



Victor Group Holdings Limited
and its controlled entities

ABN 21 165 378 834

HALF-YEAR FINANCIAL REPORT

For the half-year ended 31 December 2019

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Appendix 4D

1. Company details

Company name: Victor Group Holdings Limited (“the Company”)

ABN: 21 165 378 834

Reporting period: Half year ended 31 December 2019

Previous corresponding period: Half year ended 31 December 2018

2. Results for announcement to the market

Consolidated	6 months to 31 December 2019	6 months to 31 December 2018	Movement	% Movement
	\$	\$	\$	
Revenue from continuing operations	3,516,828	775,760	2,741,068	353%
Revenue from discontinued operations	2,945	-	2,945	-
Total revenue from ordinary activities	3,519,773	775,760	2,744,013	354%
Net profit (loss) before tax	(157,150)	500,996	(658,141)	(131%)
Net profit (loss) from continuing operations after tax attributable to members	(259,310)	(13,553)	(245,758)	1813%
Net profit (loss) from discontinued operations after tax attributable to members	84,979	(248,661)	333,640	(134%)
Total net profit (loss) from ordinary activities after tax attributable to members	(174,331)	(262,214)	87,883	(34%)

This Appendix 4D is to be read in conjunction with the Annual Report for the year ended 30 June 2019.

The Directors do not propose to pay any dividend for the half year ended 31 December 2019.

Key financial highlights

- Increase in revenues from continuing activities of 353% is following the expanding in the Infrastructure as a Service (IaaS) offering compared to the prior period. The Group has entered into the cloud-based education market and provide online stream of consulting management and delivery of information management consulting services to its clients. This venture is formed as a part of growing the Group's IaaS offering.
- Profit before tax from continuing operations has decreased from a net profit of \$52,575 in the corresponding prior period (December 2018) to a net loss from continuing operations of \$259,310 in the current period (December 2019).

3. Net tangible assets per security

	31 December 2019	31 December 2018
Net tangible assets per security (cents)	1.28	1.19

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

4.1 Control gained over entities.

N/A

4.2 Control lost over entities.

The Company entered into an agreement for the sale of the shares of Tech Source Ltd (TSL) with a third-party Ms Shen at a consideration of \$191,058 dated 26 November 2019. The Group lost control of TSL on 27 November 2019. The consideration has been settled in cash during the period and the proceeds will be used for general working capital purpose.

5. Dividends

Individual dividends per security

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

6. Dividend reinvestments plans

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

N/A

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

N/A

7. Details of associates and joint entities

	31 December 2019	30 June 2019
	\$	\$
Henan Huifeng Fund Management Co., Ltd	51,184	48,584
Taizhou Zhongke Zhiyun Investment Management Co., Ltd.	-	-
	51,184	48,584

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

8. Accounting Standards

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

Date this 28th day of February 2020



William Hu
Director

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Directors' Report

The Directors of Victor Group Holdings Limited ('Victor Group') present their Report together with the financial statements of the Consolidated Entity, being Victor Group Holdings Limited ('the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2019.

Director details

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

- Mr. William Hu (Non-Executive Chairman) Appointed 01 March 2017
- Mr. Aik Siang (Alex) Goh (Non-Executive Director) Appointed 06 March 2017
- Mr. Zhenxian (Brady) Wu (Non-Executive Director) Appointed 17 February 2020
- Mr. Hoifung (Alvin) Lam (Executive Director) Resigned 17 February 2020

Review of operations and financial results

Financial

Sales revenue for the half year ended 31 December 2019 increased by 353% to \$3.52m compared to \$0.78m reported in the previous corresponding period. The increase in revenue was mainly due to the expanding in the IT consulting offering compared to the prior period.

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

The operating result of the Group has suffered a loss of \$0.17m (December 2018: loss of \$0.26m). The Group has just completed the infrastructure work in Zhangjiakou and the gross profit for the construction work is low.

On 29th November 2019, the Company announced the entry into an agreement for the sale of the shares of Tech Source Ltd (TSL) to a third party Ms Shen Xiaojun for a purchase price of \$191,058 (RMB 933,185). TSL and its subsidiaries operated one of the projects the group have in Zhangjiakou City. TSL and its subsidiaries represented less than 10% of the Company's net assets and profit before tax.

The core business of the Company remains unchanged and Company continues to focus on its digital strategies.

The Group will enter the operation and maintenance period next step.

Directors' Report

Audit's independence Declaration

A copy of the Auditor's independence Declaration as required under s307C of the *Corporations Act 2001* for the half year ended 31 December 2019 is set out on page 7 of this financial report.

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



William Hu
Director

28 February 2020

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Auditor's Independence Declaration

To the Directors of Victor Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Victor Group Holdings Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



D Chau
Partner – Audit & Assurance

Adelaide, 28 February 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	Consolidated Group	
		December 2019	December 2018
		\$	\$
Operating revenue	6	3,516,828	775,760
Cost of sales		(3,372,721)	(234,789)
Gross profit		144,107	540,971
Other income	6	111,095	2,876
General and administrative expenses	8	(514,512)	(491,272)
Profit/(loss) before income tax from continuing operations		(259,310)	52,575
Income tax (expense)/income		-	(66,128)
Loss for the period from continuing operations		(259,310)	(13,553)
Profit/(Loss) for the period from discontinued operations	16	84,979	(248,661)
Loss for the period		(174,331)	(262,214)
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain differences arising on the translation of foreign operations		(254,983)	(30,754)
Foreign exchange translation reserve released upon disposal of subsidiaries		(10,732)	(498,825)
Total comprehensive income for the period		(440,046)	(791,793)
Loss for the year attributable to:			
Non-controlling interests		(12,619)	(9,055)
Owners of the Parent		(161,712)	(253,159)
		(174,331)	(262,214)

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	Consolidated Group	
		December 2019 \$	December 2018 \$
Total comprehensive income attributable to:			
Non-controlling Interests		(13,542)	(10,773)
Owners of the Parent		(426,504)	(781,020)
		(440,046)	(791,793)
Total comprehensive income for the period attributable to owners of the Parent			
Continuing operations		(513,370)	(44,307)
Discontinued operations		73,324	(747,486)
		(440,046)	(791,793)
Earnings / (loss) per share (on loss attributable to ordinary equity holders)			
		Cents	Cents
Basic earnings / (loss) per share (cents per share)			
Continuing operations		(0.05)	(0.003)
Discontinued operations		0.019	(0.046)
Total	14	(0.031)	(0.049)
Diluted earnings / (loss) per share (cents per share)			
Continuing operations		(0.05)	(0.003)
Discontinued operations		0.019	(0.046)
Total	14	(0.031)	(0.049)

These financial statements should be read in conjunction with accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITON
AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31 December 2019	30 June 2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	126,627	1,374,909
Trade and other receivables		1,753,567	10,528,109
Inventory	10	8,271,296	6,019,919
Other assets		169	169
TOTAL CURRENT ASSETS		10,151,659	17,923,106
NON-CURRENT ASSETS			
Non-current receivable		-	25,946
Property, plant and equipment	11	577,842	627,530
Intangible assets	12	3,578,658	3,884,623
Investment in associate		51,184	48,584
TOTAL NON-CURRENT ASSETS		4,207,684	4,586,683
TOTAL ASSETS		14,359,343	22,509,789
CURRENT LIABILITIES			
Trade and other payables	13	3,941,048	10,168,330
Contract liabilities		-	1,399,650
Income tax payable		192,817	202,528
TOTAL CURRENT LIABILITIES		4,133,865	11,770,508
TOTAL LIABILITIES		4,133,865	11,770,508
NET ASSETS		10,255,478	10,739,281

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31 December 2019	30 June 2019
		\$	\$
EQUITY			
Issued capital		3,914,446	3,914,446
Foreign exchange translation reserve		104,094	368,886
Statutory reserve		411,219	411,219
Retained earnings		5,795,719	5,957,431
Total equity attributable to owners of the Parent		10,225,478	10,651,982
Non-controlling interests		-	87,299
TOTAL EQUITY		10,225,478	10,739,281

These financial statements should be read in conjunction with accompanying note

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR HALF-YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Parent					Non-controlling Interest	Total
	Issued Capital	Retained Earnings	Foreign Exchange Translation Reserve	Statutory Reserve			
	\$	\$	\$	\$	\$	\$	
Balance at 1 July 2018	3,914,446	5,778,124	821,293	472,152	112,857	11,098,872	
Loss for the period	-	(253,159)	-	-	(9,055)	(262,214)	
Realised upon disposal of subsidiaries	-	-	(498,825)	-	-	(498,825)	
Exchange differences arising in the translation of foreign operations	-	-	(29,036)	-	(1,718)	(30,754)	
Total comprehensive income for the period	-	(253,159)	(527,861)	-	(10,773)	(791,793)	
Reclassification of statutory reserve upon disposal of subsidiaries	-	132,081	-	(132,081)	-	-	
Balance at 31 December 2018	3,914,446	5,657,046	293,432	340,071	102,084	10,307,079	
Balance at 1 July 2019	3,914,446	5,957,431	368,886	411,219	87,299	10,739,281	
Loss for the period	-	(161,712)	-	-	(12,619)	(174,331)	
Realised upon disposal of subsidiaries	-	-	(10,732)	-	-	(10,732)	
Exchange differences arising in the translation of foreign operations	-	-	(254,060)	-	(923)	(254,983)	
Total comprehensive income for the period	-	(161,712)	(264,792)	-	(13,542)	(440,046)	
Disposal of subsidiaries	-	-	-	-	(73,757)	(73,757)	
Balance at 31 December 2019	3,914,446	5,795,719	104,094	411,219	-	10,225,478	

These financial statements should be read in conjunction with accompanying note

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 31 December 2019

	Note	Consolidated Group	
		December 19	December 18
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,760,381	8,702,945
Payments to suppliers and employees		(9,778,660)	(5,111,611)
Interest received		-	6,572
Finance costs		(1,141)	(3,499)
Income tax paid		(24,270)	(279,788)
Net cash flow from/(used in) operating activities		956,310	3,314,619
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(512,868)
Interest received		6,463	-
Net cash outflow arising from disposal of subsidiaries		(2,004,265)	(4,611)
Net cash flow used in investing activities		(1,997,802)	(517,479)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances (to)/from to related party		184,981	(189,000)
Non-related party loan repayment		(382,525)	-
Net cash flow from/(used in) financing activities		(197,544)	(189,000)
Net increase/(decrease) in cash held		(1,239,036)	2,608,140
Cash at beginning of financial period		1,374,909	498,822
Effect of exchange rates on cash holdings in foreign currencies		(9,247)	40,562
Cash at end of financial period		126,626	3,147,524

These financial statements should be read in conjunction with accompanying notes

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. Nature of operations

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

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

2. General information and basis of preparation

Victor Group Holdings Limited is a profit-oriented entity limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2019 and are presented in Australian dollars (\$), which is the functional currency of the parent company.

These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The principle accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. AASB 16 ‘Leases’ replaces AASB 117 ‘Leases’ along with three Interpretations (AASB Interpretation 4 ‘Determining whether an Arrangement contains a Lease’, AASB Interpretation 115 ‘Operating Leases-Incentives’ and AASB Interpretation 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). The new Standard has been applied as at 1 July 2019 using the modified retrospective approach. Based on the assessment by the Group, there is no cumulative effect of the initial application of AASB 16 at 1 July 2019 as the Group did not have any leasing commitments.

The interim financial statements have been approved and authorised for issue by the board of directors on 28 February 2020.

3. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

4. Significant events and transactions

On 26 November 2019 the Company entered into a sale and purchase agreement with a third-party Ms Shen to sell Tech Source Ltd (TSL) entire issued share capital at a consideration of \$191,058 (RMB 933,185). The consideration has been settled in cash during the period and the proceeds will be used for general working capital purpose.

TSL is the holding company of Yunjiao (ZJK) Technology Co., Ltd which provided project management consulting services for a specific project in Zhangjiakou City, China to its customer. The operations were small and are considered non-core. Yunjiao (ZJK) Technology Co., Ltd holds 51% interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd. TSL and its subsidiaries represented less than 10% of the Company's net assets and profit before tax.

The core business of the Company remains unchanged and Company continues to focus on its digital strategies.

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

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

6. Operating revenue and other income

During the 6-month period ended 31 December 2019, revenue from the top four customers (December 2018: two) amounted to 88% of total operating revenue (December 2018: 96%).

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

Customer	December 2019		December 2018	
	Revenue	%	Revenue	%
A – IaaS Service	1,325,924	38%	129,167	17%
B – IaaS Service	621,527	18%	615,441	79%
C – IaaS Service	621,527	18%	-	-
D – IaaS Service	478,806	14%	-	-
Total	3,047,784	88%	744,608	96%

Other income mainly represents interest income and foreign exchange differences arising from translation of inter-company balances.

7. Segment reporting

Subsequent to disposals of subsidiaries during the periods ended 31 December 2018 and 31 December 2019 (Note 16), the Group only operates in one segment being infrastructure-as-a-service and platform-as-a-service solutions. The group operations predominantly in one geographical area, being the people's Republic of China, where operating revenue are generated and non-current assets are located.

8. General and administrative expenses

	Consolidated Group	
	For the 6 months ended 31 December 2019	For the 6 months ended 31 December 2018
	\$	\$
Employee benefits	61,355	102,628
Depreciation and amortization expenses	302,876	271,685
Other general and administrative expenses	150,281	116,959
	<u>514,512</u>	<u>491,272</u>

9. Cash and cash equivalents

	Consolidated Group	
	31 December 2019	30 June 2019
	\$	\$
Cash at Bank	126,627	1,374,909
Total cash and cash equivalent	126,627	1,374,909

Cash at bank and on hand balance as at 31 December 2019 includes Chinese RMB denominated equivalent balances of \$124,995 (RMB 610,514) (30 June 2019: \$1,372,041 (RMB 6,615,816)) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC (People's Republic of China) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorized to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

10. Inventory

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

	31 December 2019	30 June 2019
	\$	\$
Hardware equipment and software products	8,271,296	6,019,919

11. Property, plant and equipment

	Consolidated Group	
	31 December 2019	30 June 2019
	\$	\$
IT equipment		
Cost	876,085	887,426
Accumulated depreciation	(298,243)	(259,896)
Total IT equipment	577,842	627,530

12. Intangible Assets

	Consolidated Group	
	31 December 2019	30 June 2019
	\$	\$
Software		
Cost	5,126,392	5,192,753
Accumulated amortisation	(1,547,734)	(1,308,130)
Total software	3,578,658	3,884,623

13. Trade and other payables

	Consolidated Group	
	31 December 2019	30 June 2019
	\$	\$
Current		
Trade payables	1,665,478	6,825,438
Payable to related parties (Refer to Note 20)	994,101	1,538,669
Dividend payable	-	1,393
Other tax payable	-	1,895
Other payables	1,281,469	1,800,935
Total trade and other payables	3,941,048	10,168,330

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14. Earnings / (loss) per share

Basic earnings / (loss) per share are calculated by dividing net profit / (loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings / (loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated Group	
	6 Months to 31 December 2019	6 Months to 31 December 2018
	\$	\$
Profit/(loss) attributable to ordinary equity holders of the parent (continuing operations)	(259,310)	(13,553)
Profit/(loss) attributable to ordinary equity holders of the parent (discontinued operations)	97,598	(239,606)
Weighted average number of ordinary shares for basic loss per share	519,560,000	519,560,000
Adjustments for calculation for diluted loss per share	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	519,560,000	519,560,000

15. Dividends

No dividends have been paid or provided by the group during the period for the six-months ended. (2018: nil).

16. Discontinued operations

- (a) Tech Source Ltd (TSL) is the holding company of Yunjiao (ZJK) Technology Co., Ltd, and Yunjiao (ZJK) Technology Co., Ltd holds 51% interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Ltd. The Group lost control of TSL on 27 November 2019 and the financial performance of the TSL is reported in the financial statements for the half-year ended 31 December 2019 as a discontinued operation. The financial performance and cash flow information set out below reflect the operations of TSL for the period to the date of disposal.

	From 1 July 2019 to 27 November 2019	From 1 July 2018 to 31 December 2018
	\$	\$
Revenue	2,945	-
Cost of sales	(6)	(8)
Gross profit	2,939	(8)
Non-operating revenue	4,475	1,249
General and administrative expenses	(41,590)	(51,547)
Financial expense	3,792	(98)
Profit/(loss) before income tax	(30,384)	(50,404)
Income tax expense	(3,927)	-
Profit/(loss) after income tax	(34,311)	(50,404)
Gain on disposal of subsidiaries	132,544	-
Withholding tax for capital gain	(13,254)	-
Profit/(loss) after income tax from discontinued operation	84,979	(50,404)
Net cash flow generated from operating activities	1,576,984	1,114,343
Net increase in cash and cash equivalents from discontinued operations	1,576,984	1,114,343

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- (b) The disposal of Hong Kong Victor International Enterprise Management Co., Limited (HKV) and its subsidiaries (the “HKV Group”) was completed on 17 December 2018 and the financial performance of the HKV Group is reported in the financial statements for the half-year ended 31 December 2018 as a discontinued operation. The financial performance and cash flow information set out below reflect the operations of HKV Group for the period to the date of disposal.

	From 1 July 2018 to 17 December 2018
	\$
Revenue	-
Cost of sales	-
Gross profit	-
Non-operating revenue	-
Salary expenses	(126,722)
Depreciation and amortisation expense	(59,230)
Other expense	(16,685)
Profit/(loss) before income tax	(202,637)
Income tax expense	-
Loss after income tax	(202,637)
Gain on disposal of subsidiaries	498,825
Withholding tax for dividend declared by disposed subsidiaries	(494,445)
Loss after income tax from discontinued operation	(198,257)
Net cash flow used in operating activities	(143,407)
Net decrease in cash and cash equivalents from discontinued operations	(143,407)

17. Disposal of subsidiaries

(a) TSL summary regarding the disposal (Note 16 (a)) completed during the period ended 31 December 2019 is as follow:

	December 2019
Consideration receivable:	\$
Cash	191,058
Total disposal consideration	<u>191,058</u>
Carrying amount of net assets sold	<u>(69,246)</u>
Gain on disposal before reclassification of foreign exchange translation reserve	121,812
Release of foreign exchange translation reserve	<u>10,732</u>
Gain on disposal	<u>132,544</u>

(b) HKV Group summary regarding the disposal (Note 16(b)) completed during the period ended 31 December 2018 is as follow:

	December 2018
Consideration receivable:	\$
Cash	357,629
Total disposal consideration	<u>357,629</u>
Carrying amount of net assets sold	<u>(357,629)</u>
Gain on disposal before reclassification of foreign exchange translation reserve	-
Release of foreign exchange translation reserve	<u>498,825</u>
Gain on disposal	<u>498,825</u>

18. Contingent liabilities

The Group has no contingent liabilities as at 31 December 2019 (30 June 2019: Nil).

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19. Events after the reporting date

On 17 February 2020, the Company announced the placement of 52.7 million ordinary shares at an issue price of \$0.03 per share to sophisticated investors. Funds raised from the placement will be used to further strengthen the Company's financial position so as to be able to allocate funds to opportunities as they arise.

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

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

20. Related Party transactions

The transactions with related parties during the period are as follows:

	31 December 2019	31 December 2018
	\$	\$
Management fee charged by Daybreak Corporations Limited ⁽¹⁾	28,000	-
Advances received from Daybreak Corporations Limited ⁽¹⁾	184,981	189,000
Advances received from Beijing Laxum Hezhong Technology Co., Limited ⁽²⁾	-	1,133,704

- (1) Daybreak Corporation Limited holds 76.99% equity interest of the Group. The payable to Daybreak Corporation Limited is \$987,949 (30 June 2019: \$780,182).
- (2) Beijing Laxum Hezhong Technology Limited holds 40% share interest in Zhangjiakou Zhitou Yunjiao Information Technology Co., Limited (subsidiary of the Group). The transaction is related to amounts received from Beijing Laxum in relation to the Public Private Partnership project to provide cloud education services in Zhangjiakou city, the People's Republic of China.
- (3) Achieva Capital Investment Limited holds 10.56% share interest of the Group. The Group's payable balance to Achieva Capital Investment Limited and its subsidiary, Achieva Capital Investment Limited, amounted to \$6,152 at 31 December 2019 (30 June 2019: \$6,125).

Directors' declaration

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

1. the financial statements and notes, as set out on pages 8 to 23, are in accordance with the *Corporations Act 2001*, including
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (b) giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Director

William Hu

Dated the 28th day of February 2020

Independent Auditor's Report

To the Members of Victor Group Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Victor Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Victor Group Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Victor Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



D Chau
Partner – Audit & Assurance

Adelaide, 28 February 2020