



VBG International Holdings Limited

建泉國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8365

Third Quarterly Report 2017-18

** For identification purpose only*

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors of VBG International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The directors of the Company (the “**Directors**”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHTS (UNAUDITED)

- The Company and its subsidiaries (the “**Group**”) recorded revenue of approximately HK\$29.5 million for the nine months ended 30 June 2018, representing an increase of approximately 6.9% when compared with approximately HK\$27.6 million for the nine months ended 30 June 2017.
- The Group recorded a loss of approximately HK\$5.1 million for the nine months ended 30 June 2018 compared with a loss of approximately HK\$6.4 million for the nine months ended 30 June 2017. The loss for the nine months ended 30 June 2018 was mainly attributable to the staff costs and related expenses of approximately HK\$25.7 million.
- The basic and diluted loss per share for the nine months ended 30 June 2018 was approximately HK\$1.00 cents and the basic and diluted loss per share for the nine months ended 30 June 2017 was approximately HK\$1.59 cents.
- The Directors do not recommend the payment of any interim dividend for the nine months ended 30 June 2018.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of Directors (the “**Board**”) announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 June 2018, together with the comparative unaudited figures for the three months and nine months ended 30 June 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 June 2018

	Note	Three months ended 30 June		Nine months ended 30 June	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	12,839	10,976	29,491	27,612
Other loss, net	4	(574)	(1)	(347)	(7)
Administrative expenses and other operating expenses	5	(16,184)	(16,913)	(33,740)	(33,622)
Loss before income tax	5	(3,919)	(5,938)	(4,596)	(6,017)
Income tax credit (expense)	6	22	313	(548)	(368)
Loss for the period		(3,897)	(5,625)	(5,144)	(6,385)
Other comprehensive (loss) income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value gain (loss) on available-for-sale financial assets		1,610	(280)	1,610	240
Other comprehensive (loss) income for the period		1,610	(280)	1,610	240
Total comprehensive loss attributable to ordinary equity holder of the Company for the period		(2,287)	(5,905)	(3,534)	(6,145)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to ordinary equity holder of the Company					
– Basic and diluted	7	(0.76)	(1.29)	(1.00)	(1.59)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 June 2018

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i> <i>(note i)</i>	Capital reserve <i>HKS'000</i> <i>(note ii)</i>	Exchange reserve <i>HKS'000</i> <i>(note iii)</i>	Investment revaluation reserve <i>HKS'000</i> <i>(note iv)</i>	Retained profits <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 October 2017 <i>(audited)</i>	<u>5,132</u>	<u>70,935</u>	<u>152</u>	<u>1,392</u>	<u>—</u>	<u>37,941</u>	<u>115,552</u>
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,144)</u>	<u>(5,144)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,797</u>	<u>110,408</u>
Other comprehensive income for the period							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Currency translation difference	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>	<u>—</u>	<u>—</u>	<u>75</u>
Fair value gain on available-for-sale financial assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,610</u>	<u>—</u>	<u>1,610</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>	<u>1,610</u>	<u>—</u>	<u>1,685</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,610</u>	<u>32,797</u>	<u>112,093</u>
Transactions with owners							
<i>Contribution and distribution</i>							
Dividends paid during the period <i>(note 8)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,264)</u>	<u>(10,264)</u>
Total transactions with owners for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,264)</u>	<u>(10,264)</u>
At 30 June 2018 <i>(unaudited)</i>	<u>5,132</u>	<u>70,935</u>	<u>152</u>	<u>1,467</u>	<u>1,610</u>	<u>22,533</u>	<u>101,829</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 June 2018 (continued)

	Share capital <i>HKS '000</i>	Share premium <i>HKS '000</i> <i>(note i)</i>	Capital reserve <i>HKS '000</i> <i>(note ii)</i>	Exchange reserve <i>HKS '000</i> <i>(note iii)</i>	Investment revaluation reserve <i>HKS '000</i> <i>(note iv)</i>	(Accumulated losses)/ retained profits <i>HKS '000</i>	Total <i>HKS '000</i>
At 1 October 2016 (audited)	—	—	35,152	1,392	—	(2,211)	34,333
Loss for the period	—	—	—	—	—	(6,385)	(6,385)
	—	—	—	—	—	(6,385)	(6,385)
Other comprehensive income for the period							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Fair value gain on available-for-sale financial assets	—	—	—	—	240	—	240
	—	—	—	—	240	—	240
Total comprehensive income (loss) for the period	—	—	—	—	240	(6,385)	(6,145)
Transfer	—	—	(35,000)	—	—	35,000	—
Transactions with owners							
<i>Contribution and distribution</i>							
Issue of shares by way of share offer	1,283	85,961	—	—	—	—	87,244
Capitalisation issue	3,849	(3,849)	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(11,177)	—	—	—	—	(11,177)
Dividends paid during the period <i>(note 8)</i>	—	—	—	—	—	(10,828)	(10,828)
Total transactions with owners for the period	5,132	70,935	—	—	—	(10,828)	65,239
At 30 June 2017 (unaudited)	5,132	70,935	152	1,392	240	15,576	93,427

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 June 2018 (continued)

Notes:

- (i) Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholder provided that the Company is able to pay its debt as they fall due in the ordinary course of business (unless otherwise defined herein, capitalised terms used in this report shall have the same meanings as those defined in the prospectus of the Company dated 15 May 2017, the "**Prospectus**").
- (ii) Capital reserve of the Company represents the capital contribution from the controlling party of certain subsidiaries now comprising the Group before completion of Reorganisation.
- (iii) Exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.
- (iv) Investment revaluation reserve of the Group represents the accumulative net change in fair value of available-for-sale investments held at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2016 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange on 26 May 2017. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 18/F, Prosperity Tower, 39 Queen's Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of corporate finance advisory services, placing and underwriting services and business consultancy services.

In the opinion of the Directors, the immediate holding company of the Company is Jayden Wealth Limited, which is incorporated in the British Virgin Islands and is ultimately controlled by Ms. Wan Ho Yan Letty ("**Ms. Letty Wan**"), the controlling shareholder, an executive director and the chairperson of the Company.

The condensed consolidated financial statements of the Group for the three months and nine months ended 30 June 2018 (the "**Condensed Consolidated Financial Statements**") are unaudited, but have been reviewed by the audit committee of the Company. The Condensed Consolidated Financial Statements were approved and authorised for issue by the Directors on 7 August 2018.

The Condensed Consolidated Financial Statements are presented in Hong Kong dollars ("**HK\$**") which is also the functional currency of the Company, except for the subsidiaries established in the People's Republic of China (the "**PRC**") and Canada whose function currency is Renminbi ("**RMB**") and Canadian Dollars ("**CAD**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months and nine months ended 30 June 2018 (continued)

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial information for the year ended 30 September 2017 (the “**2016/2017 Annual Report**”) which have been prepared in accordance with HKFRSs issued by the HKICPA.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Ms. Letty Wan. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group. Accordingly, for the purpose of the preparation of the Condensed Consolidated Financial Statements, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Ms. Letty Wan prior to and after the Reorganisation.

The Condensed Consolidated Financial Statements have been prepared on the historical cost basis except for the available-for-sale financial assets and financial assets at fair value through profit or loss that are measured at fair value.

The preparation of the Condensed Consolidated Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. REVENUE

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Corporate finance advisory services	9,067	10,706	25,069	24,862
Placing and underwriting services	2,578	—	2,578	—
Business consulting services	1,194	270	1,844	2,750
	<u>12,839</u>	<u>10,976</u>	<u>29,491</u>	<u>27,612</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months and nine months ended 30 June 2018 (continued)

4. OTHER LOSS, NET

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend income from investments	562	3	1,588	3
Net realised (loss) gain from sale of investments at fair value through profit or loss (note a)	(2,271)	—	(2,271)	—
Net unrealised (loss) gain on financial assets at fair value through profit or loss	984	(6)	(47)	(31)
Interest income	142	2	373	5
Others	9	—	10	16
	<u>574</u>	<u>(1)</u>	<u>(347)</u>	<u>(7)</u>

Note:

- (a) The net realised loss from sale of investments at fair value through profit or loss was arising from the disposal of all the investments in (i) 8.125% Perpetual Subordinated Capital Securities and (ii) 8.000% Perpetual Subordinated Capital Securities, Series 2, both issued by HSBC Holdings plc (“HSBC”) by way of redemption exercised by the issuer (i.e. HSBC) on 4 June 2018. For details of the redemption, please refer to the notice of redemption issued by HSBC on 4 May 2018 which is available on the www.hkexnews.hk.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months and nine months ended 30 June 2018 (continued)

5. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging (crediting):

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Staff costs:				
Salaries and allowances	13,010	7,008	25,237	18,038
Contributions to defined contribution plans	144	104	417	341
	<hr/>	<hr/>	<hr/>	<hr/>
Total staff costs (including directors' remuneration)	13,154	7,112	25,654	18,379
	<hr/>	<hr/>	<hr/>	<hr/>
Auditor's remuneration	73	8	211	42
Depreciation of plant and equipment	116	64	281	188
Exchange loss	—	—	6	90
Legal and professional fees (excluding Listing expenses one-off in nature)	570	468	1,725	509
Listing expenses	—	7,272	—	9,124
Operating lease payments on premises	1,585	1,201	4,052	3,538
	<hr/>	<hr/>	<hr/>	<hr/>

6. INCOME TAX (CREDIT) EXPENSE

The group entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during each of the periods.

The Group's entity established in the PRC is subject to Enterprise Income Tax of the PRC at a statutory rate of 25% during each of the periods.

The Group's entity established in the Canada is subject to Corporate Income Tax of Canada at a statutory rate of 26.25% during each of the periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months and nine months ended 30 June 2018 (continued)

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax (credit) expense				
Hong Kong Profits Tax	(136)	(313)	434	368
Canada Corporate Income Tax	114	—	114	—
	<u>(22)</u>	<u>(313)</u>	<u>548</u>	<u>368</u>

7. LOSS PER SHARE

The calculation of the basic loss per share of the Company is based on the following data:

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss				
Loss for the period for the purpose of basic loss per share	<u>(3,897)</u>	<u>(5,625)</u>	<u>(5,144)</u>	<u>(6,385)</u>

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>513,200</u>	<u>435,656</u>	<u>513,200</u>	<u>401,818</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has taken into account the Capitalisation Issue and the Share Offer as disclosed in note 17(d) and 17(e) to the 2016/17 Annual Report had been completed on 1 July 2017.

For each of the three months and nine months ended 30 June 2018 and 2017, there were no dilutive potential ordinary shares in issue, thus no diluted loss per share is presented.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months and nine months ended 30 June 2018 (continued)

8. DIVIDENDS

	Three months ended		Nine months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interim dividends (<i>note a</i>)	—	10,828	—	10,828
Final dividends (<i>note b</i>)	<u>10,264</u>	<u>—</u>	<u>10,264</u>	<u>—</u>
	<u><u>10,264</u></u>	<u><u>10,828</u></u>	<u><u>10,264</u></u>	<u><u>10,828</u></u>

Notes:

- (a) The Board does not recommend the payment of any interim dividend for the nine months ended 30 June 2018.

During the nine months ended 30 June 2017, interim dividends of HK\$7,300,000 were paid in cash and further dividends of HK\$3,528,000 were distributed in specie with the entire interest in a subsidiary of the Company.

- (b) The final dividend of HK\$0.02 per ordinary share of the Company for the year ended 30 September 2017 was approved at the annual general meeting of the Company held on 26 January 2018 and paid during the nine months ended 30 June 2018 (nine months ended 30 June 2017: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) corporate finance advisory services (including sponsorship, compliance advisory, financial advisory and independent financial advisory); (ii) placing and underwriting services; and (iii) business consulting services, mainly to companies listed on the Stock Exchange, non-listed companies and potential listing applicants on the Stock Exchange mainly in Hong Kong, the PRC, Asia and Europe. The Group's corporate finance advisory services include advising on transactions or compliance matters under the Listing Rules, the GEM Listing Rules or the Takeovers Code in the capacity of financial advisers; giving opinions or recommendations to the independent board committees and independent shareholders of our customers in the capacity of independent financial advisers; acting as sponsor in IPO exercises, advising companies on compliance requirements and acting as compliance adviser to listed companies post-IPO. In respect of providing placing and underwriting services, the Group acts as placing agent, lead manager and/or underwriter in primary and/or secondary market equity fund-raising exercise. The Group's business consulting services include reviewing potential customers' business, capital structure and corporate strategic plans, and advising on mergers and acquisitions.

Provision of corporate finance advisory services remains the core business of the Group. It continued to generate a substantial majority of the Group's revenue during the period.

During the period, the Company entered into a memorandum of understanding with PA Ergon Legal, and a subsidiary of the Company acquired Baron Global Financial Canada Ltd. ("**Baron Canada**"), both of which is in line with the business strategies of the Group to expand its international network.

On 30 April 2018, completion of Baron Canada acquisition took place, and Baron Canada has become an indirect wholly-owned subsidiary of the Company since then. Up to the date of the approval of this report, the initial accounting for the above business combination was incomplete as the fair value assessment of goodwill and intangible assets, if any, of Baron Canada had not been finalised and therefore, no financial information of Baron Canada as at the date of completion could be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from three principal sources - corporate finance advisory services, placing and underwriting services, and business consulting services.

The Group's revenue increased by approximately HK\$1.9 million, or approximately 6.9% from approximately HK\$27.6 million for the nine months ended 30 June 2017 as compared to approximately HK\$29.5 million for the nine months ended 30 June 2018. Such increase was mainly attributable to an increase in contribution from placing and underwriting services.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses were mainly comprised staff costs and related expenses, rental expenses, professional fees and the Listing expenses.

The Group's administrative expenses and other operating expenses increased by approximately HK\$0.1 million, or approximately 0.3% from approximately HK\$33.6 million for the nine months ended 30 June 2017 as compared to approximately HK\$33.7 million for the nine months ended 30 June 2018. The slight increase was mainly attributable to i) an increase in staff costs and related expenses by approximately HK\$7.3 million, or approximately 40.0% from approximately HK\$18.4 million for the nine months ended 30 June 2017 as compared to approximately HK\$25.7 million for the nine months ended 30 June 2018; ii) increase in legal and professional expenses of approximately HK\$1.2 million which mainly related to the continuing listing requirements and recurrent in nature since the Listing in May 2017; and iii) increase in operating lease payments on premises of approximately HK\$0.6 million, against the non-occurrence of the one-off Listing expenses of approximately HK\$9.1 million which was incurred during the nine months ended 30 June 2017. The increase in staff costs and related expenses for the nine months ended 30 June 2018 was mainly attributable to i) an increase in discretionary bonus of approximately HK\$2.5 million; ii) expansion of our corporate finance team of approximately HK\$2.5 million; and iii) new headcount by way of business acquisition, Baron Canada, of approximately HK\$0.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)***Loss for the period***

As a result of foregoing, the Group recorded a loss of approximately HK\$5.1 million for the nine months ended 30 June 2018 as compared with a loss of approximately HK\$6.4 million for the nine months ended 30 June 2017.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK\$58.9 million (based on the final Offer Price of HK\$0.68 per Offer Share, being the low-end of the price range stated in the Prospectus) raised from the Share Offer on 26 May 2017, which is lower than the estimated net proceeds of approximately HK\$73.4 million (assuming the Offer Price would be HK\$0.78 per Offer Share, being the mid-point of the price range stated in the Prospectus).

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus. The adjusted use of proceeds is shown below together with the net proceeds had been utilised, as at 30 June 2018, as follows:

	Adjusted net proceeds HK\$ million	Amount utilised as at 30 June 2018 HK\$ million	Balance HK\$ million
To expand our placing and underwriting business	39.3	—	39.3
To enhance and strengthen our financial advisory business by maintaining and expanding our corporate finance team	5.5	2.5	3.0
To expand our network internationally and across the PRC	12.1	1.6	10.5
General working capital	2.0	2.0	—
	<u>58.9</u>	<u>6.1</u>	<u>52.8</u>
Total	<u>58.9</u>	<u>6.1</u>	<u>52.8</u>

As at 30 June 2018, unutilised proceeds of approximately HK\$52.8 million were placed on short-term interest bearing instrument with a licensed bank in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)***PROSPECTS***

In view of a potential Sino-US trade war and an expected U.S. interest rate hike, the global investment markets are expected to be volatile. The outlook for the Hong Kong stock market will remain challenging in the second half of 2018. Despite such uncertain market conditions, the Group will continue to seek for opportunities: (i) to actively participate in placing and underwriting activities in primary and secondary market fund raising exercises; (ii) to enhance and strengthen our financial services business by maintaining and expanding our corporate finance team; and (iii) to expand our network internationally and across the PRC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions***(i) Interests in the shares of the Company:***

Name of Director	Capacity/Nature	Number of shares interested	Approximate percentage of the issued share capital of the Company
Ms. Wan Ho Yan Letty	Interests of controlled corporation	384,900,000 (L)	75%

Notes:

- (1) These 384,900,000 shares are held by Jayden Wealth Limited (“**Jayden Wealth**”), a company incorporated in the British Virgin Islands and wholly owned by Ms. Wan Ho Yan Letty (“**Ms. Letty Wan**”). Therefore, Ms. Letty Wan is deemed to be interested in all the shares held by Jayden Wealth for the purpose of the SFO.
- (2) The letter “L” denotes as long positions in the shares of the Company.

(ii) Interests in the shares of an associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares interested	Approximate percentage of the issued share capital of the associated corporation
Ms. Wan Ho Yan Letty	Jayden Wealth Limited	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations” above and “Share Option Scheme” below, neither the Company nor any of its subsidiaries or associated corporations was, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations at any time during the nine months ended 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following parties (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares or underlying shares of the Company

Name of Shareholder	Nature of interests	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Jayden Wealth Limited	Beneficial owner	384,900,000	—	384,900,000	75%

Notes:

- (1) Jayden Wealth Limited (“**Jayden Wealth**”) is wholly owned by Ms. Wan Ho Yan Letty (“**Ms. Letty Wan**”). Under the SFO, Ms. Letty Wan is deemed to be interested in all the shares held by Jayden Wealth.
- (2) The approximate percentage of shareholdings is based on 513,200,000 shares as at 30 June 2018, not the enlarged issued share capital of the Company.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executives of the Company who held an interests or short positions in the shares and or underlying shares of the Company as at 30 June 2018 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the “**Share Option Scheme**”) by the resolutions in writing of the sole shareholder of the Company passed on 4 May 2017. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. No share option has been granted by the Company since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 30 June 2018 and up to the date of this report and neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercise any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the nine months ended 30 June 2018 and up to date of this report.

COMPETING INTERESTS

As at 30 June 2018, none of the Directors, substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has or may have any other conflict of interests with the Group during the nine months ended 30 June 2018.

COMPLIANCE ADVISER'S INTEREST

As at the date of this report, Dakin Capital Limited (“**Dakin Capital**”), the compliance adviser of the Company, has confirmed that except for (i) Dakin Capital participation as a sponsor, joint bookrunner and joint lead manager in relation to the Listing, and (ii) the compliance adviser agreement entered into between the Company and Dakin Capital dated 11 May 2017 neither Dakin Capital nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has not engaged in any activities falling under the continuing disclosure requirements pursuant to the Rules 17.22 and 17.24 of the GEM Listing Rules.

During the nine months ended 30 June 2018 and up to the date of this report, the Board has reviewed the Group’s corporate governance practices and is satisfied that the Group has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ho Lik Kwan, Luke, as the chairman of the Audit Committee, Mr. Kam Cheuk Fai David and Mr. William Robert Majcher. The primary duty of the Audit Committee is to review and supervise the Company’s financial reporting process, the risk management and internal control systems of the Group and the monitoring of continuing connected transactions.

Pursuant to code provision C.3.3 of the Code, the Audit Committee together with the management of the Company have reviewed the financial reporting matters including the review of the unaudited third quarterly results for the nine months ended 30 June 2018 of the Group and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

BOARD OF DIRECTORS

As at the date of this report, the Directors are:

Executive Directors:

Ms. Wan Ho Yan Letty (*Chairperson*)

Mr. Hui Ringo Wing Kun

Non-executive Director:

Mr. Wan Chuen Fai

Independent Non-executive Directors:

Mr. Kam Cheuk Fai David

Mr. Ho Lik Kwan, Luke

Mr. William Robert Majcher

By Order of the Board
VBG INTERNATIONAL HOLDINGS LIMITED
Wan Ho Yan Letty
Chairperson

Hong Kong, 7 August 2018

This report will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at www.vbg-group.com.