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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in VBG International Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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# **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)**

## **(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARES OF AND THE SHAREHOLDER’S LOAN IN BARON GLOBAL FINANCIAL CANADA LTD. AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and to the Independent Shareholders**



**Alliance Capital Partners Limited**  
**同人融資有限公司**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 53 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 54 to 55 of this circular. A letter from Alliance Capital Partners Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 56 to 72 of this circular.

A notice convening the extraordinary general meeting (“EGM”) to be held at 18/F., Prosperity Tower, 39 Queen’s Road Central, Hong Kong on Friday, 13 April 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

\* For identification purposes only

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

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*The following is the text of a letter with the summary of valuation received from AP Appraisal Limited, prepared for the purpose of incorporation in this circular, in connection with their valuation as of 31 October 2017 of the Target Company.*

21 March 2018

**VBG International Holdings Limited**

18/F, Prosperity Tower  
39 Queen's Road Central  
Hong Kong

Dear Sir or Madam,

**RE: Valuation of 100% Equity Interests of Baron Global Financial Canada Ltd.**

We, AP Appraisal Limited ("APAL"), refer to the instructions from VBG International Holdings Limited (the "Instructing Party") to conduct the valuation on the fair value of 100% equity interests of Baron Global Financial Canada Ltd. (the "Company") as at 31 October 2017 (the "Valuation Date").

**PURPOSE OF VALUATION**

The purpose of this report is to express an independent opinion on the fair value of the 100% equity interests of Baron Global Financial Canada Ltd. for the use of the directors and the management of the Instructing Party. In addition, APAL acknowledges this report may be made available to the Instructing Party for inclusion in the circular and/or announcement(s) of the Instructing Party only. We confirm that we have made relevant investigations, enquiry and obtained such further information, as we consider necessary for the purpose of providing our opinion.

**PREMISE OF VALUATION & BASIS OF VALUATION**

For the purpose of preparing a valuation for inclusion in the circular and/or announcement(s) of the Instructing Party only, we observe and follow the definitions and standards laid down by the International Financial Reporting Standards, the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors ("RICS"), and the International Valuation Standards published by the International Valuation Standard Council.

Our valuation is based on going concern premise and conducted on a fair value basis. Fair value is defined as "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

Our valuation has been prepared in accordance with the International Valuation Standards on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

**BACKGROUND OF BARON GLOBAL FINANCIAL CANADA LTD.**

Baron Global Financial Canada Ltd. (the “Company”) was incorporated on 1 June 2007 pursuant to the provisions of Business Corporations Act (British Columbia) with its head office located at 1980-1075 West Georgia Street, Vancouver, BC, V6C 3C9, Canada and registered office located at 2900-595 Burrard Street, Vancouver, BC, V7X 1J5, Canada. The Company is engaged primarily in the business of providing financial advisory services (including corporate finance advisory services) to private and public companies in Canada.

**SOURCES OF INFORMATION**

Our investigation covers the discussion with the Instructing Party and the Company’s representatives, collecting the information of the Company’s history, operations and prospects of the business. We also take the industry trend and relevant law requirements into consideration. We requested detailed information about the Company’s position in order to conduct a detailed review and make an impartial and independent valuation of the Company’s position/value.

Sources of information utilized in our analysis included but not limited to the following:

- Background information of the Company’s business operations;
- Copy of audited financial statements of Baron Global Financial Canada Ltd. for the year ended 31 March 2017 and 2016; and
- Unaudited management account of Baron Global Financial Canada Ltd. for the period from 1 April 2017 to 31 October 2017.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Company or his agent(s) are prepared in reasonable care. Besides, we also assume that the financial and other information provided to us by the Instructing Party and others is accurate and complete, and we have relied upon this information in performing our assessment.

The factors also considered in this valuation included, but were not limited to, the following:

- The nature and history of the Company;
- The financial conditions of the Company;
- The economic condition and the industry outlook in Canada;
- The specific economic environment and competition for the Company;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the Company including the continuity of income.

## **VALUATION METHODOLOGY**

There are three generally accepted valuation approaches in business valuation.

### **Asset Approach**

The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

### **Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

### **Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

### **Selection of Assessment Methodology**

We considered that the asset approach is not an adequate approach for the valuation, as this approach does not take the ability to generate economic benefit streams into consideration and the value of the Company is less likely driven by the values in the underlying assets. We have considered but decided against the income approach because this involves more assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable cashflow projections. Thus, we considered that the market approach was the most appropriate and commonly adopted valuation approach to value the equity interests of the Company as there are sufficient comparable companies that could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value. Under the market approach, the guideline public company method is adopted. In our course of valuation of 100% of the equity interests of the Company, we have made reference to the latest audited financial results provided by the management of the Company for the year ended on 31 March 2017.

**GENERAL VALUATION ASSUMPTIONS**

Due to the changing environment in which the Company is operating, a number of general valuation assumptions have to be established in order to sufficiently support our concluded opinion of values of the 100% equity interests of the Company. The major general assumptions adopted in our valuations are:

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Company currently operates or will operate which will materially affect the revenues attributable to the Company, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- For the Company to continue as a going concern, the Company will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Company operates will not deviate significantly from the economic forecasts in Canada;
- The audited financial statements of the Company as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Company as at the respective balance sheet dates;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Company;
- There will be no material changes in the business strategy of the Company and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the Company will not differ materially from those presently prevailing; and
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated.

**MARKET APPROACH**

Under the Market Approach, there are two commonly used methods of valuation, namely, the guideline public company method and the comparable transaction method. The guideline publicly company method utilizes information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value and the comparable transactions method utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

The guideline public company method is adopted as there are sufficient comparable companies that engaged in the same or similar line of businesses as the Company and could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to allow a meaningful comparison. The comparable transaction method is not appropriate as there are insufficient comparable transactions to form a reliable opinion of value.

### **Guideline Public Company Method**

The guideline public company method is based on the premise that the valuation multiples of the publicly traded companies that are the same or similar to the subject asset (the “comparable companies”) can be used as an indicator of value to be applied in valuing the subject asset. The valuation multiple is then applied to the subject asset being valued to arrive at an estimate of value for appropriate ownership interest. To derive the value of the Company, we have adopted the Price-to-Earnings multiple (“P/E”), which is the most preferable valuation multiple for valuing equity value. P/E is an appropriate valuation multiple for the valuation of the equity interests because it measures the amount an investor, or a shareholder, is paying for a dollar of earnings. When there are sufficient comparable companies that could be identified in the market and their shares are actively traded, their market values and earning performances can provide good and valid indicators of value to allow a meaningful comparison in the valuation.

### **Selection Criteria for Comparable Companies**

The process of selecting comparable companies should be cautious when using the market approach in the valuation. The accuracy and relevance of the comparable companies will directly affect the preciseness of the valuation result. After thorough material collection and study, we set below criteria to select comparable companies relevant to this valuation:

- Companies which are publicly listed in Canada or the U.S.;
- Companies which are principally engaged in the business of corporate financial advisory and consultancy services;
- Significant portion of revenue (i.e. at least 50%) of the companies is derived from corporate finance advisory and/or consultancy services as shown from their latest published audited accounts;
- Recorded positive earnings in the most recent year\*; and
- Shares of the companies are actively traded in the market.

\* Being the latest 12 months financial information which could be obtained as at the valuation date



Based on the above selection criteria, six publicly traded comparable companies have been selected as follows:

<b>Company Name</b>	<b>Wind Stock Ticker</b>	<b>Business Activities</b>
Greenhill & Co., Inc.	NYSE:GHL	Greenhill & Co., Inc is an independent investment bank. The Company focuses on providing financial advice on mergers, acquisitions, restructuring, financing, and capital raising to corporations, partnerships, institutions, and governments. Greenhill & Co. has offices throughout the world.
PJT Partners Inc.	NYSE:PJT	PJT Partners, Inc. operates as a global advisory-focused investment bank. The Company provides a wide array of strategic advisory, restructuring and reorganization, and fund placement and secondary advisory services. PJT offers its services to corporations, financial sponsors, real estate funds, institutional investors, private equity funds, and governments globally.
Houlihan Lokey Inc.	NYSE:HLI	Houlihan Lokey, Inc. operates as an investment bank. The Company offers mergers and acquisitions, financial restructuring, capital markets, strategic consulting, and financial advisory services. Houlihan Lokey serves customers worldwide.
Evercore Inc.	NYSE:EVR	Evercore Inc. operates as an investment banking company. The Company provides advisory services to multinational corporations on mergers, acquisitions, divestiture, restructuring, and other corporate transactions. Evercore also offers investment management, independent fiduciary, and trustee services to institutional investors, financial sponsors, and individuals worldwide.
Moelis & Company	NYSE:MC	Moelis & Company is an investment bank. The Company provides financial advisory services and capital raising solutions to clients in connection with mergers, acquisitions, recapitalizations and restructuring. Moelis & Company offers its services worldwide.
Lazard Ltd	NYSE:LAZ	Lazard Ltd provides asset management and financial advisory services. The Company offers advice on mergers and acquisitions, strategic matters, restructuring capital structure, capital raising and corporate finance, as well as asset management services to corporations, partnerships, institutions, governments and individuals. Lazard serves customers internationally.

*Note:* Business activity descriptions stated above are extracted from Bloomberg Website.

To the best of our knowledge, information, and on a best effort basis, we believe the above list is fair and representative.

Given the above considerations from business and data observation, a median of six P/E ratios of the selected comparable companies as at the Valuation Date obtained from WIND was calculated as follows:

P/E for the Guideline Public Companies as at the Valuation Date:

	Wind Stock Ticker	*P/E (times)
1	NYSE: GHL	25
2	NYSE: PJT	70
3	NYSE: HLI	20
4	NYSE: EVR	20
5	NYSE: MC	22
6	NYSE: LAZ	12
	Median	21
	Median (Adopted)	21

Source: Wind Financial Terminal

\* Median figure of the Price/Book (P/B) ratio of comparable companies is around 6.5, which is higher than the ratio of consideration/book value (around 4.0) of Target Company. For prudent reason, P/E is an appropriate valuation multiple for the valuation of the equity interests of Target Company because the P/B ratio which will generate a higher fair value.

### Control Premium

A control premium is an amount that a buyer is sometimes willing to pay over the current market price of a publicly traded company in order to acquire a controlling interest in that company with which the buyer has the ability to make decision related to the operations of the company. Conversely, shares of public companies generally do not have the ability to make decisions and the minority shareholders lack the control in the company. As such, the value of the controlling interest in a company is usually higher than that of minority interest, and a control premium may be appropriate.

In determining a reasonable control premium, we have made reference to the Control Premium Study 3rd Quarter 2016 edition, published by FactSet Mergerstat, LLC. It included the data derived from market transactions involving companies in the United States, including privately held, publicly traded and cross-border transactions. We considered that it is fair and appropriate to adopt such control premium in our valuation. With reference to the median figure of the international transactions in the above study, we applied a control premium of 25% to the indicated fair value of the Company derived by the market approach.

### Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The marketability discount is estimated with reference to the “Determining discounts for lack of marketability, a companion guide to the FMV restricted stock study, 2016 Edition” published by Business Valuation Resources LLC. The FMV study is particularly instructive because it incorporated data from 1980 through 2015, and information is available about each of the 736 restricted stock transactions included in the study. With reference to the median figure in the FMV Study, we considered a discount for lack of marketability of 16% is fair and reasonable for the valuation of the equity interest of the Company in this particular case.

### DETERMINATION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, it was our opinion that the fair value of 100% equity interests in the Company was as follows:

#### Valuation Summary for the Equity Interests

##### The Company

		P/E
Selected multiple		21
Subject Financial Performance:		
*Net Income for the year ended 31 March 2017 (Rounded)	CAD	275,000
Implied Equity Value	CAD	5,775,000
Add: Control Premium	25%	1,443,750
Implied Equity Value after Control Premium	CAD	7,218,750
Less: Discount for Lack of Marketability (“DLOM”)	16%	-1,155,000
Implied Equity Value after Control Premium and DLOM	CAD	6,063,750
#Exchange Rate of CAD:HKD		6.0825
Implied Equity Value after Control Premium and DLOM	HKD	36,882,759
Fair Value of 100% Equity Interests in the Company (Rounded)	HKD	36,900,000

\* The net income for the year ended 31 March 2017 is derived from the Income (loss) before other income obtained from the audited financial statements of the Company provided by the management of Baron Global Financial Canada Ltd. after adjustments for unrealized gains, one-off item and the corporate income tax calculated by the statutory tax rate for the Company.

# Source: Exchange rate from Hong Kong Monetary Authority as at the Valuation Date

**LIMITING CONDITIONS**

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

- Unless otherwise stated in this report, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the Valuation Date.
- The management of the Company is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the business management can have a direct effect on the viability and value of the business/ asset being assessed.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/ regulations, including any environmental or ecological matters or interpretations thereof.
- All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the business has been made, and the owner's claim to the business has been assumed valid. No consideration has been given to liens or encumbrances that may be against the business except as specifically stated (if any) in the auditors' report.
- During the course of the valuation, we have considered information provided by the Company and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy. We have had verbal conversations with the current management of the Company concerning the past, present, and prospective operating results of the Company. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.
- This valuation is based upon data, conditions, hypotheses and assumption stated herein and as presented to us by the Company and other third parties, upon which we relied.
- This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the Valuation Date.

## SENSITIVITY ANALYSIS

The sensitivity analysis has been prepared to determine the impact of change in the valuation multiple on the value of the Company. The following table summarizes the resulting values of the Company:

## Valuation Multiple Sensitivity

Change in Adjusted Valuation Multiple	Adjusted Valuation Multiple	Fair Value of 100% Equity Interests of the Company	Change in Fair Value of 100% Equity Interests of the Company
-2	19	HKD33,400,000	-9.49%
-1	20	HKD35,100,000	-4.88%
Base case	21	HKD36,900,000	0.00%
+1	22	HKD38,600,000	+4.61%
+2	23	HKD40,400,000	+9.49%

## CONCLUSION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Instructing Party and/or APAL.

Based on the valuation methodology adopted, we are of the opinion that the fair value of the 100% equity interests of Baron Global Financial Canada Ltd. as at 31 October 2017 was reasonably stated as HKD36,900,000 (HONG KONG DOLLARS THIRTY SIX MILLION AND NINE HUNDRED THOUSAND ONLY).

We hereby certify that we have neither present nor prospective interests in the Company, the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

**Paul Hung** *MRICS ASA*

*Director — Valuation & Advisory Services*

*Note:* Mr. Paul Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region.