman Islands	100.00%	100.00%
True Prosper Group Limited (2)	British Virgin Islands	100.00%	100.00%
Great Prospect Corporation Limited (3)	Hong Kong	100.00%	100.00%
Yiya Investment Management (Shanghai) Co., Limited (4)	China	100.00%	100.00%
Shanghai Shenghan Information Technology Co., Limited (5)	China	100.00%	100.00%
Concord Orient Limited (1)	British Virgin Islands	-	100.00%

(1) Victor Group Holding Limited is the parent entity of Synergy One Holdings Limited and Concord Orient Limited.
(2) Synergy One Holdings Limited is the intermediate parent entity of True Prosper Group Limited.
(3) True Prosper Group Limited is the intermediate parent entity of Great Prospect Corporation Limited.
(4) Great Prospect Corporation Limited is the intermediate parent entity of Yiya Investment Management (Shanghai) Co., Limited.
(5) Yiya Investment Management (Shanghai) Co., Limited is the intermediate parent entity of Shanghai Shenghan Information Technology Co., Limited.

Note 22. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to fully estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 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.

Note 23. Reconciliation of loss after income tax to net cash from operating activities

	2021 $	2020 $
Loss after income tax (expense)/benefit for the year	(640,048)	(124,353)
Adjustments for:		
Depreciation and amortisation	864,878	617,151
Bad Debts written off	101,955	-
Foreign exchange differences	(42,836)	(135,040)
Gain on disposal of subsidiaries	-	(132,544)
Capitalisation of VAT	(449,119)	-
Change in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	2,125,238	5,523,017
(Increase) decrease in inventory	5,027,467	(3,205,907)
(Increase) decrease in other current assets	(555,482)	(20)
Increase (decrease) in trade and other payables	(2,631,543)	(1,767,215)
Increase (decrease) in tax assets and liabilities	(236,346)	22,353
Increase in employee benefits	20,427	-
Increase in deferred revenue	604,355	-
Net cash from operating activities	4,188,946	797,442

Note 24. Earnings per share

	2021 $	2020 $
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Victor Group Holdings Limited	(640,048)	(209,333)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	572,226,672	538,462,285
Weighted average number of ordinary shares used in calculating diluted earnings per share	572,226,672	538,462,285

Earnings per share for loss from continuing operations attributable to the owners of Victor Group Holdings Limited:

	Cents	Cents
Basic earnings per share	(0.11)	(0.04)
Diluted earnings per share	(0.11)	(0.04)

Earnings per share for profit from discontinued operations attributable to the owners of Victor Group Holdings Limited:

	Cents	Cents
Basic earnings per share	-	0.02
Diluted earnings per share	-	0.02

Note 25. Parent entity information

The following information relates to the parent entity, Victor Group Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1, other than investment in subsidiaries which are recorded at cost, less provision for impairment.

	2021 $	2020 $
Current Assets	7,158,320	7,649,501
Non-Current Assets	-	-
Total Assets	7,158,320	7,649,501
Current Liabilities	(384,610)	(86,421)
Non-Current Liabilities	(4,712)	-
Total liabilities	(389,322)	(86,421)
Issued capital	5,494,446	5,494,446
Accumulated gain/(losses)	1,274,552	2,068,634
Total Equity	6,768,998	7,563,080
Financial performance		
Profit/(Loss) for the year	(794,082)	(251,251)
Total comprehensive income for the year	(794,082)	(251,251)

Victor Group Holdings Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

William Hu
Independent Chairman

30 September 2021

William Buck

Victor Group Holdings Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion
We have audited the financial report of Victor Group Holdings Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The financial report of the company for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on the financial report on 13 October 2020.

ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION – Note 4	
Area of focus	**How our audit addressed it**
This area is a key audit matter as each revenue stream requires a bespoke revenue recognition model to ensure that revenue is only recognised: a) when a performance milestone is achieved; b) can be reliably measured; and c) there is a low likelihood for dispute by the customer for revenues that are recognised which are beyond that originally scoped at the inception of the engagement.	Our audit procedures included the following: — Understanding and documenting the design of key controls and testing their operational effectiveness on revenue recognition; — The evaluation of revenue recognition policies for all material sources of revenue to ensure that revenue is recognised in-accordance with AASB 15 *Revenue from Contracts with Customers*; — Examining management's assessment of achievement of performance milestones relevant to material revenue contracts; and — Performing detailed cut-off testing to ensure that revenue transactions throughout the year end had been recorded in the correct financial period. In-addition, we also examined key disclosures relating to the recognition of revenue in the financial statements.

ASSESSING THE TECHNOLOGICAL OBSOLESCENCE OF INVENTORY - Notes 2 and 11	
Area of focus	**How our audit addressed it**
As disclosed in the note *Critical accounting estimates and judgements*, the directors have rigorously considered the risk of technological obsolescence attached to the Group's holdings of software activations, which are classified as inventory in these financial statements. These activations permit the Group under licence to deliver service solutions to its customers, and once delivered are no longer available for future use.	Our procedures included the following: — Understanding the commercial use of the activations within the scope of the Group's revenue contracts with customers; — Physically inspecting the activations during the annual stocktake to ensure that they exist and are usable; — Examining future proposed usage of the activations under contracts with customers, compared to the actual achieved usage of activations during the

The Group has been steadily selling down these activations during the course of this year as in the future its business model will transpose to purchasing these activations on a just-in-time basis. There is a risk that these activations under licence are superseded by newer technologies so that their value may be lower than their net realisable value.	financial year and ensuring that such contracts are expected to be profitable and above cost; — Comparing the activations to their market replacement cost on a like-for-like basis; and — Understanding the broad application of the activations and their underlying technology to ensure that they were not impaired.

TESTING IMPAIRMENT OF HISTORICAL PURCHASES OF DATA CENTRES – Note 12

Area of focus	How our audit addressed it
Over the last 6 years, the Group has acquired data centres throughout China, which have enabled to the Group to render to its customers Software as a Service (SaaS) and Platform as a Service (PaaS) revenues. The cost of these data centres is being amortized over a 10 year life. There is a risk that this asset may only have a future economic benefit that is less than the amount capitalized on the statement of financial position.	Our procedures included: — Discussing with management the current commercial usage of the data centres, including any potential exposure to any technological obsolescence; — Performed a inspection of the existing data centre; — Recomputing the amortisation charge for the year; — Examining the specific data centre assets to determine whether, at an individual asset level, and then more broadly at a cash-generating unit level, there is any indicator of impairment; — Examining the current and forecast sales revenues and gross margins expected to be achieved from the utilisation of the data centre assets; and — Assessing the appropriateness of disclosures made in with financial statements with regards to critical accounting judgements which include the impairmentof assets.

RECOVERY OF VALUE-ADDED TAX CREDITS – Note 12 and 13

Area of focus	How our audit addressed it
When the Group acquired its data centre assets (as noted above), it paid the vendor for value-added tax credits attached to the purchase. Since this date, it has been attempting to recover these credits from Chinese government authorities, so far without success.	Our procedures included: — Examining the source of dispute between the Group and Chinese tax authorities relating to the VAT credits;

As a consequence, the Group has a significant exposure attached to the recovery of those credits. In response to this, the directors of the Group have impaired this aged VAT receivable, with VAT credits attached to purchases of non-current assets taken to the cost bases of those assets, and those not attaching to non-current assets expensed to the profit or loss as an impairment charge. Any VAT credits transferred to non-current asset have been depreciated or amortized in line with their useful life. A full disclosure of the matter has been made in Note 12 and 13 to the financial statements.	— Corroborating the appropriateness of the impairment of the VAT receivable; — Recomputing the depreciation and amortisation catch up adjustment to the profit or loss; and — Assessing the appropriateness of disclosures made of the VAT matter in the financial statements.
MANAGEMENT OF AVAILABLE WORKING CAPITAL – Note 1	
Area of focus	**How our audit addressed it**
The Group is continuing to scale revenues from both its Software as a Service (SaaS and Platform as a Service (PaaS) Solution revenues and Cloud Education revenues. As a consequence of this, it incurred additional costs during the year as it explores its options to expand, grow and market the business not only in China but also expanding into the Australian market. It is also noted that there were significant on-off individual expenses which contributed to the losses of the group in the current year. These non cash items relate to the impairment of aged receivables and a one off charge to record 5 years worth of amortisation of VAT credits which have been transferred to non-current assets during the year. In considering the cash flow needs going forward, the directors expect, based upon comprehensive cashflow forecasting, that the Group will have sufficient available reserves of working capital in order to meet the Group's operating and investing cash flow needs. In addition, the group has received support from its major shareholder (Daybreak Corporation Limited) who have pleged to support and provide cash funding to the Group should it be required.	Our audit procedures centered around examining the Group's cash flow forecast, extending 12 months from the date of this report, which included the following: — Assessing the forecasted cash flows of the Group and its ability to flex its expenditures to changes in revenue levels as well as flex is expected revenues to be derived from contracts; and — Obtaining signed representation from Daybreak Corporation Limited that it will provide any necessary support and funding to the Group in order for it to continue as a going concern for at least 12 months from the date of the audit report.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Victor Group Holdings Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 50 116 151 136

N. S. Benbow
Melbourne, 30th September 2021

Victor Group Holdings Limited
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 29 September 2021.

Equity security holders

Substantial holders
The number of substantial shareholders and their associates are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
DAYBREAK CORPORATION LIMITED	400,000,000	69.90
ACHIEVA CAPITAL HOLDINGS LTD	54,850,000	9.59
	454,850,000	79.49

Distribution of equity security holders

Holdings	Holders	Number of Ordinary shares	%	Options
1 - 1,000	5	1,147	-	-
1,001 - 5,000	1	2,000	-	-
5,001 - 10,000	286	2,860,000	0.50%	-
10,001 - 100,000	36	955,034	0.17%	-
100,001 and over	28	568,408,491	99.33%	-
	356	572,226,672		-

		%
DAYBREAK CORPORATION LIMITED	400,000,000	69.902%
ACHIEVA CAPITAL HOLDINGS LTD	54,850,000	9.585%
FOG COMPUTING INDUSTRIAL INVESTMENT HOLDINGS CO LTD	33,333,333	5.825%
BEST FAITH DEVELOPMENTS LIMITED	25,000,000	4.369%
VANTAGE PATH HOLDINGS LIMITED	20,000,000	3.495%
YINGDA LIANG	16,666,667	2.913%
TOP PROSPER INVESTMENT LIMITED	8,987,250	1.571%
VANTAGE PATH HOLDINGS LIMITED	3,749,764	0.655%
MAIN GAIN DEVELOPMENTS LIMITED	2,613,500	0.457%
JILCY PTY LTD (JILCY SUPER FUND A/C)	200,000	0.035%
CITICORP NOMINEES PTY LIMITED	172,433	0.030%
BRACTON CONSULTING SERVICES PTY LTD (A&T CLAYTON SUPER FUND A/C)	171,905	0.030%
HONG JUN XUE	166,667	0.029%
FAMING LIU	166,667	0.029%
LIMING ZHOU	166,667	0.029%
LEILEI MAO	166,667	0.029%
YI WANG	166,667	0.029%
LE YUE	166,667	0.029%
MR YINGDONG CHEN	166,667	0.029%
HUISHAN LIANG	166,667	0.029%
	166,667	0.029%
	567,244,855	

Unquoted equity securities
There are no unquoted equity securities.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Securities exchange
The Company is listed on the Australian Securities Exchange.