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VERTICAL INTERNATIONAL HOLDINGS LIMITED

弘浩國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8375)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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.

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

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$132.5 million for the year ended 31 December 2021, representing an increase of approximately HK\$36.2 million or 37.6% as compared to approximately HK\$96.3 million for the year ended 31 December 2020.
- The Group's gross profit margin increased from approximately 15.8% for the year ended 31 December 2020 to approximately 17.6% for the year ended 31 December 2021.
- Profit for the year increased approximately HK\$4.3 million, from approximately HK\$0.8 million for the year ended 31 December 2020 to approximately HK\$5.1 million for the year ended 31 December 2021.
- Basic earnings per share for the year ended 31 December 2021 was approximately 2.56 HK cents (2020 (restated): 0.47 HK cents).
- The Board has recommended the payment of a final dividend of 1.00 HK cents per share for the year ended 31 December 2021 (2020: 0.15 HK cents) to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 18 May 2022.

The board of the Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with the comparative audited figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	132,480	96,269
Cost of sales		<u>(109,197)</u>	<u>(81,100)</u>
Gross profit		23,283	15,169
Other income		2,483	1,713
Other gains and losses		(209)	(165)
Selling and distribution costs		(4,068)	(2,883)
Administrative expenses		(13,929)	(11,505)
Finance costs		<u>(576)</u>	<u>(363)</u>
Profit before taxation		6,984	1,966
Income tax expense	4	<u>(1,907)</u>	<u>(1,162)</u>
Profit for the year		<u>5,077</u>	<u>804</u>
Other comprehensive income for the year			
Item that may be reclassified subsequent to profit or loss:			
— Exchange differences arising on translation of foreign operations, net of nil tax		<u>2,415</u>	<u>4,903</u>
Total comprehensive income for the year		<u>7,492</u>	<u>5,707</u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i> (restated)
Basic and diluted	6	<u>2.56</u>	<u>0.47</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		48,229	43,283
Right-of-use assets		1,990	1,220
Intangible assets		1,811	2,000
Deposits for acquisition of property, plant and equipment		<u>1,910</u>	<u>—</u>
		<u>53,940</u>	<u>46,503</u>
Current assets			
Inventories		17,207	10,460
Trade and bills receivables	7	34,040	38,307
Bills receivables at fair value through other comprehensive income	8	1,287	1,168
Financial assets at fair value through profit or loss		822	—
Deposits, prepayments and other receivables		6,032	4,416
Bank balances and cash		<u>43,981</u>	<u>31,923</u>
		<u>103,369</u>	<u>86,274</u>
Current liabilities			
Trade and bills payables	9	21,899	21,576
Other payables and accruals		7,001	5,303
Tax payable		525	1,811
Lease liabilities		1,723	952
Borrowings		<u>14,805</u>	<u>5,573</u>
		<u>45,953</u>	<u>35,215</u>
Net current assets		<u>57,416</u>	<u>51,059</u>
Total assets less current liabilities		<u>111,356</u>	<u>97,562</u>
Non-current liabilities			
Lease liabilities		<u>206</u>	<u>205</u>
NET ASSETS		<u>111,150</u>	<u>97,357</u>
Capital and reserves			
Share capital		9,600	8,000
Reserves		<u>101,550</u>	<u>89,357</u>
TOTAL EQUITY		<u>111,150</u>	<u>97,357</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Vertical International Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has its registered office and principal place of business at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Hong Kong respectively.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred as a “**Group**”) are principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

At 31 December 2021, the immediate and ultimate holding company of the Company is Vertical Technology Investment Limited, a company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Boon Ho Yin Henry, who is also the chairman and chief executive officer of the Company.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to nearest thousands of Hong Kong dollars (“**HK\$’000**”) except when otherwise indicated.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19 — Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 “COVID-19 — Related Rent Concessions beyond 30 June 2021” and applied the agenda decision for the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendment to HKFRS 16 “COVID-19 — Related Rent Concessions” and early application of Amendment to HKFRS 16 “COVID-19 — Related Rent Concessions beyond 30 June 2021”

The Group has applied the Amendment to HKFRS 16 “COVID-19 — Related Rent Concessions” for the first time and early applied the Amendment to HKFRS 16 “COVID-19 — Related Rent Concessions beyond 30 June 2021” in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a COVID-19 — related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the COVID-19 pandemic that meets all of the following conditions:

- (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (iii) there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors, if any.

3 REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and performance assessment focuses on the types of goods delivered. Specifically, the Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

(i) Sales of manufactured aluminum electrolytic capacitors

Sales of manufactured aluminum electrolytic capacitors represents the manufacturing and selling of chip type and radial lead type aluminum electrolytic capacitors in the People’s Republic of China (the “PRC”).

(ii) Trading of electronic components

Trading of electronic components represents trading of a wider range of lighting products and electronic components including integrated circuits and semi-conductors such as diodes and transistors in Hong Kong and the PRC.

Segment results

Segment results represents the profit earned by each segment without allocation of unallocated expenses (including administrative expenses and selling and distribution costs), other income, other gains and losses, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the year ended 31 December 2021

	Sales of manufactured aluminum electrolytic capacitors <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue under HKFRS 15			
External sales	<u>105,047</u>	<u>27,433</u>	<u>132,480</u>
Results			
Segment profit	<u>17,610</u>	<u>5,673</u>	23,283
Unallocated expenses			(17,997)
Other income			2,483
Other gains and losses			(209)
Finance costs			<u>(576)</u>
Profit before taxation			<u>6,984</u>

For the year ended 31 December 2020

	Sales of manufactured aluminum electrolytic capacitors <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue under HKFRS 15			
External sales	<u>78,163</u>	<u>18,106</u>	<u>96,269</u>
Results			
Segment profit	<u>12,453</u>	<u>2,716</u>	15,169
Unallocated expenses			(14,388)
Other income			1,713
Other gains and losses			(165)
Finance costs			<u>(363)</u>
Profit before taxation			<u>1,966</u>

There were no inter-segment sales in both years.

Geographical information

The following tables provide an analysis of the Group's revenue from external customers by the location of customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	2,881	5,123
PRC	111,641	82,983
Japan	17,600	7,878
Other Asian regions (<i>note</i>)	358	285
	<u>132,480</u>	<u>96,269</u>

Note: Revenue generated from Asian regions, other than Hong Kong, the PRC and Japan, are mainly derived from sales to Vietnam and Macau based customers.

The following is an analysis of the carrying amounts of the Group's non-current assets (i.e. property, plant and equipment, deposits for acquisition of property, plant and equipment, right-of-use assets and intangible assets), analysed by the geographical area in which the assets are located:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	10,215	7,746
PRC	43,725	38,757
	<u>53,940</u>	<u>46,503</u>

Information about major customers

Revenue from major customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A (<i>note 1</i>)	16,132	15,843
Customer B (<i>note 1</i>)	15,482	15,431
Customer C (<i>note 2</i>)	17,600	N/A [#]
Customer D (<i>note 1</i>)	12,754	N/A [#]
	<u>12,754</u>	<u>N/A[#]</u>

Note 1: Revenue from sales of manufactured aluminum electrolytic capacitors.

Note 2: Revenue from trading of electronic components.

[#] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4 INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC Enterprise Income Tax		
— Current tax	2,467	1,162
— Over provision in prior years	<u>(560)</u>	<u>—</u>
	<u><u>1,907</u></u>	<u><u>1,162</u></u>

Under the two-tiered profits tax rate regime of Hong Kong Profit Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for taxation in Hong Kong has been made for the year (2020: HK\$nil) as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant laws and regulations in the PRC, 東莞首科電子科技有限公司 is granted tax incentives as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% since 2016.

5 DIVIDENDS

During the year ended 31 December 2021, a final dividend of 0.15 HK cents (2020: 0.20 HK cents) per ordinary share in respect of the year ended 31 December 2020, was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from share premium of the Company during the year amounted to approximately HK\$1,440,000 (2020: HK\$1,600,000).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of 1.00 HK cents (2020: 0.15 HK cents) per ordinary share, in an aggregate amount of HK\$2,880,000 (2020: HK\$1,440,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

6 EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>5,077</u>	<u>804</u>
	2021 Number of shares '000	2020 Number of shares '000 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>197,982</u>	<u>171,892</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2021 has been adjusted, taking into account the share consolidation and bonus element of the rights issue which were completed after the end of the reporting period. The corresponding weighted average number of ordinary shares for the year ended 31 December 2020 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue. Details of share consolidation and rights issue of shares are set out in note 10 in this annual results announcement.

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

7 TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	33,073	38,622
Less: Allowance for credit losses	<u>(340)</u>	<u>(315)</u>
	32,733	38,307
Bills receivables	<u>1,307</u>	<u>—</u>
	<u>34,040</u>	<u>38,307</u>

The credit period allowed by the Group to its customers was up to 90 days (2020: 90 days) from the date of issuing invoice. The following is an aged analysis of trade and bills receivables based on the dates of delivery of goods which is also the revenue recognition point, net of allowance for credit losses at the end of each reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	11,538	11,738
31 to 60 days	11,693	10,502
61 to 90 days	6,421	7,487
91 to 180 days	3,891	6,960
181 days to 1 year	497	1,620
	<u>34,040</u>	<u>38,307</u>

8 BILLS RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following is an ageing analysis of bills receivables at fair value through other comprehensive income presented based on the delivery dates at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
91 to 180 days	1,287	1,168

9 TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	20,549	20,320
Bills payables	1,350	1,256
	<u>21,899</u>	<u>21,576</u>

The credit period of trade payables granted by suppliers ranged from 0 to 90 days (2020: 0 to 90 days) upon the issue of invoices.

The following is an aged analysis of trade payables based on the invoice dates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	5,000	5,807
31 to 60 days	6,855	6,509
61 to 90 days	5,249	5,123
91 to 180 days	2,557	2,717
181 days to 1 year	408	164
Over 1 year	480	—
	<u>20,549</u>	<u>20,320</u>

The following is an aged analysis of bills payables based on the invoice dates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
61 to 90 days	—	1,256
91 to 180 days	1,350	—
	<u>1,350</u>	<u>1,256</u>

10 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed below, note 5 and elsewhere in this annual results announcement, the Group does not have any other significant events after the reporting period.

On 10 January 2022, an ordinary resolution was passed by the shareholders at the extraordinary general meeting of the Company to consolidate every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each (the “**Share Consolidation**”). Following the Share Consolidation which became effective on 12 January 2022, 960,000,000 shares in the issued share capital of the Company were consolidated into 192,000,000 consolidated shares.

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two existing shares held (the “**Rights Issue**”), resulting in net proceeds of HK\$18,749,000. Details of the Rights Issue are set out in the Company’s prospectus dated 24 January 2022 and the Company’s announcement dated 18 February 2022.

On 7 March 2022, Vertical Technology Company Limited (“**Vertical Technology**”), a wholly-owned subsidiary of the Company, entered into a banking facility letter with Bank of China (Hong Kong) Limited (the “**Banker**”) in relation to the general banking facilities granted under the SME Financing Guarantee Scheme guaranteed by The HKMC Insurance Limited (the “**Facility Letter**”). The Facility Letter comprises a revolving loan facility and an overdraft facility of up to HK\$18,000,000 in aggregate which will be made available by the Banker to Vertical Technology and is secured by corporate guarantee from the Company and personal guarantee of Mr. Boon Ho Yin Henry. Details of the Facility Letter are set out in the Company’s announcements dated 7 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Chinese economy continued to gradually improve during the year 2021, supported by multiple measures and reliefs provided by the Chinese government in response to Covid-19 which led China to become the first major economy to recover from the Covid-19 pandemic. Overall economic activity gradually started improving again in year 2021.

During the year, the Group continued to focus on its key markets including manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components, including semiconductor devices and passive components, and to expand its overall business with key and new customers and adopted a more aggressive pricing strategy to increase its market share.

With the rapid changes in the business environment, the Group is reshaping its management structure to make it more agile, started by focusing on key areas, streamlining human resources, developing training programs, monitoring cost control, managing customer relation, and expansion of production capacity. The Group will continue to carefully and extensively review the current situation in relation to costs and resources deployment, and will consider to tighten its control over the operating costs effectively to maximize its profits.

The result of the Group's business efforts in these conditions were a 37.6% increase in revenue to approximately HK\$132.5 million for the year ended 31 December 2021 from approximately HK\$96.3 million for the year ended 31 December 2020. The gross profits of the Group increased by 53.3% to approximately HK\$23.3 million for the year ended 31 December 2021 from approximately HK\$15.2 million for the year ended 31 December 2020.

The Group is concentrating its resources around specific growth products and maximizing its product capacity to cater for the increased demand. Sales of the Group's self-manufactured aluminum electrolytic capacitor products increased substantially from approximately HK\$78.2 million for the year ended 31 December 2020 to approximately HK\$105.0 million for the year ended 31 December 2021.

The Group will continue to provide products and services to customers with the aim not to let the customers from disrupted product delivery. The Group will continue to flexibly respond to any changes in the situation.

PROSPECTS

The current economic uncertainty is expected to continue. The Group is dedicated to developing high quality products to satisfy the market needs and closely observes the future development direction of the market to research and develop products continuously in order to satisfy the needs for future development in the industry and continuously evaluating the financial impact of the challenging business environment on the Group's operational and financial performance.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$132.5 million for the year ended 31 December 2021 from approximately HK\$96.3 million for the corresponding year in 2020, representing an increase of approximately 37.6%. Such increase in the Group's revenue was mainly attributable to the Group expands its business with key and new customers and adopt aggressive pricing strategy to enlarge its market share.

The revenue for the sales of manufactured aluminum electrolytic capacitors demonstrated a growth of approximately HK\$26.8 million, from approximately HK\$78.2 million for the year ended 31 December 2020 to approximately HK\$105.0 million for the year ended 31 December 2021. The revenue derived from sales of trading electronic components increased to approximately HK\$27.4 million for the year ended 31 December 2021 from approximately HK\$18.1 million for the year ended 31 December 2020.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales increased to approximately HK\$109.2 million for the year ended 31 December 2021 from approximately HK\$81.1 million for the year ended 31 December 2020, representing an increase of approximately 34.6%. The Group's cost of sales increased along with the growth in revenue for the year ended 31 December 2021.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$23.3 million for the year ended 31 December 2021 from approximately HK\$15.2 million for the year ended 31 December 2020, representing an increase of approximately 53.3%. The Group's gross profit margin increased from approximately 15.8% for the year ended 31 December 2020 to approximately 17.6% for the year ended 31 December 2021.

Selling and distribution costs

The Group's selling and distribution expenses increased to approximately HK\$4.1 million for the year ended 31 December 2021 from approximately HK\$2.9 million for the year ended 31 December 2020, representing an increase of approximately 41.4%. The increase was mainly due to increase in transportation expenses and sales commission paid.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, office supplies, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous, general and administrative expenses. Administrative expenses increased to approximately HK\$13.9 million for the year ended 31 December 2021 from approximately HK\$11.5 million for the year ended 31 December 2020, representing an increase of approximately HK\$2.4 million. Such increase was mainly due to the increase in advertising, entertainment and professional fee.

Income tax expenses

Income tax expenses increased by approximately HK\$0.7 million, from approximately HK\$1.2 million for the year ended 31 December 2020 to approximately HK\$1.9 million for the year ended 31 December 2021.

Profit for the year

The Group's profit for the year increased by approximately HK\$4.3 million, from approximately HK\$0.8 million for the year ended 31 December 2020 to approximately HK\$5.1 million for the year ended 31 December 2021. This was mainly due to an increase in revenue and gross profit of approximately HK\$36.2 million and HK\$8.1 million respectively for the year ended 31 December 2021 as compared to the corresponding year in 2020.

Basic earnings per share

The Company's basic earnings per share increased by 2.09 HK cents from 0.47 HK cents for the year ended 31 December 2020 (restated) to 2.56 HK cents for the year ended 31 December 2021. It was due to the increase of profit for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group has total assets of approximately HK\$157.3 million (2020: HK\$132.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserve) of approximately HK\$46.1 million (2020: HK\$35.4 million) and approximately HK\$111.2 million (2020: HK\$97.4 million) respectively. The current ratio as at 31 December 2021 of the Group was approximately 2.2 times (2020: approximately 2.4 times).

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$44.0 million (2020: HK\$31.9 million).

The total interest-bearing borrowings of the Group as at 31 December 2021 was approximately HK\$14.8 million (2020: HK\$5.6 million). The gearing ratio (calculated based on lease liabilities, interest bearing bank borrowings, bills discounted with recourse and margin financing and divided by total equity) of the Group as of 31 December 2021 was 0.15 times (2020: 0.07 times).

Placing of New Shares under General Mandate

On 30 March 2021, an aggregate of 160,000,000 new shares of the Company were issued upon completion of the placing pursuant to the placing agreement entered into by the Company and the placing agent, Kingsway Financial Services Group Limited, on 12 March 2021 at the placing price of HK\$0.051 per placing share ("**Placing**") with actual net proceeds of approximately HK\$7.74 million. The new shares were issued under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 31 May 2021. Details of the Placing are set out in the Company's announcements dated 12 March 2021, 14 March 2021 and 30 March 2021.

DIVIDEND

The Board has recommended the payment of a final dividend of 1.00 HK cents per ordinary share for the year ended 31 December 2021 (2020: 0.15 HK cents) out of the share premium account of the Company to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 18 May 2022. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, it is expected that the final dividend will be paid on or around Wednesday, 8 June 2022.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to approximately HK\$1.9 million (2020: HK\$nil). Such commitments primarily related to purchases of equipment and machineries for the expansion of the Group's production capacity.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the year ended 31 December 2021.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2020 and 2021.

CHARGES ON GROUP'S ASSETS

As at 31 December 2021, the leasehold land and building with the carrying value of approximately HK\$4.5 million (2020: HK\$4.7 million) is pledged to a bank to secure banking facilities granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group had 167 full-time employees (2020: 162 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2021 was approximately HK\$28.5 million (2020: HK\$20.1 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

FOREIGN EXCHANGE EXPOSURE

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant entities now comprising the Group are as follows.

	Liabilities		Assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	—	—	6	6
US\$	7,636	2,096	6,627	2,052
RMB	—	26	49	48
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments (2020: HK\$nil).

EVENTS AFTER THE REPORTING PERIOD

On 10 January 2022, an ordinary resolution was passed by the shareholders at the extraordinary general meeting of the Company to consolidate every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each (the “**Share Consolidation**”). Following the Share Consolidation which became effective on 12 January 2022, 960,000,000 shares in the issued share capital of the Company were consolidated into 192,000,000 consolidated shares. Details of the Share Consolidation are set out in the Company’s announcement dated 26 November 2021, 15 December 2021 and 10 January 2022, and the Company’s circular dated 22 December 2021.

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two existing shares held (the “**Rights Issue**”), resulting in net proceeds of approximately HK\$18,749,000. Accordingly, the number of issued shares of the Company increased from 192,000,000 shares to 288,000,000 shares. Details of the Rights Issue are set out in the Company’s prospectus dated 24 January 2022 and the Company’s announcement dated 18 February 2022.

On 7 March 2022, Vertical Technology Company Limited (“**Vertical Technology**”), a wholly-owned subsidiary of the Company, entered into a banking facility letter with Bank of China (Hong Kong) Limited (the “**Banker**”) in relation to the general banking facilities granted under the SME Financing Guarantee Scheme guaranteed by The HKMC Insurance Limited (the “**Facility Letter**”). The Facility Letter comprises a revolving loan facility and an overdraft facility of up to HK\$18,000,000 in aggregate which will be made available by the Banker to Vertical Technology and is secured by corporate guarantee from the Company and personal guarantee of Mr. Boon Ho Yin Henry, the chairman of the Board, the chief executive officer, an executive Director and a controlling shareholder of the Company. Details of the Facility Letter are set out in the Company’s announcements dated 7 March 2022.

Save as disclosed above, note 5 and elsewhere in this annual results announcement, the Group does not have other significant events after the reporting period.

USE OF PROCEEDS

The net proceeds from public offering and placing (“**Share Offer**”) amounted to approximately HK\$34.8 million. These proceeds have been used in accordance with the business strategies as set out in the Company’s prospectus dated 31 October 2017. The unused proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. Up to 31 December 2021, all of the proceeds from Share Offer were utilized.

The net proceeds from the Share Offer from the 13 November 2017 (the “**Listing Date**”) to 31 December 2021 were used as follows:

Use of proceeds	Planned use of net proceeds (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$ million</i>	Planned use of net proceeds up to 31 December 2021 (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$ million</i>	Actual use of net proceeds up to 31 December 2021 <i>HK\$ million</i>
To increase the production capacity of the Group’s chip type aluminum electrolytic capacitors	21.5	21.5	21.5
To establish the second production plant in Dongguan, Guangdong Province, the PRC	6.6	6.6	6.6
To continue research and development effort	2.5	2.5	2.5
To promote the Group’s branded products	2.3	2.3	2.3
General working capital	1.9	1.9	1.9
	<u>34.8</u>	<u>34.8</u>	<u>34.8</u>

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 12 March 2021, the Company entered into a placing agreement with Kingsway Financial Services Group Limited (the “**Placing Agent**”), pursuant to which the Placing Agent agreed, as agent of the Company, to procure, on a best effort basis, not less than six independent third parties to subscribe for up to 160,000,000 shares of HK\$0.01 each in the Company at the placing price of HK\$0.051 per share (“**Placing**”). Details of the Placing are set out in the Company’s announcements dated 12 March 2021, 14 March 2021 and 30 March 2021.

160,000,000 new shares were placed to the places on 30 March 2021 with actual net proceeds of approximately HK\$7.7 million. The net proceeds from the Placing from 30 March 2021 to 31 December 2021 were used as follow:

Use of proceeds from the Placing	Planned use of net proceeds (adjusted on a pro rata basis on the actual net proceeds) as described in the announcement dated	Actual use of net proceeds up to	Unutilized proceeds as at	Expected timeline for fully utilizing the unutilized proceeds
	12 March 2021 <i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>	
To finance the addition of production equipment	4.3	4.3	—	N/A
To expand the existing production plant	1.8	—	1.8	by 30 June 2022
General working capital	1.6	1.6	—	N/A
	<u>7.7</u>	<u>5.9</u>	<u>1.8</u>	

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and practices as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules and has adopted the CG Code as the code to govern the Company’s corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In December 2021, the Stock Exchange has announced amendments to the CG Code. The requirements under the new CG Code will apply to corporate governance reports of listed issuers for financial year commencing on or after 1 January 2022.

Throughout the year ended 31 December 2021, the Company has complied with the code provisions as set out in the CG Code applicable for the financial year under review (the “**then CG Code**”) except for the deviation from code provision C.2.1 (code provision A.2.1 of the then CG Code) which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Boon Ho Yin Henry is the Chairman and the Chief Executive Officer of the Company and is responsible for the Group’s major decision-making, overall strategic planning, determining corporate policies and daily operation and management of the Group. In view of Mr. Boon is one of the founders of the Group and he has been operating and managing the Group since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Boon take up both roles for effective management and business development of the Group. Therefore, the Directors consider that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings during the year ended 31 December 2021.

The Company has also adopted written guidelines as the code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities based on the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. No incidence of non-compliance of this code by the relevant employees was noted by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares were held by the public as required under the GEM Listing Rules during the year ended 31 December 2021 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Friday, 6 May 2022 at 11:30 a.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Tuesday, 3 May 2022 to Friday, 6 May 2022, both days inclusive, during which period no transfer of shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 April 2022.

For entitlement of proposed final dividend

The register of members of the Company will be closed from Monday, 16 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the shareholders of the Company at the AGM, the final dividend will be paid on or before Wednesday, 8 June 2022 to the shareholders whose names appear on the register of members of the Company on Wednesday, 18 May 2022. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 May 2022.

AUDIT COMMITTEE

The Company established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision D.3.3 of the CG Code (code provision C.3.3 of the then CG Code). The Audit Committee consists of three independent non- executive Directors, namely Mr. Wong Wai Leung, Mr. Liu Kwan and Mr. Chik Kin Man Paul. Mr. Wong Wai Leung possesses the appropriate professional accounting qualifications and related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules, and he serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of the Group’s internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2021.

By order of the Board
Vertical International Holdings Limited
Boon Ho Yin Henry
Chairman

Hong Kong, 22 March 2022

As at the date of this announcement, the executive Directors are Mr. Boon Ho Yin Henry and Ms. Chow Cheung Chu, and the independent non-executive Directors are Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung.

This announcement will remain on the “Latest Listed Company Information” page of the website of GEM (www.hkgem.com) for at least seven days from its date of publication. This announcement will also be published on the website of the Company at www.verticaltech.com.cn.