



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2019

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** For identification purpose only*

FINANCIAL HIGHLIGHTS (UNAUDITED)

- The Company and its subsidiaries (the “**Group**”) recorded a revenue of approximately HK\$15.0 million for the six months ended 31 March 2019, representing a decrease of approximately 10.2% when compared with a revenue of approximately HK\$16.7 million for the six months ended 31 March 2018.
- The Group recorded a loss of approximately HK\$15.2 million for the six months ended 31 March 2019 compared with a loss of approximately HK\$1.2 million for the six months ended 31 March 2018. The loss for the six months ended 31 March 2019 was mainly attributable to an increase in staff costs and related expenses.
- The basic and diluted loss per share for the six months ended 31 March 2019 was approximately HK2.96 cents and the basic and diluted loss per share for the six months ended 31 March 2018 was approximately HK0.24 cents.
- The board of Directors (the “**Board**”) has declared the payment of an interim dividend of HK\$0.01 per share of the Company for the six months ended 31 March 2019 (six months ended 31 March 2018: nil).

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and six months ended 31 March 2019, together with the comparative unaudited figures for the three months and six months ended 31 March 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 March 2019

		Three months ended 31 March		Six months ended 31 March	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	3,810	10,089	14,975	16,652
Other income (loss), net	5	306	(200)	870	227
Administrative expenses and other operating expenses	6	(19,305)	(8,918)	(32,997)	(17,556)
(Loss) Profit before income tax	6	(15,189)	971	(17,152)	(677)
Income tax credit (expense)	7	1,988	(532)	1,937	(569)
(Loss) Profit for the period		(13,201)	439	(15,215)	(1,246)
Other comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on consolidation		—	—	189	75
<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")		(2,162)	—	(2,010)	—
Other comprehensive (loss) income for the period		(2,162)	—	(1,821)	75
Total comprehensive (loss) income attributable to ordinary equity holder of the Company for the period		(15,363)	439	(17,036)	(1,171)
		HK cents	HK cents	HK cents	HK cents
(Loss) Earnings per share attributable to ordinary equity holder of the Company					
– Basic and diluted	8	(2.57)	0.09	(2.96)	(0.24)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

		At 31 March 2019 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
	Note		
Non-current assets			
Goodwill	9	23,966	23,966
Plant and equipment	10	2,982	1,752
		<u>26,948</u>	<u>25,718</u>
Current assets			
Available-for-sale financial assets	11	—	7,693
Financial assets designated at fair value through other comprehensive income	11	5,648	—
Financial assets at fair value through profit or loss	12	315	315
Trade and other receivables and prepayments	13	26,564	41,733
Bank balances and cash		57,742	72,589
		<u>90,269</u>	<u>122,330</u>
Current liabilities			
Other payables, receipt in advance and accruals		6,015	4,853
Income tax payables		7,174	11,789
		<u>13,189</u>	<u>16,642</u>
Net current assets		<u>77,080</u>	<u>105,688</u>
Non-current liabilities			
Deferred tax payables		381	459
NET ASSETS		<u>103,647</u>	<u>130,947</u>
Capital and reserves			
Share capital		5,132	5,132
Reserves		98,515	125,815
TOTAL EQUITY		<u>103,647</u>	<u>130,947</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> (note i)	Capital reserve <i>HK\$'000</i> (note ii)	Exchange reserve <i>HK\$'000</i> (note iii)	Investment revaluation reserve (non-recycling) <i>HK\$'000</i> (note iv)	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2018 (audited)	5,132	70,935	152	1,467	1,474	51,787	130,947
Loss for the period	—	—	—	—	—	(15,215)	(15,215)
Other comprehensive income (loss) for the period							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange difference on consolidation	—	—	—	189	—	—	189
<i>Items that will not be reclassified to profit or loss</i>							
Fair value change on financial assets designated at FVOCI	—	—	—	—	(2,010)	—	(2,010)
Fair value change on financial assets designated at FVOCI reclassified to retained profits upon disposal	—	—	—	—	7	(7)	—
	—	—	—	—	(2,003)	(7)	(2,010)
	—	—	—	189	(2,003)	(7)	(1,821)
Total comprehensive income (loss) for the period	—	—	—	189	(2,003)	(15,222)	(17,036)
Transactions with owners							
<i>Contribution and distribution</i>							
Dividends (note 16)	—	—	—	—	—	(10,264)	(10,264)
Total transactions with owners for the period	—	—	—	—	—	(10,264)	(10,264)
At 31 March 2019 (unaudited)	5,132	70,935	152	1,656	(529)	26,301	103,647

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> (note i)	Capital reserve <i>HK\$'000</i> (note ii)	Exchange reserve <i>HK\$'000</i> (note iii)	Investment revaluation reserve (recycling) <i>HK\$'000</i> (note iv)	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>(1,246)</u>	<u>(1,246)</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>
Total comprehensive income (loss) for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>	<u>—</u>	<u>(1,246)</u>	<u>(1,171)</u>
Transactions with owners							
<i>Contribution and distribution</i>							
Dividends (note 16)	<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 31 March 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>—</u></u>	<u><u>26,431</u></u>	<u><u>104,117</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 announcement 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 Group represents the capital contribution from the controlling party of certain subsidiaries now comprising the Group before completion of the 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 for the three months ended 31 December 2017.

For the six months ended 31 March 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 section headed "Basis of Preparation and Accounting Policies" for more details.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2019

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Note	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Loss before income tax	(17,152)	(677)
Adjustments for:		
Bank interest income	(630)	(231)
Depreciation of plant and equipment	334	165
Dividend income from investments	—	(1,026)
Net unrealised loss on financial assets at fair value through profit or loss	—	1,031
	<u> </u>	<u> </u>
Cash flows used in operations before movements in working capital	(17,448)	(738)
Trade and other receivables and prepayments	16,222	17,354
Financial assets at fair value through profit or loss	—	(8,402)
Other payables	1,162	226
	<u> </u>	<u> </u>
Cash (used in) generated from operations	(64)	8,440
Bank interest received	630	231
Tax paid	(4,025)	(3,139)
	<u> </u>	<u> </u>
Net cash (used in) from operating activities	(3,459)	5,532
	<u> </u>	<u> </u>
INVESTING ACTIVITIES		
Dividends received from investments	—	1,026
Purchase of plant and equipment	(1,564)	(434)
Proceeds from disposal of financial assets designated at FVOCI	251	—
	<u> </u>	<u> </u>
Net cash (used in) from investing activities	(1,313)	592
	<u> </u>	<u> </u>

		Six months ended	
		31 March	
		2019	2018
		HK\$'000	HK\$'000
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
FINANCING ACTIVITIES			
Dividend paid	16	<u>(10,264)</u>	<u>(10,264)</u>
Net cash used in financing activities		<u>(10,264)</u>	<u>(10,264)</u>
Net decrease in cash and cash equivalents		(15,036)	(4,140)
Cash and cash equivalents at beginning of period		72,589	73,881
Effect of foreign exchange rate change		<u>189</u>	<u>75</u>
Cash and cash equivalents at end of period, represented by bank balances and cash		<u><u>57,742</u></u>	<u><u>69,816</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 31 March 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 have been 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 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 six months ended 31 March 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 May 2019.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standards (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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 statement of the Group for the year ended 30 September 2018 (the “**2017/18 Annual Report**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**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	2014 – 2016 Cycle: HKFRS 1 and HKAS 28
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration

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
				<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Note</i>				
<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 in relation to the initial fair value measurement of the reclassification at the date of initial application are shown below:

	At 30 September 2018 HK\$’000 (Audited)	Effect on adoption of HKFRS 9 HK\$’000 (Unaudited)	At 1 October 2018 HK\$’000 (Unaudited)
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. INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

The chief operating decision-makers of the Group, being the executive directors and senior management of the Group, regularly assess the performance of the Group based on a measure of profit/loss after income tax and revenue analysis according to geographical location of the services rendered and consider the Group as a single reportable segment, i.e. provision of advisory and consultancy, placing and underwriting and business consulting services. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated. Business segment information is not presented accordingly.

Information about geographical areas

(a) Revenue from external customers

	Three months ended		Six months ended	
	31 March		31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	2,676	10,089	12,581	16,652
Canada	1,134	— [#]	2,394	— [#]
	<u>3,810</u>	<u>10,089</u>	<u>14,975</u>	<u>16,652</u>

[#] No revenue was generated in Canada before the acquisition of Baron Global Financial Canada Ltd. by the Group.

(b) Specified non-current assets

The following table sets out information about the geographical location of the Group's goodwill and plant and equipment which is based on the physical location of the assets.

	At 31 March 2019 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
Hong Kong	2,529	1,195
The PRC	222	264
Canada	24,197	24,259
	<u>26,948</u>	<u>25,718</u>

Information about major customers

Revenue from customers that individually contributed 10% or more of the total revenue of the Group are as follows:

	Three months ended 31 March 2019 HK\$'000 (Unaudited)		Six months ended 31 March 2019 HK\$'000 (Unaudited)	
		2018 HK\$'000 (Unaudited)		2018 HK\$'000 (Unaudited)
Customer A	— [#]	— [#]	2,767	2,500
Customer B	— [#]	— [#]	— [#]	2,382
Customer C	— [#]	1,800	— [#]	1,800
Customer D	— [#]	1,600	— [#]	— [#]
Customer E	— [#]	1,600	— [#]	— [#]
Customer F	— [#]	1,500	— [#]	— [#]
Customer G	507	— [#]	— [#]	— [#]
Customer H	— [#]	— [#]	1,800	— [#]
Customer I	— [#]	— [#]	1,700	— [#]
	<u>507</u>	<u>6,500</u>	<u>6,267</u>	<u>6,682</u>

[#] No revenue was generated from the corresponding customer or the corresponding revenue did not represent 10% or more of the total revenue of the Group.

4. REVENUE

	Three months ended 31 March		Six months ended 31 March	
	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>
Corporate finance advisory services	2,169	9,589	10,574	16,002
Placing and underwriting services	507	—	2,007	—
Business consulting services	1,134	500	2,394	650
	<u>3,810</u>	<u>10,089</u>	<u>14,975</u>	<u>16,652</u>

5. OTHER INCOME (LOSS), NET

	Three months ended 31 March		Six months ended 31 March	
	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>
Dividend income from investments	—	467	—	1,026
Net unrealised loss on financial assets at fair value through profit or loss	—	(889)	—	(1,031)
Interest income	346	221	630	231
Reversal of provision for allowance for doubtful debts	—	—	240	—
Others	(40)	1	—	1
	<u>306</u>	<u>(200)</u>	<u>870</u>	<u>227</u>

6. (LOSS) PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March		Six months ended 31 March	
	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:				
Salaries and allowances	14,261	6,227	22,186	12,228
Contributions to defined contribution plans	185	134	352	273
Total staff costs (including directors' remuneration)	14,446	6,361	22,538	12,501
Auditor's remuneration	81	69	162	138
Depreciation of plant and equipment	174	89	334	165
Exchange (gain) loss	(1)	—	4	6
Professional fees	840	725	2,396	1,155
Operating lease payments on premises	2,785	1,229	5,592	2,337

7. INCOME TAX CREDIT (EXPENSE)

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 Canada is subject to Corporate Income Tax of Canada at a statutory rate of 27% for the six months ended 31 March 2019.

	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax credit (expense)				
Hong Kong Profits Tax	1,872	(532)	1,773	(569)
Canada Corporate Income Tax	116	—	164	—
	<u>1,988</u>	<u>(532)</u>	<u>1,937</u>	<u>(569)</u>

8. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) Earnings				
(Loss) Profit for the period for the purpose of basic earnings (loss) per share	<u>(13,201)</u>	<u>439</u>	<u>(15,215)</u>	<u>(1,246)</u>

	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shares				
Weighted average number of ordinary shares for the purpose of basic earnings (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 six months ended 31 March 2019 and 2018, there were no dilutive potential ordinary shares in issue, thus no diluted earnings (loss) per share is presented.

9. GOODWILL

During the six months ended 31 March 2019, there were no movement in the carrying amount of goodwill (six months ended 31 March 2018: n/a).

10. PLANT AND EQUIPMENT

During the six months ended 31 March 2019, the Group acquired items of plant and equipment of approximately HK\$1,564,000 (six months ended 31 March 2018: HK\$434,000).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 March 2019 HK\$'000 (Unaudited)	At 1 October 2018 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
Financial assets designated at FVOCI			
– Equity securities listed overseas not held for trading	5,648	7,693	—
Available-for-sale financial assets			
– Equity securities listed overseas not held for trading	—	—	7,693
	<u>5,648</u>	<u>7,693</u>	<u>7,693</u>

Notes:

- (a) Available-for-sale financial assets were reclassified to financial assets designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 October 2018 as disclosed in note 2 to the condensed consolidated financial statements.
- (b) The fair values of listed securities were based on quoted market price at the end of the reporting period. During the six months ended 31 March 2019, the fair value loss on these equity securities of approximately HK\$2,010,000 was recognised in other comprehensive income (six months ended 31 March 2018: n/a).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysis of financial assets at fair value through profit or loss:

	At 31 March 2019 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
Held for trading		
Derivatives – unlisted options issued by companies listed overseas	<u>315</u>	<u>315</u>

The fair values of these derivatives are derived from Black-Scholes option pricing model.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 31 March 2019 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
	<i>Note</i>	
Trade receivables	(a) 16,598	36,378
Less: Allowance for doubtful debts	(b) (1,100)	(1,100)
	<u>15,498</u>	<u>35,278</u>
Prepayment	1,067	1,640
Deposits and other receivables	<u>9,999</u>	<u>4,815</u>
	<u>11,066</u>	<u>6,455</u>
	<u>26,564</u>	<u>41,733</u>

Notes:

- (a) The settlement terms of trade receivables are determined in accordance with the contract terms, usually within 1 month after billing.

At the end of each reporting period, the ageing analysis of the trade receivables by invoice date is as follows:

	At 31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	At 30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Within 30 days	718	26,399
31 to 60 days	735	3,522
61 to 90 days	258	2,033
Over 90 days	13,787	3,324
	<u>15,498</u>	<u>35,278</u>

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	At 31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	At 30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Net yet due	718	26,399
Past due:		
Within 30 days	735	3,522
31 to 60 days	258	2,033
61 to 90 days	300	584
Over 90 days	13,487	2,740
	<u>14,780</u>	<u>8,879</u>
	<u>15,498</u>	<u>35,278</u>

Before accepting a new customer, the Group assesses the potential customer's credit quality and determines credit limit. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group's trade receivables which are past due at the end of each reporting period but which the Group has not impaired as there has not been any significant changes in credit quality of customers and the management believes that the amounts are fully recoverable.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default. The Group does not hold any collateral over the trade receivables.

- (b) During the six months ended 31 March 2019, except for the reversal of provision for allowance for doubtful debts in respect of trade receivables of Baron Global Financial Canada Ltd. brought forward immediately before the acquisition, there were no movement in allowance for doubtful debts in respect of trade receivables.

14. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 30 September 2018 (audited) and 31 March 2019		
(unaudited) (at par value of HK\$0.01 per share)	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 30 September 2018 (audited) and 31 March 2019		
(unaudited) (at par value of HK\$0.01 per share)	<u>513,200,000</u>	<u>5,132</u>

15. SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by the Company and was effective 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 on 4 May 2017. The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Subject to the terms of the Scheme, the directors of the Company shall be entitled to make an offer of the grant of an option to subscribe for shares of the Company to any directors, employees of the Group, consultants or advisers of the Group, providers of goods and/or services to the Group, customers of the Group, holders of securities issued by any member of the Group, or any other person, who at the sole discretion of the directors, has contributed to the Group, whom the directors may select at its absolute discretion. Details of the Scheme are set out in the section “Statutory and General Information – D. Share Option Scheme” of the Prospectus.

Since the adoption of the Scheme and up to 31 March 2019, no option has been granted by the Company.

16. DIVIDENDS

	Three months ended 31 March		Six months ended 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interim dividends (Note a)	—	—	—	—
Final dividends (Note b)	<u>10,264</u>	<u>10,264</u>	<u>10,264</u>	<u>10,264</u>
	<u><u>10,264</u></u>	<u><u>10,264</u></u>	<u><u>10,264</u></u>	<u><u>10,264</u></u>

Notes:

- (a) The Board has declared the payment of an interim dividend of HK\$0.01 per share of the Company for the six months ended 31 March 2019 (six months ended 31 March 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 six months ended 31 March 2019 (six months ended 31 March 2018: HK\$0.02 per ordinary share of the Company).

17. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Condensed Consolidated Financial Statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13 “Fair Value Measurement” with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets measured at fair value

	At 31 March 2019			At 30 September 2018		
	(Unaudited)			(Audited)		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets	—	—	—	7,693	—	7,693
Financial assets designated at FVOCI	5,648	—	5,648	—	—	—
Financial assets at fair value through profit or loss	<u>—</u>	<u>315</u>	<u>315</u>	<u>—</u>	<u>315</u>	<u>315</u>

During the six months ended 31 March 2019 and 2018, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair values at the end of each reporting period.

18. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had total future minimum lease payments in respect of office premises under non-cancellable operating leases, which are payable as follows:

	At 31 March 2019 HK\$'000 (Unaudited)	At 30 September 2018 HK\$'000 (Audited)
Within one year	5,317	10,871
In the second to fifth years inclusive	17,883	17,883
Over five years	<u>4,133</u>	<u>4,133</u>
	<u>27,333</u>	<u>32,887</u>

Leases are negotiated for a term ranging from 1 year to 10 years (six months ended 31 March 2018: ranging from 1 year to 3 years)

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 and stock exchanges in North America 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 Rules Governing the Listing of Securities on the Stock Exchange, 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, 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 revenues.

FINANCIAL REVIEW

Revenue

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

The Group's revenue decreased by approximately HK\$1.7 million, or approximately 10.2% from approximately HK\$16.7 million for the six months ended 31 March 2018 to approximately HK\$15.0 million for the six months ended 31 March 2019. Such decrease was mainly attributable to decreases in revenue of approximately HK\$5.4 million from corporate finance advisory services resulted from progress delay of various sponsorship projects.

Other income

The Group's other income was mainly derived from bank interest income and reversal of provision for allowance for doubtful debts.

The Group's other income increased from a gain of approximately HK\$227,000 for the six months ended 31 March 2018 to a gain of approximately HK\$870,000 for the six months ended 31 March 2019. Such increase was mainly attributable to the combined effect of an increase in bank interest income by approximately HK\$399,000 and a reversal of provision for allowance for doubtful debts of approximately HK\$240,000.

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\$15.4 million, or approximately 87.5% from approximately HK\$17.6 million for the six months ended 31 March 2018 to approximately HK\$33.0 million for the six months ended 31 March 2019. Such increase was mainly attributable to (i) an increase in staff costs and related expenses by approximately HK\$10.0 million, or approximately 80.0% from approximately HK\$12.5 million for the six months ended 31 March 2018 to approximately HK\$22.5 million for the six months ended 31 March 2019; and (ii) an increase in rental expenses by approximately HK\$3.3 million, or approximately 143.5% from approximately HK\$2.3 million for the six months ended 31 March 2018 to approximately HK\$5.6 million for the six months ended 31 March 2019.

The increase in staff costs and related expenses for the six months ended 31 March 2019 was mainly attributable to (i) new headcount by way of business acquisition of Baron Global Financial Canada Ltd.; (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\$15.2 million for the six months ended 31 March 2019 as compared with a loss of approximately HK\$1.2 million for the six months ended 31 March 2018.

DIVIDEND AND BOOK CLOSURE

To reward shareholders of the Company, the Board has resolved to declare an interim dividend of HK\$0.01 per share for the six months ended 31 March 2019 be paid out from the reserve of the Company to shareholders whose names appear on the register of members of the Company on Friday, 14 June 2019. In order to determine the shareholder's entitlement to the interim dividend, the register of members of the Company will be closed on Friday, 14 June 2019, during that date no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 June 2019. The interim dividend is expected to be paid to the shareholders of the Company on Friday, 28 June 2019.

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 31 March 2019, as follows:

	Adjusted net proceeds <i>HK\$ million</i>	Amount utilised as at 31 March 2019 <i>HK\$ million</i>	Balance <i>HK\$ million</i>
To expand our placing and underwriting business	39.3	1.6	37.7
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	3.1	9.0
General working capital	2.0	2.0	—
	<u>58.9</u>	<u>12.2</u>	<u>46.7</u>
Total	<u>58.9</u>	<u>12.2</u>	<u>46.7</u>

As at 31 March 2019, unutilised proceeds of approximately HK\$44.6 million were placed on short-term interest bearing instrument with licensed banks in Hong Kong.

The Group did not apply the adjusted net proceeds as per the planned time frame with reference to the disclosure in the Prospectus since (a) shrinking in number and size of the placing and underwriting transactions under a pessimistic sentiment about the stock market; and (b) slowdown in cross-border M&A activities arising from the Sino-US trade war and stringent foreign exchange control in the PRC, therefore the Group adopted a conservative and flexible approach by placing idle funds on short-term time deposits with licensed banks in Hong Kong.

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 31 March 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 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	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	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 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 six months ended 31 March 2019.

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

As at 31 March 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 31 March 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 31 March 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 “**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 31 March 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 six months ended 31 March 2019 and up to the date of this announcement 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 six months ended 31 March 2019 and up to date of this announcement.

COMPETING INTERESTS

As at 31 March 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 six months ended 31 March 2019.

COMPLIANCE ADVISER'S INTEREST

As at the date of this announcement, 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 six months ended 31 March 2019 and up to the date of this announcement, 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 condensed consolidated results of the Group for the six months ended 31 March 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 announcement, 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
Hui Ringo Wing Kun
Executive Director

Hong Kong, 7 May 2019

This announcement 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.