



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

2018-19

** For identification purpose only*

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FINANCIAL HIGHLIGHTS (UNAUDITED)

- The Company and its subsidiaries (the “**Group**”) recorded revenue of approximately HK\$29.4 million for the nine months ended 30 June 2019, representing a decrease of approximately 0.3% when compared with revenue of approximately HK\$29.5 million for the nine months ended 30 June 2018.
- The Group recorded a loss of approximately HK\$17.3 million for the nine months ended 30 June 2019 compared with a loss of approximately HK\$5.1 million for the nine months ended 30 June 2018. The loss for the nine months ended 30 June 2019 was mainly attributable to an increase in staff costs and related expenses of approximately HK\$8.7 million.
- The basic and diluted loss per share for the nine months ended 30 June 2019 was approximately HK3.37 cents and the basic and diluted loss per share for the nine months ended 30 June 2018 was approximately HK1.00 cents.
- The board of Directors (the “**Board**”) has resolved not to declare the payment of any interim dividend for the nine months ended 30 June 2019.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 June 2019, together with the comparative unaudited figures for the three months and nine months ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 June 2019

	Note	Three months ended 30 June		Nine months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	14,394	12,839	29,369	29,491
Other income (loss), net	4	251	(574)	1,121	(347)
Administrative expenses and other operating expenses	5	(16,171)	(16,184)	(49,168)	(33,740)
Loss before income tax	5	(1,526)	(3,919)	(18,678)	(4,596)
Income tax (expense) credit	6	(575)	22	1,362	(548)
Loss for the period		(2,101)	(3,897)	(17,316)	(5,144)
Other comprehensive (loss) income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value gain on available-for-sale financial assets		—	1,610	—	1,610
Exchange difference on consolidation		—	—	189	—
		—	1,610	189	1,610
<i>Items that will not be reclassified to profit or loss:</i>					
Fair value change on financial assets designated at fair value through other comprehensive income ("FVOCI")		(3,218)	—	(5,380)	—
Other comprehensive (loss) income for the period		(3,218)	1,610	(5,191)	1,610
Total comprehensive loss attributable to ordinary equity holders of the Company for the period		(5,319)	(2,287)	(22,507)	(3,534)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to ordinary equity holders of the Company					
— Basic and diluted	7	(0.41)	(0.76)	(3.37)	(1.00)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 June 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(note i)</i>	Capital reserve <i>HK\$'000</i> <i>(note ii)</i>	Exchange reserve <i>HK\$'000</i> <i>(note iii)</i>	Investment revaluation reserve (non- recycling) <i>HK\$'000</i> <i>(note iv)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2018 (audited)	<u>5,132</u>	<u>70,935</u>	<u>152</u>	<u>1,467</u>	<u>1,474</u>	<u>51,787</u>	<u>130,947</u>
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,316)</u>	<u>(17,316)</u>
Other comprehensive income (loss) for the period							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Exchange difference on consolidation	<u>—</u>	<u>—</u>	<u>—</u>	<u>189</u>	<u>—</u>	<u>—</u>	<u>189</u>
<i>Items that will not be reclassified to profit or loss:</i>							
Fair value change on financial assets designated at FVOCI	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,380)</u>	<u>—</u>	<u>(5,380)</u>
Fair value change on financial assets designated at FVOCI reclassified to retained profits upon disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>550</u>	<u>(550)</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,830)</u>	<u>(550)</u>	<u>(5,380)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>189</u>	<u>(4,830)</u>	<u>(550)</u>	<u>(5,191)</u>
Total comprehensive income (loss) for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>189</u>	<u>(4,830)</u>	<u>(17,866)</u>	<u>(22,507)</u>
Transactions with owners							
<i>Contribution and distribution</i>							
Dividends (note 8)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,396)</u>	<u>(15,396)</u>
Total transactions with owners for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,396)</u>	<u>(15,396)</u>
At 30 June 2019 (unaudited)	<u><u>5,132</u></u>	<u><u>70,935</u></u>	<u><u>152</u></u>	<u><u>1,656</u></u>	<u><u>(3,356)</u></u>	<u><u>18,525</u></u>	<u><u>93,044</u></u>

	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i> <i>(note i)</i>	Capital reserve <i>HK\$ '000</i> <i>(note ii)</i>	Exchange reserve <i>HK\$ '000</i> <i>(note iii)</i>	Investment revaluation reserve (recycling) <i>HK\$ '000</i> <i>(note iv)</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 October 2017 (audited)	<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>
Other comprehensive income for the period							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange difference on consolidation	<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 (loss) for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>	<u>1,610</u>	<u>(5,144)</u>	<u>(3,459)</u>
Transactions with owners							
<i>Contribution and distribution</i>							
Dividends (<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 (unaudited)	<u><u>5,132</u></u>	<u><u>70,935</u></u>	<u><u>152</u></u>	<u><u>1,467</u></u>	<u><u>1,610</u></u>	<u><u>22,533</u></u>	<u><u>101,829</u></u>

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.

For the nine months ended 30 June 2019, investment revaluation reserve of the Group represents the accumulative net change in fair value of financial assets designated at FVOCI since the adoption of HKFRS 9 on 1 October 2018. Please refer to the section headed "Basis of preparation and accounting policies" for more details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 June 2019

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 were listed on GEM of the Stock Exchange on 26 May 2017. The registered office of the Company is located at 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 the 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 (the "BVI") 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 2019 (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 2019.

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 functional currency is Renminbi ("RMB") and Canadian dollars ("CAD") respectively.

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.

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 statements of the Group for the year ended 30 September 2018 (the "2017/18 Annual Report") which have been prepared in accordance with HKFRSs issued by the HKICPA.

The Condensed Consolidated Financial Statements have been prepared in accordance with the same accounting policies adopted by the Group in the 2017/18 Annual Report except for the adoption of new or revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 October 2018.

Adoption of new/revised HKFRSs

Annual Improvements to HKFRSs Amendments to HKFRS 2	<i>2014 – 2016 Cycle: HKFRS 1 and HKAS 28 Classification and Measurement of Share-based Payment Transactions</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HK(IFRIC) – Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Apart from the impact on adoption of HKFRS 9 and HKFRS 15 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Key requirements of HKFRS 9 which are relevant to the Group are:

- (i) all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods with gain/loss recognised in profit or loss (“FVPL”). In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income (“FVOCI”), with only dividend income generally recognised in profit or loss.

- (ii) in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

At 1 October 2018, the management of the Company assessed which business models should be applied to the financial assets held by the Group on the initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories as follows:

		Measurement category		Carrying amount	
		Original	New	Original	New
		(HKAS 39)	(HKFRS 9)	(HKAS 39)	(HKFRS 9)
		At	At	At	At
		30 September	1 October	30 September	1 October
		2018	2018	2018	2018
				HK\$ '000	HK\$ '000
				(Audited)	(Unaudited)
<u>Financial assets</u>					
Equity securities listed overseas not held for trading	(a)	Available-for-sale, at fair value	Financial assets designated at FVOCI	7,693	7,693
Unlisted options issued by companies listed overseas	(a)	FVPL	FVPL	315	315
Trade and other receivables	(b)	Amortised cost	Amortised cost	40,093	40,093
Bank balances and cash	(b)	Amortised cost	Amortised cost	72,589	72,589

Notes:

- (a) Please refer to summary of effect of the changes in accounting policies for the financial impact.
- (b) Impairment based on expected credit loss model on these financial assets has no significant financial impact.

The carrying amounts for all financial liabilities at 1 October 2018 have not been impacted by the initial application of HKFRS 9.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 “Revenue”, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 “Construction Contracts”, which specified the accounting for construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Summary of effect of the changes in accounting policies

The effects on adoption of HKFRS 9 are in relation to the initial fair value measurement of the reclassification at the date of initial application are shown below:

	At	Effect on	At
	30 September	adoption of	1 October
	2018	HKFRS 9	2018
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Available-for-sale financial assets	7,693	(7,693)	—
Financial assets designated at FVOCI	—	7,693	7,693
Investment revaluation reserve (recycling)	1,474	(1,474)	—
Investment revaluation reserve (non-recycling)	—	1,474	1,474
	<u>9,167</u>	<u>—</u>	<u>9,167</u>

The management of the Company considers that the performance obligations that may be identified under HKFRS 15 are similar to the identification of revenue components under the Group's existing revenue recognition policy and therefore, the adoption of HKFRS 15 does not have any significant impact on recognition of revenue.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective for the Group's financial year beginning on 1 October 2018.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on 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.

Basis of measurement

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Financial Statements in conformity with HKAS 34 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.

In preparing the Condensed Consolidated Financial Statements, the significant judgements made by the management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the 2017/18 Annual Report.

3. REVENUE

	Three months ended 30 June		Nine months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>
Corporate finance advisory services	8,894	9,067	19,468	25,069
Placing and underwriting services	4,402	2,578	6,409	2,578
Business consulting services	1,098	1,194	3,492	1,844
	<u>14,394</u>	<u>12,839</u>	<u>29,369</u>	<u>29,491</u>

4. OTHER INCOME (LOSS), NET

	Three months ended 30 June		Nine months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>
Dividend income from investments	—	562	—	1,588
Net realised loss from sale of investments at fair value through profit or loss <i>(Note)</i>	—	(2,271)	—	(2,271)
Net unrealised gain (loss) on financial assets at fair value through profit or loss	—	984	—	(47)
Interest income	251	142	881	373
Reversal of provision for allowance for doubtful debts	—	—	240	—
Others	—	9	—	10
	<u>251</u>	<u>(574)</u>	<u>1,121</u>	<u>(347)</u>

Note:

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.

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	
	2019	2018	2019	2018
	<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 (including directors' remuneration)				
— Salaries and allowances	11,649	13,010	33,836	25,237
— Contributions to defined contribution plans	172	144	523	417
	<u>11,821</u>	<u>13,154</u>	<u>34,359</u>	<u>25,654</u>
Total staff costs	11,821	13,154	34,359	25,654
Auditor's remuneration	86	73	249	211
Depreciation of plant and equipment	170	116	505	281
Exchange (gain) loss	(36)	—	(33)	6
Professional fees	443	570	2,838	1,725
Operating lease payments on premises	2,799	1,585	8,391	4,052
	<u>2,799</u>	<u>1,585</u>	<u>8,391</u>	<u>4,052</u>

6. INCOME TAX (EXPENSE) CREDIT

The group entities established in the Cayman Islands and the BVI 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 27% during each of the periods.

	Three months ended 30 June		Nine months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax (expense) credit				
Hong Kong Profits Tax	(842)	136	931	(434)
Canada Corporate Income Tax	267	(114)	431	(114)
	<u>(575)</u>	<u>22</u>	<u>1,362</u>	<u>(548)</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 30 June		Nine months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss				
Loss for the period for the purpose of basic loss per share	<u>(2,101)</u>	<u>(3,897)</u>	<u>(17,316)</u>	<u>(5,144)</u>

	Three months ended 30 June		Nine months ended 30 June	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>513,200</u>	<u>513,200</u>	<u>513,200</u>	<u>513,200</u>

For each of the three months and nine months ended 30 June 2019 and 2018, there were no dilutive potential ordinary shares in issue, thus no diluted loss per share is presented.

8. DIVIDENDS

	Three months ended		Nine months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interim dividends (Note a)	5,132	—	5,132	—
Final dividends (Note b)	—	10,264	10,264	10,264
	<u>5,132</u>	<u>10,264</u>	<u>15,396</u>	<u>10,264</u>

Notes:

- (a) The Board has resolved not to declare the payment of any interim dividend for the nine months ended 30 June 2019.

An interim dividend of HK\$0.01 per ordinary share of the Company for the six months ended 31 March 2019 was declared by the Board on 7 May 2019 and paid during the nine months ended 30 June 2019 (nine months ended 30 June 2018: nil).

- (b) The final dividend of HK\$0.02 per ordinary share of the Company for the year ended 30 September 2018 was approved at the annual general meeting of the Company held on 25 January 2019 and paid during the nine months ended 30 June 2019 (nine months ended 30 June 2018: HK\$0.02 per ordinary share of the Company).

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 exchanges mainly in Hong Kong, the PRC, Asia, Europe and North America. 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 fundraising exercise. The Group's business consulting services include reviewing potential customers' business, capital structure and corporate strategic plans, advising on financial reporting, corporate management, internal control and corporate governance, and advising on mergers and acquisitions.

Corporate finance advisory business continues to be the core business of the Group. During the period, the corporate finance advisory business has generated the bulk of the Group's revenue.

On 11 June 2019, the Company entered into a sale and purchase agreement (the "**SP Agreement**") with Mr. Cheung I Fai ("**Mr. Cheung**", as seller and guarantor), to acquire 17,000,000 ordinary shares representing the entire issued shares of Wealth Link Securities Limited, a company incorporated in Hong Kong with limited liability and principally engaged in Type 1 regulated activity (dealing in securities) and Type 4 regulated activity (advising on securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), at a consideration of HK\$27,000,000 (subject to adjustment, if any) (the "**Acquisition**"). On 8 July 2019, the Company and Mr. Cheung entered into a supplemental agreement (the "**Supplemental Agreement**") to revise certain terms in the SP Agreement relating to conditions precedent. Completion of the Acquisition is conditional upon certain conditions set out in the SP Agreement. As at the date of this report, completion of the Acquisition does not take place.

Details of the Acquisition and the Supplemental Agreement are set out in the Company's announcements dated 11 June 2019 and 8 July 2019 respectively.

FINANCIAL REVIEW

Revenue

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

The Group's revenue decreased by approximately HK\$100,000, or approximately 0.3% from approximately HK\$29.5 million for the nine months ended 30 June 2018 to approximately HK\$29.4 million for the nine months ended 30 June 2019. Such decrease was attributable to a decrease in contribution from corporate finance advisory services despite an increase in contributions from placing and underwriting services and business consulting services.

Administrative expenses and other operating expenses

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

The Group's administrative expenses and other operating expenses increased by approximately HK\$15.5 million, or approximately 46.0% from approximately HK\$33.7 million for the nine months ended 30 June 2018 to approximately HK\$49.2 million for the nine months ended 30 June 2019. Such increase was mainly attributable to (i) an increase in staff costs and related expenses by approximately HK\$8.7 million, or approximately 33.9% from approximately HK\$25.7 million for the nine months ended 30 June 2018 to approximately HK\$34.4 million for the nine months ended 30 June 2019; and (ii) an increase in rental expenses by approximately HK\$4.3 million, or approximately 104.9% from approximately HK\$4.1 million for the nine months ended 30 June 2018 to approximately HK\$8.4 million for the nine months ended 30 June 2019.

The increase in staff costs and related expenses for the nine months ended 30 June 2019 was mainly attributable to (i) new headcount as a result of the acquisition of Baron Global Financial Canada Ltd. which was completed on 30 April 2018; (ii) expansion of our corporate finance team; and (iii) an increase in discretionary bonus.

Loss for the period

As a result of foregoing, the Group recorded a loss of approximately HK\$17.3 million for the nine months ended 30 June 2019 as compared with a loss of approximately HK\$5.1 million for the nine months ended 30 June 2018.

USE OF PROCEEDS

The net proceeds raised by the Company from the Share Offer were 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), 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 utilised, as at 30 June 2019, as follows:

	Adjusted net proceeds <i>HK\$ million</i>	Amount utilised as at 30 June 2019 <i>HK\$ million</i>	Balance <i>HK\$ million</i>
To expand our placing and underwriting business	39.3	13.0	26.3
To enhance and strengthen our financial advisory business by maintaining and expanding our corporate finance team	5.5	5.5	—
To expand our network internationally and across the PRC	12.1	4.4	7.7
General working capital	2.0	2.0	—
	<u>58.9</u>	<u>24.9</u>	<u>34.0</u>
Total	<u>58.9</u>	<u>24.9</u>	<u>34.0</u>

PROSPECTS

In this financial year, the Group will continue to focus on exploring opportunities to expand our corporate finance advisory business. The Group will also continue to actively participate in placing and underwriting activities in primary and secondary market fund raising exercises; and 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 2019, 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 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	352,820,000 (L)	68.75%

Notes:

- (1) These 352,820,000 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	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 2019, 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 2019.

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

As at 30 June 2019, 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	352,820,000	—	352,820,000	68.75%

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 2019, 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 any interests or short positions in the shares and/or underlying shares of the Company as at 30 June 2019 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 “**Scheme**”) by the resolutions in writing of the sole shareholder of the Company passed on 4 May 2017. Unless otherwise cancelled or amended, the 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 Scheme and there was no share option outstanding as at 30 June 2019.

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 2019 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 2019 and up to the date of this report.

COMPETING INTERESTS

As at 30 June 2019, 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 2019.

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 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 2019 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 of the Group for the nine months ended 30 June 2019 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. William Robert Majcher

Mr. Ho Lik Kwan, Luke

By Order of the Board
VBG International Holdings Limited
Wan Ho Yan Letty
Chairperson

Hong Kong, 7 August 2019

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 posting and will be published and remains on the website of the Company at www.vbg-group.com.