

Commentary on Full Year Results

The Directors of Victor Group Holdings Limited (“Victor Group” or “the Company”) and its controlled entities (“the Group”) hereby present the Company’s Appendix 4E – Preliminary Final Report. Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the financial year ended 30 June 2021. It should be noted that the group’s financial reporting period is from 1 July 2020 through 30 June 2021.

The Victor Group realised a loss of \$650,093 for the reporting financial year. Total revenue has increased by 48% to \$8,586,457 due to the promoted sales of inventory. The net assets of the group are \$11,268,520 on 30 June 2021 which is \$607,257 lower than the prior year.

About Victor Group Holdings Limited

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

Victor Group provides SaaS & PaaS, Education cloud platforms which bring together best-in-class resources and applications from strategic partners such as education service and e-learning content providers, and a wide range of e-learning solutions for educational institutions, students, and parents.

Education Cloud Platforms are digital educational resources sharing vehicles enabled by cloud computing and other technologies. They connect with online learning spaces and intelligent terminals to provide users with various support functions for teaching, learning, research, administration and social interactions, thereby facilitating full and deep integration of information technologies and learning.

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

Release authorized on behalf of the board by:

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Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

The following information has been prepared in accordance with ASX Listing rule 4.3A and disclosure requirements of Appendix 4E.

Part 1

Name of Entity	Victor Group Holdings Limited
ABN	21 165 378 834
Financial Period	Year ended 30 June 2021
Previous Corresponding Reporting Period	Year ended 30 June 2020

Part 2 – Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	8,586,457	48%
Loss before tax (continued and discontinued operations)	(655,552)	297%
Net loss from attributable to members of the parent entity	(650,093)	423%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Please refer to Part 14.

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2021 (\$)	2020 (\$)
Revenue from continuing operations	8,586,457	5,811,709
Cost of Sales	<u>(7,174,881)</u>	<u>(5,082,316)</u>
Gross profit	1,411,576	729,393
Other Income	31,811	305,355
General and administrative expenses	(2,098,038)	(1,198,054)
Finance costs	<u>(901)</u>	<u>(1,849)</u>
(Loss)/Profit before income tax from continuing operations	<u>(655,552)</u>	<u>(165,155)</u>
Income tax (expense)/benefit	5,459	(44,178)
(Loss)/Profit from continuing operations	<u>(650,093)</u>	<u>(209,333)</u>
(Loss)/Profit before income tax from discontinued operations	-	84,980
(Loss)/Profit for the year	<u>(650,093)</u>	<u>(124,353)</u>
Other Comprehensive Income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain differences arising on the translation of foreign operations	42,836	(234,662)
Foreign exchange translation reserve released upon disposal of subsidiaries	<u>-</u>	<u>(10,732)</u>
Total Comprehensive Income for the year	<u>(607,257)</u>	<u>(369,747)</u>
(Loss)/Profit Attributable to the:		
Owners of the Parent	(650,093)	(111,734)
Non-controlling interest	<u>-</u>	<u>(12,619)</u>
(Loss)/Profit for the year	<u>(650,093)</u>	<u>(124,353)</u>
Total Comprehensive Income attributable to the:		
Owners of the Parent	(607,257)	(356,205)
Non-controlling interest	<u>-</u>	<u>(13,542)</u>
Total Comprehensive Income for the year	<u>(607,257)</u>	<u>(369,747)</u>
Earnings/(loss) per share (on loss attributable to ordinary equity holders)	Cents	Cents
Basic earnings/(loss) per share (cents per share)		
Earnings from continuing operations	(0.11)	(0.04)
Profit/(Loss) from discontinued operations	<u>-</u>	<u>0.02</u>
Total	<u>(0.11)</u>	<u>(0.02)</u>
Diluted earnings/(loss) per share (cents per share)		
Earnings from continuing operations	(0.11)	(0.04)
Profit/(Loss) from discontinued operations	<u>-</u>	<u>0.02</u>
Total	<u>(0.11)</u>	<u>(0.02)</u>

Part 5 – Consolidated Statement of Financial Position

	2021	2020
	(\$)	(\$)
CURRENT ASSETS		
Cash and cash equivalents	1,179,633	396,810
Trade and other receivables	2,486,632	4,611,870
Inventory	2,460,453	7,487,920
Other assets	555,669	187
TOTAL CURRENT ASSETS	6,682,387	12,496,787
NON-CURRENT ASSETS		
Property, plant and equipment	868,623	538,223
Intangible assets	6,234,793	3,335,039
Investment in associate	-	51,380
TOTAL NON-CURRENT ASSETS	7,103,416	3,924,642
TOTAL ASSETS	13,785,803	16,421,429
CURRENT LIABILITIES		
Trade and other payables	1,794,172	4,190,550
Contract liabilities	723,111	118,756
Income tax payable	-	236,346
TOTAL CURRENT LIABILITIES	2,517,283	4,545,652
TOTAL LIABILITIES	2,517,283	4,545,652
NET ASSETS	11,268,520	11,875,777
EQUITY		
Issued capital	5,494,446	5,494,446
Foreign exchange translation reserve	167,251	124,415
Statutory reserves	411,219	411,219
Retained earnings	5,195,604	5,845,697
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS	11,268,520	11,875,777
Non-controlling interests	-	-
TOTAL EQUITY	11,268,520	11,875,777

Part 6 – Consolidated Statement of Cash Flows

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	12,462,528	11,024,251
Receipts from government grant	191,484	-
Payments to suppliers and employees	(8,139,072)	(10,185,990)
Interest received	239	2,647
Finance costs paid	(542)	(4,460)
Income tax paid	5,454	(39,006)
Total operating cash flows	<u>4,520,091</u>	<u>797,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(3,590,057)	-
Capital contributions received from investment	50,257	-
Net cash outflow on disposal of subsidiaries	-	(2,004,264)
Total investing cash flows	<u>(3,539,800)</u>	<u>(2,004,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	1,580,000
(Repayment to)/advance from related party	229,312	(798,357)
(Repayment to)/borrowings from non-related parties	(452,310)	(576,509)
Total financing cash flows	<u>(222,998)</u>	<u>205,134</u>
Net increase/ (decrease) in cash held	757,293	(1,001,688)
Cash at beginning of financial year	396,810	1,374,909
Effect of exchange rates on cash holdings in foreign currencies	25,530	23,589
Cash at end of financial year	<u><u>1,179,633</u></u>	<u><u>396,810</u></u>

Part 7 – Retained Earnings

	2021	2020
	\$	\$
Retained Earnings at the beginning of the year	5,845,697	5,957,431
Net Loss attributable to owners of the company	(650,093)	(111,734)
Retained Earnings at the end of the year	<u><u>5,195,604</u></u>	<u><u>5,845,697</u></u>

Part 8 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 9 – Net Tangible Assets per security

	2021	2020
Net tangible (liability) asset backing per ordinary security	0.88 cents	1.49 cents

Part 10 – Details of entities over which control has been gained or lost

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 did not impact the revenue and operations of the group.

Part 11 – Details of Associates and Joint Ventures

The investment in Henan Huifeng Fund Management Co., Ltd has been sold to a third-party on 11th August 2020 at \$51,380 (RMB 250,000). The group has not held any investment in associates and joint ventures at the end of the reporting period.

	2021 Percentage interest	2020 Percentage interest
Henan Huifeng Fund Management Co., Ltd	-	25%

Part 12 – Foreign Entities Disclosure

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

All amounts are denominated in Australian Dollars unless otherwise stated.

Part 13 – Reserves

	2021 \$	2020 \$
Statutory Reserve	411,219	411,219
Foreign Currency Translation Reserve	167,251	124,415
	<u>578,470</u>	<u>535,634</u>

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 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.

Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from translation of the parent entity's subsidiaries functional currency (RMB) into the presentation currency of the Group (AUD).

Part 14 – Commentary to Financial Results

Overview of results

For the year ended 30 June 2021 sales revenue increased by \$2,774,748 and gross profit increased by \$682,183, while the group realised a \$650,093 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 large one-time amortisation of a capitalised VAT receivable (\$241,824) and an increased promotional cost in Australian market, the group realised an increase to prior year loss by \$440,760. 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

There have been no other significant changes in the state of affairs of the parent entity during the financial year or prior year.

Part 15 – Loss per share

	2021	2020
Basic loss per share		
Ordinary shares	(0.11 cents)	(0.02 cents)
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	572,226,672	538,554,537
Diluted loss per share	(0.11 cents)	(0.02 cents)
Diluted ordinary shares		
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	572,226,672	538,554,537

Part 16– Subsequent Events

There have been no events subsequent to balance date which would have a material effect on the group's financial statements as at 30 June 2021.

Part 17 – Audit Status

This report is based on accounts to which one of the following applies:

(Tick one)

The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The accounts are in the process of being audited and on publication of the audited financial statements in September 2021. At the date of this Preliminary Financial Report, the group is not aware of any matter which would lead to an emphasis of matter or modified opinion.

The audit report will contain an "Other Matter" paragraph, which is to point out that the financial report of the group for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified on the financial reports on 13 October 2020.

If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

Not Applicable