

Victor Group Holdings Limited

ABN 21 165 378 834

Annual Report - 30 June 2023

Victor Group Holdings Limited
Directors' report
30 June 2023

Corporate directory

Directors	Mr William Hu Mr Zhenxian Wu Mr Aik Siang Goh - Resigned 6 December 2022 Mr Guojun Liang - Appointed 6 December 2022
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	Automatic
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 2023

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 2023.

Directors

Mr William Hu

Mr Zhenxian Wu

Mr Aik Siang Goh - Resigned 6 December 2022

Mr Guojun Liang - Appointed 6 December 2022

Principal activities

During the 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 amounted to \$1,307,133 (30 June 2022: \$114,421).

For the year ended 30 June 2023 sales revenue decreased by \$3,890,173 and gross profit decreased by \$1,819,669. The consolidated entity realised a \$1,307,133 loss before tax (2022: \$2,224 loss). The net assets of the group are \$9,971,399 on 30 June 2023 which is \$1,807,611 lower than the prior year. The decrease of the revenue was affected by the slowdown in China's economic growth after the Pandemic and weak demand in the software industry. The depreciation and amortization expenses (\$1,596,901) erode the profit margin of the consolidated entity.

A significant amount of depreciation and amortization expenses were also incurred because of the large investment in two integrated servers in the last year. The servers will also increase capacity of the data storage and reduce costs. Additionally, they will enable the company to better manage customer data and increase customer engagement. The board is focused on maintaining financial discipline and efficient capital allocation to maximize returns for shareholders.

The group recorded a \$766,726 cash or cash equivalents position at the end of the financial period (30 June 2022: \$688,224). Management is confident that the cash flow will be sufficient to meet the group's operational and financial requirements. The group also has no long-term debt. Management expects a prosperous future for the online education market in Australia and intends to explore the local market to continually refine strategy.

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

Business risks

The consolidated entity's operational performance, financials, and development are subject to various risks at both subsidiary and group levels. The following discussion of the number of risks may potentially affect the consolidated entity's performance and financials.

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- **Uncertainty in Macro-economy:** Shenghan's (a subsidiary of VIG) financial performance has been heavily impacted by China's economic downturn post pandemic due to weak demand in the software industry. This is mainly due to the downsizing of leading IT companies in China which is now also impacting IT companies worldwide and not only in China. On the other hand, the growth of online education courses on extracurricular interest classes is one of the main areas that VIG participates in and is now becoming more saturated.
- **Operating Risks:** The consolidated entity reports a positive EBITDA but concluded with a loss for the period due to the large depreciation and amortisation of the new assets purchased. The new assets allow the company to explore more clients in different sectors, whilst a large amount of depreciation may erode the profit of the company. In addition, any leading software on the market may be obsolete after a few years. VIG's large number of intangible assets (software integrated into the server) may also be facing this impairment in the future as software iteration is fast.
- **Adequacy of funding:** the consolidated entity has generated positive operating cash flow in the last two years. However, the positive operating cash flow is generated in China by the subsidiary Shenghan. International money transfer has always been a challenge in China when it comes to any form of international remittance, this is governed by the foreign exchange policy of China where policy often faces many changes that may either ease or toughen the process. The parent company is currently funded by intercompany transfer and shareholder's loan.

Significant changes in the state of affairs

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

No matter or circumstance has arisen since 30 June 2023 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 consolidated entity 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:	nil
Interests in shares:	nil

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 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, from Monash University.
Other current directorships:	nil
Former directorships (last 3 years):	nil
Special responsibilities:	nil
Interests in shares:	nil

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Name: Mr Aik Siang Goh - Resigned 6 December 2022
 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 an undergraduate degree in Computer Engineering. Mr Goh also holds a master's degree in management MGSM Macquarie from University Sydney.

Other current directorships: nil
 Former directorships (last 3 years): nil
 Special responsibilities: nil
 Interests in shares: nil

Name: Mr Jun Wu
 Title: Company Secretary
 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: nil

Name: Mr Guojun Liang - Appointed 6 December 2022
 Title: Non-Executive Director
 Qualifications: Master of Business Administration
 Experience and expertise: Mr Liang served as a senior executive of the companies since 1990. He has enriched experience in globalisation business, and vocational and high education. He has held the following positions: Distinguished visiting lecturer of Business school, Shanghai University; Director of Australia-China International Education Exchange Associate

Other current directorships: nil
 Former directorships (last 3 years): nil
 Special responsibilities: nil
 Interests in shares: nil

'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') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board Attended	Held
William Hu	10	10
Zhenxian Wu	10	10
Alex Goh	7	7
Guojun Liang	3	3

Held: represents the number of meetings held during the time the director held office.

Due to the size and nature of the Company, the Board fulfills the role of both the Audit & Risk Committee, and Nomination & Remuneration 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's Board operates in accordance with its charter 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 Board assesses 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 Board annually as part of the review of executive remuneration, and a resolution is passed 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 incentives (STI) and Long-term incentives (LTI)

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. There are currently no equity incentive plans in place as part of the consolidated entity's short-term and long-term incentive programs.

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.

The aggregate remuneration for all non-executive directors has been set at an amount of \$112,001 per annum as per the company constitution. The remuneration of directors shall not be increased except pursuant to a resolution passed at a general meeting of the company where notice of the suggested increase shall have been given to shareholders in the notice convening the meeting.

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:

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	2023	2022	2021	2020	2019
Item					
Basic EPS (cents)	(0.23)	(0.02)	(0.11)	(0.02)	0.03
Dividends (cents per share)	-	-	-	-	-
Net (loss)/profit (\$'000)	(1,307)	(114)	(640)	(124)	105
Share price at 30 June (\$)	0.030	0.030	0.030	0.030	0.030

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 - Resigned 6 December 2022
- Zhenxian Wu - Executive Director
- Bo Wang - Chief Financial Officer
- Jun Wu - Company Secretary
- Guojun Liang - Non-Executive Director - Appointed 6 December 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary and annual leave	Super-annuation	Long service leave	Equity-settled	Total
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
William Hu	38,400	-	-	-	-	-	38,400
Aik Siang (Alex) Goh*	-	-	-	-	-	-	-
Guojun Liang**	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Zhenxian Wu	108,000	-	8,307	11,340	1,800	-	129,447
<i>Other Key Management Personnel:</i>							
Jun Wu	50,818	-	-	-	-	-	50,818
Bo Wang	12,000	-	-	1,260	200	-	13,460
	<u>209,218</u>	<u>-</u>	<u>8,307</u>	<u>12,600</u>	<u>2,000</u>	<u>-</u>	<u>232,125</u>

* Resigned 6 December 2022

** Appointed 6 December 2022

During the year all remuneration paid to key management personnel was fixed, with no short-term or long-term incentives (2022: 100% fixed).

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	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary and annual leave	Super-annuation	Long service leave	Equity-settled
	\$	\$	\$	\$	\$	\$
2022						
<i>Non-Executive Directors:</i>						
William Hu	38,400	-	-	-	-	-
Aik Siang (Alex) Goh	-	-	-	-	-	-
<i>Executive Directors:</i>						
Zhenxian Wu	108,000	-	8,308	10,800	1,800	-
<i>Other Key Management Personnel:</i>						
Bo Wang	12,000	-	-	1,200	200	-
Jun Wu	38,500	-	-	-	-	-
	<u>196,900</u>	<u>-</u>	<u>8,308</u>	<u>12,000</u>	<u>2,000</u>	<u>-</u>
						<u>219,208</u>

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.

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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: Mr Guojun Liang - Appointed 6 December 2022
Title: Non-Executive Director
Agreement commenced: 6/12/2022
Term of agreement: Ongoing
Details: a) Remuneration: nil.
b) Termination: the company and Mr. Liang 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 2023.

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 2023.

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 2023.

Additional disclosures relating to key management personnel

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

	2023 \$	2022 \$
Daybreak Corporation Limited	194,639	194,639

Daybreak Corporation Limited holds 69.90% (2022: 69.90%) share interest of the group.

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 2023, SSVK Investments Pty Ltd were engaged to provide advisory services to the group. The total amount incurred is \$9,955 (2022:\$75,909).

As Jun Wu is a partner at SSVK Investments Pty Ltd, SSVK Investments Pty Ltd is considered a related party.

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

Refer to note 17 for further information on related party transactions.

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 2023 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 15 to the financial statements.

The directors are of the opinion that the services as disclosed in note 15 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 (including Independent Standards) 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

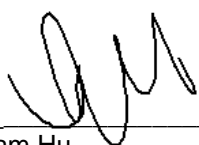
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

28 September 2023

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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 50 116 151 136

N. S. Benbow

N. S. Benbow
Melbourne, 28 September 2023

Victor Group Holdings Limited

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General information

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

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

Registered office

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

Principal place of business

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

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

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

	Note	2023 \$	2022 \$
Revenue			
Operating income	4	6,876,045	10,766,218
Cost of sales		<u>(5,707,678)</u>	<u>(7,778,182)</u>
Gross Profit		1,168,367	2,988,036
Interest income		1,000	1,322
Expenses			
Employee benefits expense		(209,910)	(152,916)
General and administration expenses		(348,404)	(373,525)
Depreciation and amortisation		(1,596,901)	(1,089,889)
Impairment for expected credit losses		(320,945)	(325,508)
Loss on disposal of assets		-	(1,049,186)
Finance costs		<u>(340)</u>	<u>(558)</u>
Loss before income tax expense		(1,307,133)	(2,224)
Income tax expense		<u>-</u>	<u>(112,197)</u>
Loss after income tax expense for the year attributable to the owners of Victor Group Holdings Limited		(1,307,133)	(114,421)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) arising on the translation of foreign operations		<u>(500,478)</u>	<u>614,866</u>
Other comprehensive income for the year, net of tax		<u>(500,478)</u>	<u>614,866</u>
Total comprehensive income for the year attributable to the owners of Victor Group Holdings Limited		<u><u>(1,807,611)</u></u>	<u><u>500,445</u></u>
		Cents	Cents
Earnings per share for loss attributable to the owners of Victor Group Holdings Limited			
Basic earnings per share	21	(0.23)	(0.02)
Diluted earnings per share	21	(0.23)	(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 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents		766,726	688,224
Trade and other receivables	5	1,202,804	1,133,983
Contract assets		<u>1,221,399</u>	<u>345,998</u>
Total current assets		<u>3,190,929</u>	<u>2,168,205</u>
Non-current assets			
Property, plant and equipment	7	1,253,885	1,064,504
Right-of-use assets	6	707,665	705,324
Intangibles	8	8,452,382	6,780,037
Prepayments for plant and equipment and software		<u>-</u>	<u>2,816,476</u>
Total non-current assets		<u>10,413,932</u>	<u>11,366,341</u>
Total assets		<u>13,604,861</u>	<u>13,534,546</u>
Liabilities			
Current liabilities			
Trade and other payables	9	2,931,907	1,027,936
Contract liabilities		346,586	347,693
Current tax liabilities		313,927	349,172
Employee benefits		<u>32,329</u>	<u>24,022</u>
Total current liabilities		<u>3,624,749</u>	<u>1,748,823</u>
Non-current liabilities			
Employee benefits		<u>8,713</u>	<u>6,713</u>
Total non-current liabilities		<u>8,713</u>	<u>6,713</u>
Total liabilities		<u>3,633,462</u>	<u>1,755,536</u>
Net assets		<u>9,971,399</u>	<u>11,779,010</u>
Equity			
Issued capital	10	5,494,446	5,494,446
Reserves	11	730,038	1,230,516
Retained profits		<u>3,746,915</u>	<u>5,054,048</u>
Total equity		<u>9,971,399</u>	<u>11,779,010</u>

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 2023

	Issued	Foreign exchange translation reserve	Reserves	Retained profits	Total equity
	capital				
	\$	\$	\$	\$	\$
Balance at 1 July 2021	5,494,446	167,251	411,219	5,205,649	11,278,565
Loss after income tax expense for the year	-	-	-	(114,421)	(114,421)
Other comprehensive income for the year, net of tax	-	614,866	-	-	614,866
Total comprehensive income for the year	-	614,866	-	(114,421)	500,445
<i>Transactions with owners in their capacity as owners:</i>					
Transfer of statutory reserve from retained earnings	-	-	37,180	(37,180)	-
Transfer of statutory reserve from exchange translation reserve	-	(109,115)	109,115	-	-
Balance at 30 June 2022	<u>5,494,446</u>	<u>673,002</u>	<u>557,514</u>	<u>5,054,048</u>	<u>11,779,010</u>

	Issued capital \$	Foreign exchange translation reserve \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	5,494,446	673,002	557,514	5,054,048	11,779,010
Loss after income tax expense for the year	-	-	-	(1,307,133)	(1,307,133)
Other comprehensive income for the year, net of tax	-	(500,478)	-	-	(500,478)
Total comprehensive income for the year	-	(500,478)	-	(1,307,133)	(1,807,611)
Balance at 30 June 2023	<u>5,494,446</u>	<u>172,524</u>	<u>557,514</u>	<u>3,746,915</u>	<u>9,971,399</u>

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

Victor Group Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		6,963,255	12,407,143
Payments to suppliers and employees		(6,224,100)	(7,802,105)
Interest received		1,000	1,322
Interest and other finance costs paid		(340)	(558)
Income taxes refunded/(paid)		<u>-</u>	<u>236,975</u>
Net cash from operating activities	20	<u>739,815</u>	<u>4,842,777</u>
Cash flows from investing activities			
Payments for purchase of property, plant and equipment, and intangibles		(602,929)	(5,447,639)
Proceeds from disposal of property, plant and equipment		<u>287,800</u>	<u>-</u>
Net cash used in investing activities		<u>(315,129)</u>	<u>(5,447,639)</u>
Cash flows from financing activities			
(Repayments to)/advances from related parties	17	347,043	367,000
(Repayment to)/borrowings from related parties		(265,318)	-
Repayment of lease liabilities		<u>(353,833)</u>	<u>(737,085)</u>
Net cash used in financing activities		<u>(272,108)</u>	<u>(370,085)</u>
Net increase/(decrease) in cash and cash equivalents		152,578	(974,947)
Cash and cash equivalents at the beginning of the financial year		688,224	1,179,633
Effects of exchange rate changes on cash and cash equivalents		<u>(74,076)</u>	<u>483,538</u>
Cash and cash equivalents at the end of the financial year		<u><u>766,726</u></u>	<u><u>688,224</u></u>

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.

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.

As disclosed in the financial statements, the consolidated entity incurred a net loss after tax of \$1,307,133 and had net cash inflows from operating activities of \$739,815 for the period ended 30 June 2023. As at that date, the consolidated entity had a cash balance of \$766,726, and net working capital deficit of \$433,820.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above operating results and funding requirements, the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business for the following reason:

The consolidated entity is actively looking to grow its revenue through a focused strategy that requires cash outflows attached to growth measures including:

- Developing and expanding its information technology stack;
- Marketing initiatives to expand its customer base, both domestically and abroad; and
- Administratively supporting such activities.

All such cash outflows, although significant in the context of the cashflow forecast, can be if necessary, curtailed in the event that the consolidated entity does not maintain a healthy cash balance to support those activities.

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

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

The Directors will continue to monitor the ongoing funding requirements of the consolidated entity. As a consequence of the above, the directors believe that, notwithstanding the consolidated entity's operating results for the period and funding requirements, the consolidated entity will be able to continue as a going concern and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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.

Note 1. Significant accounting policies (continued)

The financial report has been prepared on an accrual basis and is based on historical costs. All amounts are presented Australian dollar (AUD) which is the parent entity's functional currency.

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 exposed 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 18 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 consistency 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.

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 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%

Note 1. Significant accounting policies (continued)

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 transaction 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.

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 to 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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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 that 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 that 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 take 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 support, 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 on a server. Following initial recognition, the inventory is carried at the lower of cost or net realisable value.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

Note 1. Significant accounting policies (continued)

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.

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 from the translation of functional currency to presentation currency are transferred directly to the 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.

Note 1. Significant accounting policies (continued)

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 2023. 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, which 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.

Allowance for expected credit losses

The allowance for expected credit loss 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.

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.

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.

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

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 2023, there were 3 external customers that contributed over 10% of the total revenue.

	30 June 2023	30 June 2023	30 June 2022	30 June 2022
Customer	\$	% of total revenue	\$	% of total revenue
Customer A (Cloud Education)	1,686,883	25%	3,167,921	32%
Customer B (IaaS and PaaS Solutions)	2,462,060	36%	3,118,204	31%
Customer C (Cloud Education and IaaS and PaaS Solutions)	2,149,703	31%	-	-
Customer D (IaaS and PaaS Solutions)	106,411	2%	3,066,729	31%
	<u>6,405,057</u>		<u>9,352,854</u>	

Operating segment information

	SaaS, IaaS and PaaS solutions \$	Cloud Education \$	Other segments \$	Total \$
2023				
Revenue				
Sales to external customers	4,567,340	2,308,704	-	6,876,044
Segment cost of sales	<u>(3,845,461)</u>	<u>(1,862,216)</u>	-	<u>(5,707,677)</u>
Total revenue	<u>721,879</u>	<u>446,488</u>	-	<u>1,168,367</u>
EBITDA	<u>178,416</u>	<u>110,352</u>	-	288,768
Depreciation and amortisation				(1,596,901)
Interest revenue				1,000
Loss before income tax expense				<u>(1,307,133)</u>
Income tax expense				-
Loss after income tax expense				<u>(1,307,133)</u>

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 3. Operating segments (continued)

	SaaS, IaaS and PaaS solutions \$	Cloud Education \$	Other segments \$	Total \$
2022				
Revenue				
Sales to external customers	7,303,258	3,462,960	-	10,766,218
Segment cost of sales	<u>(5,239,936)</u>	<u>(2,538,246)</u>	-	<u>(7,778,182)</u>
Total segment revenue	<u>2,063,322</u>	<u>924,714</u>	-	<u>2,988,036</u>
Total revenue	<u>2,063,322</u>	<u>924,714</u>	-	<u>2,988,036</u>
EBITDA	<u>736,921</u>	<u>349,422</u>	-	<u>1,086,343</u>
Depreciation and amortisation				(1,089,889)
Interest revenue				<u>1,322</u>
Loss before income tax expense				<u>(2,224)</u>
Income tax expense				<u>(112,197)</u>
Loss after income tax expense				<u>(114,421)</u>

For Customer A, segment revenue in 2022 was Cloud Education in nature, whereas segment revenue for this same customer in 2021 was SaaS in nature.

Geographical information

	Sales to external customers	
	2023	2022
	\$	\$
China	7,487,487	10,766,218
Australia	-	-
	<u>7,487,487</u>	<u>10,766,218</u>

The group operates in two geographical areas, being the People's Republic of China (PRC) and Australia but predominantly in the PRC, where sales revenues are generated and non-current assets are held. As at 30 June 2023 all of the consolidated entity's non-current assets were geographically located in China (2022: all).

Note 4. Operating income

Operating income

	2023	2022
	\$	\$
SaaS, IaaS and PaaS solutions	4,567,341	7,303,258
Cloud Education	<u>2,308,704</u>	<u>3,462,960</u>
	<u>6,876,045</u>	<u>10,766,218</u>

Disaggregation of revenue recognition

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 4. Operating income (continued)

	2023 \$	2022 \$
Over time	7,487,487	9,717,579
At a point in time	-	1,048,639
	<u>7,487,487</u>	<u>10,766,218</u>

Revenue relating to performance obligation that are unsatisfied as at 30 June 2023 amounting to \$346,586 (2022: \$347,693), which have been recognised as contract liabilities under current liabilities the year-end, are expected to be recognised during the year ended 30 June 2023 after the provision of services.

Note 5. Trade and other receivables

	2023 \$	2022 \$
<i>Current assets</i>		
Trade receivables	1,819,053	1,253,610
Less: Allowance for expected credit losses	<u>(620,937)</u>	<u>(409,579)</u>
	<u>1,198,116</u>	<u>844,031</u>
VAT/GST receivable	-	289,952
Other receivables	<u>4,688</u>	<u>-</u>
	<u>4,688</u>	<u>289,952</u>
	<u>1,202,804</u>	<u>1,133,983</u>

Allowance for expected credit losses

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2023 and rates have increased in the category greater than 120 days overdue.

The consolidated entity has recognised a loss of \$320,945 in profit or loss in respect of the expected credit losses for the year ended 30 June 2023 (2022: \$325,508).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	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 2023						
Gross carrying amount	1,198,116	-	-	-	620,937	1,819,053
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,937)</u>	<u>(620,937)</u>
Net carrying amount	<u>1,198,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,198,116</u>
30 June 2022						
Gross carrying amount	844,031	-	-	-	409,579	1,253,610
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(409,579)</u>	<u>(409,579)</u>
Net carrying amount	<u>844,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,031</u>

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 5. Trade and other receivables (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$
Not overdue	-	-	1,198,116	844,031	-	-
0 to 3 months overdue	-	-	-	-	-	-
3 to 6 months overdue	-	-	-	-	-	-
Over 6 months overdue	100.00%	100.00%	<u>620,937</u>	<u>409,579</u>	<u>620,937</u>	<u>409,579</u>
			<u>1,819,053</u>	<u>1,253,610</u>	<u>620,937</u>	<u>409,579</u>

Movements in the allowance for expected credit losses are as follows:

	2023 \$	2022 \$
Opening balance	409,579	188,345
Additional provisions recognised	312,552	325,908
Receivables written off during the year as uncollectable	(85,431)	(109,275)
Net exchange difference	<u>(15,763)</u>	<u>4,601</u>
Closing balance	<u>620,937</u>	<u>409,579</u>

Note 6. Right-of-use assets

	2023 \$	2022 \$
Prepayment - Right-of-use	1,061,498	737,085
Less: Accumulated depreciation	<u>(353,833)</u>	<u>(31,761)</u>
	<u>707,665</u>	<u>705,324</u>

During the 2022 financial year, the consolidated entity prepaid \$737,085 and entered 2 leasing agreements for its i-cloud integrated server machines. One commenced in March 2022 and the other in June 2022.

During the 2023 financial year, the consolidated entity prepaid \$363,661 and entered a leasing agreement for its i-cloud servers. The lease commenced in October 2022.

	\$
Balance at 1 July 2022	705,324
Additions	353,833
Depreciation expense	(324,347)
Exchange differences	<u>(27,145)</u>
Balance at 30 June 2023	<u>707,665</u>

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 7. Property, plant and equipment

	2023	2022
	\$	\$
IT equipment - at cost	1,475,172	1,152,441
IT equipment - less accumulated depreciation	<u>(221,287)</u>	<u>(87,937)</u>
	<u>1,253,885</u>	<u>1,064,504</u>

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 2021	1,230,304
Additions	383,746
Disposals	(422,457)
Exchange differences	54,122
Depreciation expense	<u>(181,211)</u>
Balance at 30 June 2022	1,064,504
Additions	379,410
Depreciation expense	(142,162)
Exchange differences	<u>(47,867)</u>
Balance at 30 June 2023	<u>1,253,885</u>

Note 8. Intangibles

	2023	2022
	\$	\$
<i>Non-current assets</i>		
Software - at cost	11,679,805	9,005,068
Less: Accumulated amortisation	<u>(3,227,423)</u>	<u>(2,225,031)</u>
	<u>8,452,382</u>	<u>6,780,037</u>

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 2021	5,873,112
Additions	2,354,610
Disposals	(844,913)
Amortisation expense	(877,473)
Exchange differences	<u>274,701</u>
Balance at 30 June 2022	6,780,037
Additions	3,112,724
Amortisation expense	(1,121,672)
Exchange differences	<u>(318,707)</u>
Balance at 30 June 2023	<u>8,452,382</u>

Note 9. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	1,892,327	266,668
Payable to related parties	641,539	561,639
Other payables	<u>398,041</u>	<u>199,629</u>
	<u><u>2,931,907</u></u>	<u><u>1,027,936</u></u>

Payables to related parties are unsecured, non-interest bearing, payable at call, and carry no equity conversion features (see note 17). The related parties have written to the directors of the Company confirming that they will not call upon these amounts payable for a period of at least 13 months from the date of signing this report in the event that such a call would restrict the availability of the Group's working capital to continue to pursue its business activities.

Refer to note 13 for further information on financial instruments.

Note 10. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	<u>572,226,672</u>	<u>572,226,672</u>	<u>5,494,446</u>	<u>5,494,446</u>

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 11. Reserves

	2023	2022
	\$	\$
Foreign currency reserve	172,524	673,002
Statutory reserve	<u>557,514</u>	<u>557,514</u>
	<u><u>730,038</u></u>	<u><u>1,230,516</u></u>

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 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year (2022:nil).

Note 13. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (namely foreign currency 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:

	2023	2022
	\$	\$
Cash and cash equivalents	766,726	688,224
Trade and other receivables	<u>1,202,804</u>	<u>844,031</u>
	<u>1,969,530</u>	<u>1,532,255</u>
Trade and other payables	<u>2,931,907</u>	<u>1,027,936</u>

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 (2022: 60 days).

Note 13. Financial instruments (continued)

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 to interest rate risk relates principally to its short-term deposits placed with financial institutions. All borrowings are advances from related parties, unsecured, and non-interest bearing.

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 board reviews credit risk by periodically assessing maximum allowable exposures to credit with particular customers and obtaining background checks before entering into credit arrangements with new customers. 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.

The consolidated entity has a credit risk exposure with Customer A. The expected credit loss provision at 30 June 2023 is 100% in relation to Customer A (2022: nil). There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

The consolidated entity 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.

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. As at year-end, all payables had maturities within 60 days (2022: 60 days)

Note 14. 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:

	2023	2022
	\$	\$
Short-term employee benefits	217,525	205,208
Post-employment benefits	12,600	12,000
Long-term benefits	<u>2,000</u>	<u>2,000</u>
	<u>232,125</u>	<u>219,208</u>

Note 15. 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.

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 15. Remuneration of auditors (continued)

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements - William Buck	<u>106,000</u>	<u>96,000</u>

Note 16. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2023 (2022:nil).

Note 17. 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 14 and the remuneration report included in the directors' report.

Transactions with related parties

Daybreak Corporations Limited holds 69.90% (2022: 69.90%) share interest in the Group.

	2023 \$	2022 \$
Norman Liang		
Advances received	134,900	367,000
Amounts repaid	<u>(55,000)</u>	-
	<u>79,900</u>	<u>367,000</u>
Zhenxian Wu		
Advances received	212,143	-
Amounts repaid	(210,318)	-
Exchange differences	<u>(1,825)</u>	-
	<u>-</u>	<u>-</u>

Yingda (Norman) Liang holds 2.63% (2022: 2.91%) share interest in the Group.

Zhenxian Wu is an Executive Director of Victor Group Holdings Limited.

SSVK Investments Pty Ltd

During the financial year ended 30 June 2023, SSVK Investments Pty Ltd were engaged to provide advisory services to the group. The total amount incurred is \$9,955 (2022:\$75,909).

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:

	2023 \$	2022 \$
Daybreak Corporations Limited	194,639	194,639
Yingda (Norman) Liang	446,900	367,000

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.

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 18. 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	
		2023 %	2022 %
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%

⁽¹⁾ Victor Group Holding Limited is the parent entity of Synergy One Holdings 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 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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 20. Reconciliation of loss after income tax to net cash from operating activities

	2023 \$	2022 \$
Loss after income tax expense for the year	(1,307,133)	(114,421)
Adjustments for:		
Depreciation and amortisation	1,596,901	1,089,889
Impairment for expected credit losses	-	325,508
Foreign exchange differences	-	(508,183)
Net loss on disposal of non-current assets	-	1,049,186
Change in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(196,621)	1,352,649
(Increase) decrease in inventory	-	2,530,125
(Increase) decrease in other current assets	(875,401)	209,671
Increase (decrease) in trade and other payables	1,512,869	(1,075,709)
Increase (decrease) in tax assets and liabilities	-	349,172
Increase in employee benefits	10,307	10,308
Increase (decrease) in deferred revenue	(1,107)	(375,418)
Net cash from operating activities	<u>739,815</u>	<u>4,842,777</u>

Victor Group Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 21. Earnings per share

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>572,226,672</u>	<u>572,226,672</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>572,226,672</u>	<u>572,226,672</u>
Earnings per share for profit/(loss) from operations attributable to the owners of Victor Group Holdings Limited:		
	Cents	Cents
Basic earnings per share	(0.23)	(0.02)
Diluted earnings per share	(0.23)	(0.02)

As at 30 June 2023 there were no contingently issuable equity instruments that could potentially influence the calculation of diluted earnings per share (2022: nil).

Note 22. 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.

	2023 \$	2022 \$
Current Assets	6,911,431	7,188,133
Non-Current Assets	<u>-</u>	<u>-</u>
Total Assets	<u>6,911,431</u>	<u>7,188,133</u>
Current Liabilities	(1,114,309)	(841,529)
Non-Current Liabilities	<u>(8,713)</u>	<u>(6,712)</u>
Total liabilities	<u>(1,123,022)</u>	<u>(848,241)</u>
Issued capital	5,494,446	5,494,446
Retained earnings/(Accumulated losses)	<u>302,676</u>	<u>845,446</u>
Total Equity	<u>5,797,122</u>	<u>6,339,892</u>
Financial performance		
Profit/(Loss) for the year	(483,747)	(467,435)
Total comprehensive income for the year	<u>(483,747)</u>	<u>(467,435)</u>

Victor Group Holdings Limited
Directors' declaration
30 June 2023

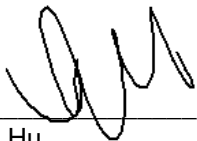
In the directors' opinion:

- 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 2023 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

28 September 2023

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 consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2023, 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 consolidated entity, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 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 consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of \$1,307,133 and had net cash inflows from operating activities of \$739,815 for the year ended 30 June 2023, and had net current liabilities of \$433,820 as at 30 June 2023. As stated in Note 1, these events or conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION	
Area of focus Refer also to notes 1, 2 and 4	How our audit addressed it
<p>This area is a key audit matter as each revenue stream requires a bespoke revenue recognition model where significant judgement is required to determine separate performance obligations within contracts and the allocation of the transaction price to the performance obligations when not explicitly defined to ensure that revenue is only recognised:</p> <ul style="list-style-type: none"> 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. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> — The evaluation of revenue recognition policies for all material sources of revenue to ensure that revenue is recognised in-accordance with AASB 15 <i>Revenue from Contracts with Customers</i>; — 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. <p>In-addition, we also examined key disclosures relating to the recognition of revenue in the financial statements.</p>
PURCHASES OF INTEGRATED SYSTEM HARDWARE ASSETS	
Area of focus Refer also to notes 1, 2, 7 and 8	How our audit addressed it
<p>During the year, the consolidated entity has acquired a significant integrated system hardware asset (both tangible and intangible) in China, which has enabled the consolidated entity to render to its customers Software as a Service (SaaS) and Platform as a Service (PaaS) revenues. This asset was prepaid for as at 30 June 2022 and accepted into the consolidated entity's control in October 2022 and adds to those integrated system hardware assets already on hand.</p> <p>The cost of these integrated system hardware assets 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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> — Discussing with management the current commercial usage of the integrated system hardware assets, including any potential exposure to any technological obsolescence; — Performed an inspection of the newly purchased integrated system hardware asset; — Assessing the split of the purchase costs between the tangible fixed asset and the intangible software asset used to operate the assets as a whole; — Recomputing the depreciation and amortisation charge for the year;

<p>As there is significant estimation and judgement involved, this has been deemed to be a key audit matter.</p>	<ul style="list-style-type: none"> — Examining the specific integrated system hardware 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 integrated system hardware assets; and — Assessing the appropriateness of disclosures made in with financial statements with regards to critical accounting judgements which include the impairment of assets.
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Other Information

The directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the year ended 30 June 2023, 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 consolidated entity 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 consolidated entity 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 consolidated entity 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 2023.

In our opinion, the Remuneration Report of Victor Group Holdings Limited, for the year ended 30 June 2023, 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 Audit (Vic) Pty Ltd
ABN 50 116 151 136



N. S. Benbow
Melbourne, 28 September 2023

Victor Group Holdings Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 30 June 2023.

Equity security holders

Distribution of equity security holders

Holdings	Holders	Number of Ordinary shares	%	Options
1 - 1,000	7	1,337	-	-
1,001 - 5,000	1	2,000	-	-
5,001 - 10,000	286	2,860,000	0.50%	-
10,001 - 100,000	36	971,211	0.17%	-
100,001 and over	30	568,392,124	99.33%	-
	<u>360</u>	<u>572,226,672</u>		<u>-</u>

		%
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	15,045,354	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%
Ying Chen	821,312	0.140%
Xiaoping Wu	666,667	0.120%
Xiaobin Mou	333,334	0.060%
JILCY PTY LTD (JILCY SUPER FUND A/C)	200,000	0.040%
CITICORP NOMINEES PTY LIMITED	172,433	0.029%
BRACON CONSULTING SERVICES PTY LTD (A&T CLAYTON SUPER FUND A/C)	171,905	0.029%
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%
	<u>566,778,187</u>	

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.