

Commentary on Full Year Results

The Directors of Victor Group Holdings Limited (“Victor Group” or “the Company”) and its controlled entities (“the Group”) hereby present the Company’s Appendix 4E – Preliminary Final Report. Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the financial year ended 30 June 2024. It should be noted that the group’s financial reporting period is from 1 July 2023 through 30 June 2024.

The loss for the consolidated entity after providing for income tax amounted to \$1,085,977 (30 June 2023: \$1,307,133).

The loss was due to pre-customer expenditure incurred during the year that could not be capitalised. Management finalised a customer contract during the financial year and delivered the completed work.

For the year ended 30 June 2024 sales revenue increased by 52% to \$10,442,993 (2023: \$6,876,045) and gross profit increased by 33% to \$1,549,599 (2023: \$1,168,637). The gross profit margin decreased to 15% for the year compared to 17% for the prior year.

Compared to the previous year, the consolidated entity achieved significantly higher sales revenue through software development and operation services, shifting away from inventory sales, which had been the primary revenue driver. During the reporting year, the company disposed of a portion of its intangible assets (software), resulting in a gain of \$333,819. These assets had been generating diminishing cash flows over the past two years, as assessed by management.

Given the slower-than-expected development of the Australian market, management has reviewed the consolidated entity’s operational costs and is exploring alternative strategies to further penetrate the Australian market. Management is also seeking opportunities to upscale commercial activities related to data storage and analysis, e-commerce, and third-party payments.

The consolidated entity anticipates that the online education market in both China and Australia will remain robust in the coming years and intends to continue exploring opportunities for both organic and inorganic growth.

About Victor Group Holdings Limited

Victor Group Holdings Limited is the parent company of Synergy One Holdings Limited (a company incorporated in Cayman) which in turn has wholly-owned subsidiaries incorporated in the BVI, HK and PRC. Together, these companies make up the Victor Group.

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

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

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

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

Part 1

Name of Entity	Victor Group Holdings Limited
ABN	21 165 378 834
Financial Year Ended	Year ended 30 June 2024
Previous Corresponding Reporting Period	Year ended 30 June 2023

Part 2 – Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
Revenue from operations	10,442,993	52%
Loss from ordinary activities after tax attributable to the owners of Victor Group Holdings Limited	(1,085,977)	(17%)
Loss attributable to the owners of Victor Group Holdings Limited	(1,085,977)	(17%)

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

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

Please refer to Part 13.

Part 3 – Contents of ASX Appendix 4E

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

	2024 (\$)	2023 (\$)
Revenue from continuing operations	10,442,993	6,876,045
Cost of sales	(8,893,394)	(5,707,678)
Gross profit	1,549,599	1,168,367
Gain on sale of intangible assets	333,832	-
Interest income	-	1,000
Expenses		
Employee benefits expense	(172,345)	(209,910)
General and administrative expenses	(184,812)	(348,404)
Depreciation and amortisation	(1,643,916)	(1,596,901)
Impairment for expected credit loss	-	(320,945)
Pre-customer preparation expense	(967,908)	-
Finance costs	(427)	(340)
Loss before income tax expense	(1,085,977)	(1,307,133)
Income tax (expense)/benefit	-	-
Loss after income tax expense for the year attributable to the owners of Victor Group Holdings Limited	(1,085,977)	(1,307,133)
Other Comprehensive Income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange gain/(loss) differences arising on the translation of foreign operations	125,228	(500,478)
Other comprehensive income net of tax	125,228	(500,478)
Total comprehensive income for the year attributable to the owners of Victor Group Holdings Limited	(960,749)	(1,807,611)
Earnings/(loss) per share (on loss attributable to ordinary equity holders)	Cents	Cents
Basic earnings/(loss) per share (cents per share)	(0.19)	(0.23)
Diluted earnings/(loss) per share (cents per share)	(0.19)	(0.23)

Part 5 – Consolidated Statement of Financial Position

	2024 (\$)	2023 (\$)
CURRENT ASSETS		
Cash and cash equivalents	1,332,258	766,726
Trade and other receivables	5,743,054	1,202,804
Contract assets	941,896	1,221,399
TOTAL CURRENT ASSETS	8,017,208	3,190,929
NON-CURRENT ASSETS		
Property, plant and equipment	1,132,880	1,253,885
Intangible assets	5,536,430	8,452,382
Right-of-use assets	356,372	707,665
TOTAL NON-CURRENT ASSETS	7,025,682	10,413,932
TOTAL ASSETS	15,042,890	13,604,861
CURRENT LIABILITIES		
Trade and other payables	4,715,682	2,931,907
Contract liabilities	681,182	346,586
Income tax payable	584,226	313,927
Employee benefits	40,636	32,329
TOTAL CURRENT LIABILITIES	6,021,726	3,624,749
NON-CURRENT LIABILITIES		
Employee benefits	10,514	8,713
TOTAL NON-CURRENT LIABILITIES	10,514	8,713
TOTAL LIABILITIES	6,032,240	3,633,462
NET ASSETS	9,010,650	9,971,399
EQUITY		
Issued capital	5,494,446	5,494,446
Foreign exchange translation reserve	297,752	172,524
Statutory reserves	557,514	557,514
Retained earnings	2,660,938	3,746,915
TOTAL EQUITY	9,010,650	9,971,399

Part 6 – Consolidated Statement of Changes in Equity

	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	5,494,446	172,524	557,514	3,746,915	9,971,399
	Issued capital	Foreign exchange translation reserve	Reserves	profits	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2023	5,494,446	172,524	557,514	3,746,915	9,971,399
Loss after income tax expense for the year	-	-	-	(1,085,977)	(1,085,977)
Other comprehensive income for the year, net of tax	-	125,228	-	-	125,228
Total comprehensive income for the year	-	125,228	-	(1,085,977)	(960,749)
Balance at 30 June 2024	5,494,446	297,752	557,514	2,660,938	9,010,650

Part 7 – Consolidated Statement of Cash Flows

	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	9,775,000	6,963,255
Payments to suppliers and employees	(9,452,000)	(6,224,100)
Interest received	-	1,000
Finance costs paid	(427)	(340)
Total operating cash flows	322,573	739,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	-	(602,929)
Proceeds from disposal of property, plant and equipment	-	287,800
Net cash outflow on disposal of subsidiaries	-	-
Total investing cash flows	-	(315,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	-
(Repayment to)/advance from related parties	242,000	347,043
(Repayment to)/borrowings from related parties	-	(265,318)
Prepayments for financing leases	-	(353,833)
Total financing cash flows	242,000	(272,108)
Net increase/ (decrease) in cash held	564,573	152,578
Cash at beginning of financial year	766,726	688,224
Effect of exchange rates on cash holdings in foreign currencies	959	(74,076)
Cash at end of financial year	1,332,258	766,726

Part 8 – Retained Earnings

	2024	2023
	\$	\$
Retained Earnings at the beginning of the year	3,746,915	5,054,048
Net Loss attributable to owners of the company	(1,085,977)	(1,307,133)
Retained Earnings at the end of the year	<u>2,660,938</u>	<u>3,746,915</u>

Part 9 – Details Relating to Dividends

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

Part 10 – Net Tangible Assets per security

	2024	2023
Net tangible asset backing per ordinary security	0.54 cents	0.14 cents

Part 11 – Foreign Entities Disclosure

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

All amounts are denominated in Australian Dollars unless otherwise stated.

Part 12 – Reserves

Statutory Reserve	557,514	557,514
Foreign Currency Translation Reserve	297,752	172,524
	<u>855,266</u>	<u>730,038</u>

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

For 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.

Foreign Currency Translation Reserve

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

Part 13 – Commentary to Financial Results

Overview of results

For the year ended 30 June 2024 sales revenue increased by \$3,566,948 and gross profit increased by \$381,232, while the group still realised \$1,085,977 loss from operations (30 June 2023: \$1,307,133). The reduction in loss and increase in sales revenue are largely due to the improved economic conditions faced in the 2024 financial year.

The group anticipates that the online education market in Australia will continue to thrive in the coming years. As such, it will seek to develop a more effective strategy while continuing to explore the local market. Management remains committed to safeguarding the group's cash flow and will focus capital expenditure on projects that offer high certainty and stability. The group recorded a \$1,332,258 cash or cash equivalents position at the end of the financial year (30 June 2023: \$766,726). Management anticipates the group's cash flow will remain at a healthy state.

Significant Changes in the State of Affairs

During the year, the consolidated entity sold non-core intangible assets for a total consideration of \$2,271,771. At the time of sale, these assets had a carrying value of \$1,937,951. Management evaluated the cash flow generation potential of these intangible assets against their residual and potential resale value and determined that it was in the best interest of the consolidated entity to dispose of them.

The company also identified a market opportunity in purchasing and holding certain software for short-term development, which could be offered to clients at a lower cost. These inventories were classified as pre-customer expenditure from a prudential standpoint.

Additionally, the company has secured a support agreement with major shareholders to provide funding if necessary. There were no other significant changes in the state of affairs of the consolidated entity during the year.

Part 14 – Profit/(Loss) per share

	2024	2023
Basic loss per share		
Ordinary shares	(0.19) cents	(0.23) cents
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	572,226,672	572,226,672
Diluted loss per share		
Diluted ordinary shares		
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	572,226,672	572,226,672

Part 15 – Subsequent Events

On the 19th of February 2024, the consolidated entity announced it had reached an agreement to take a strategic investment in a 25% stake in LIT Technology Pty Ltd, an innovative financial technology company headquartered in Australia, for \$2,000,000. The acquisition will be completed through the issuance of 80,000,000 shares at an issue price of \$0.025 per share to the vendors and/or their nominees. A condition precedent for the completion of this transaction was for the consolidated entity to be back trading on the Australian Securities Exchange (ASX), a general meeting to be held to approve the issue of the shares during which this resolution is passed, and the subsequent issue of the shares.

Victor Group has completed a due diligence process that involved the evaluation of the business model and inspection of legal and financial documents. This due diligence process was satisfactorily completed.

There have been no other events subsequent to balance date which would have a material effect on the group's financial statements as at 30 June 2024.

Part 16 – Audit Status

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

(Tick one)

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

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

This report is based on draft financial accounts for the year ended 30 June 2024 which are in the process of being audited and are due for publication in September 2024. At the date of this Preliminary Financial Report, the group is not aware of any matter which would lead to an emphasis of matter or modified opinion.

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

Not Applicable