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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)**

## **ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

### **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

- For the nine months ended 30 September 2022, revenue of the Group was approximately HK\$66.3 million, representing a decrease of approximately 35.6% as compared to the corresponding period in 2021.
- The Group's gross profit margin was approximately 5.4% for the nine months ended 30 September 2022 and approximately 17.9% for the nine months ended 30 September 2021.
- Loss for the period of the Group for the nine months ended 30 September 2022 amounted to approximately HK\$8.7 million, representing a decrease of profit of approximately HK\$13.0 million as compared to the profit for the period of approximately HK\$4.3 million for the corresponding period in 2021.
- The Company recorded basic loss per share for the nine months ended 30 September 2022 of approximately 3.14 HK cents and basic earnings per share for the nine months ended 30 September 2021 of approximately 2.21 HK cents (restated).
- The Board has recommended the payment of a special dividend of 3.5 HK cents per ordinary share for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: HK\$Nil) out of 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 Monday, 16 January 2023, subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting.

The board of the Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the three months and nine months ended 30 September 2022*

	NOTES	For the three months ended 30 September		For the nine months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	21,027	37,099	66,297	102,991
Cost of sales		<u>(20,354)</u>	<u>(30,899)</u>	<u>(62,724)</u>	<u>(84,597)</u>
Gross profit		673	6,200	3,573	18,394
Other income		868	404	1,396	813
Other gains and losses		179	(123)	(975)	(222)
Selling and distribution costs		(640)	(1,085)	(2,242)	(3,086)
Administrative expenses		(2,928)	(2,828)	(9,470)	(9,366)
Finance costs		<u>(153)</u>	<u>(132)</u>	<u>(409)</u>	<u>(321)</u>
(Loss) profit before taxation		(2,001)	2,436	(8,127)	6,212
Income tax expense	4	<u>(351)</u>	<u>(836)</u>	<u>(531)</u>	<u>(1,903)</u>
(Loss) profit for the period		(2,352)	1,600	(8,658)	4,309
<b>Other comprehensive (expense)/ income for the period</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
— Exchange differences arising on translation of foreign operations, net of nil tax		<u>(4,509)</u>	<u>503</u>	<u>(8,548)</u>	<u>739</u>
<b>Total comprehensive (expense)/ income for the period</b>		<u>(6,861)</u>	<u>2,103</u>	<u>(17,206)</u>	<u>5,048</u>
		<i>HK cents</i>	<i>HK cents</i> (restated)	<i>HK cents</i>	<i>HK cents</i> (restated)
(Loss) earnings per share					
— basic and diluted	6	<u>(0.82)</u>	<u>0.83</u>	<u>(3.14)</u>	<u>2.21</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 30 September 2022*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(note i)</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (audited)	8,000	67,572	10,000	1,128	10,657	97,357
Profit for the period	—	—	—	—	4,309	4,309
Exchange differences arising on translation of foreign operations	—	—	—	739	—	739
Total comprehensive income for the period	—	—	—	1,867	14,966	102,405
Issue of new shares by placing	1,600	6,560	—	—	—	8,160
Cost of issuance of new shares	—	(419)	—	—	—	(419)
Dividends recognised as distribution	—	(1,440)	—	—	—	(1,440)
At 30 September 2021 (unaudited)	<u>9,600</u>	<u>72,273</u>	<u>10,000</u>	<u>1,867</u>	<u>14,966</u>	<u>108,706</u>
At 1 January 2022 (audited)	9,600	72,273	10,000	3,543	15,734	111,150
Loss for the period	—	—	—	—	(8,658)	(8,658)
Exchange differences arising on translation of foreign operations	—	—	—	(8,548)	—	(8,548)
Total comprehensive expense for the period	—	—	—	(8,548)	(8,658)	(17,206)
Issue of new shares by rights issue	4,800	15,360	—	—	—	20,160
Cost of issuance of new shares	—	(1,559)	—	—	—	(1,559)
Dividends recognised as distribution	—	(2,880)	—	—	—	(2,880)
At 30 September 2022 (unaudited)	<u>14,400</u>	<u>83,194</u>	<u>10,000</u>	<u>(5,005)</u>	<u>7,076</u>	<u>109,665</u>

*Note i:* Amount represents statutory reserve of the subsidiaries in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

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 immediate and ultimate holding company of the Company is Vertical Technology Investment Limited (“**Vertical Investment**”), a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Boon Ho Yin Henry, who is also the Chairman and Chief Executive Officer of the Company.

The Company has its registered office and the 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 to as the “**Group**”) are principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”).

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statement for the nine months ended 30 September 2022 (the “**Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Financial Statements include applicable disclosures required by the GEM Listing Rules. The Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

In preparing the Financial Statements, the significant judgments made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group’s audited consolidated financial statements for the year ended 31 December 2021.

The Financial Statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company.

### 3. REVENUE

Revenue represents revenue arising on sales of self-manufactured aluminum electrolytic capacitors and trading of electronic components for the nine months ended 30 September 2022.

An analysis of the Group's revenue for the three months and nine months ended 30 September 2022 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Sales of self-manufactured aluminum electrolytic capacitors	16,051	29,241	50,746	81,986
Trading of electronic components	4,976	7,857	15,551	21,005
	<u>21,027</u>	<u>37,098</u>	<u>66,297</u>	<u>102,991</u>

### 4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
The charge comprises:				
Current tax				
The People's Republic of China ("PRC")				
Enterprise Income Tax ("EIT")	<u>351</u>	<u>836</u>	<u>531</u>	<u>1,903</u>

No provision for taxation in Hong Kong has been made for both periods as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC. Pursuant to the relevant laws and regulations in the PRC, 東莞首科電子科技有限公司 has been granted tax incentives as a High and New Technology Enterprise and has been entitled to a preferential tax rate of 15% since 2016.

## 5. DIVIDEND

On 9 November 2022, the Board have recommended the payment of a special dividend for the nine months ended 30 September 2022 of 3.5 HK cents (for the nine months ended 30 September 2021: HK\$Nil) per ordinary share, in an aggregate amount of HK\$10,080,000 (for the nine months ended 30 September 2021: HK\$Nil) out of share premium account of the Company, subject to approval by the shareholders at the forthcoming extraordinary general meeting.

On 22 March 2022, the Board recommended the payment of a final dividend of 1.00 HK cents per ordinary share, amounting to HK\$2.88 million, in respect of the year ended 31 December 2021 (for the year ended 31 December 2020: 0.15 HK cents per ordinary share). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 6 May 2022 and was paid to the shareholders of the Company on 8 June 2022.

## 6. (LOSS) EARNINGS PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
<b>(Loss) earnings:</b>				
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	<u>(2,352)</u>	<u>1,600</u>	<u>(8,658)</u>	<u>4,309</u>

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>Number of Shares</i> (unaudited)	2021 <i>Number of Shares</i> (unaudited) (restated)	2022 <i>Number of Shares</i> (unaudited)	2021 <i>Number of Shares</i> (unaudited) (restated)
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>288,000,000</u>	<u>192,000,000</u>	<u>276,024,948</u>	<u>195,188,595</u>

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 announcements 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 HK\$18.6 million. 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.

The weighted average number of ordinary shares for the purpose of calculating basic loss/earnings per share for the period ended 30 September 2021 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue.

No diluted (loss) earnings per share were presented as there were no potential ordinary shares in issue for both periods.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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.

The persistent outbreak of the COVID-19 pandemic severely weakened both local and global consumption market and also the sales of the Group. For the nine months ended 30 September 2022, the revenue of the Group decreased by approximately 35.6% to approximately HK\$66.3 million from approximately HK\$103.0 million for the nine months ended 30 September 2021. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors decreased to approximately HK\$50.7 million for the nine months ended 30 September 2022 from approximately HK\$82.0 million for the nine months ended 30 September 2021. The border closure and lockdowns also posed an adverse impact on domestic and global supply chains resulted in higher production costs of the Group and the cost of raw material continued to increase. The gross profit of the Group decreased by approximately HK\$14.8 million to approximately HK\$3.6 million for the nine months ended 30 September 2022 from approximately HK\$18.4 million for the nine months ended 30 September 2021.

The Group will continue to flexibly respond to any changes in the business environment and will continue to monitor trends and take a variety of countermeasures to guarantee its business performance.

### **PROSPECTS**

The current economic uncertainty is expected to continue. The Group is dedicated to developing high quality products to satisfy the market needs, 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 implementing multiple cost-saving initiatives to reduce operating costs. As at 30 September 2022, the Group maintained a solid financial position and was in a positive net cash position. The Group has sufficient funds and resources to finance its upcoming capital expenditure. The Group will continuously evaluate and monitor the financial impact on the Group's operational and financial performance from the ever challenging business environment. Overall, the Group will adopt a conservative approach towards the overall business environment for the coming periods and will remain cautious on the upcoming capital expenditure requirements and investment opportunity.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue decreased to approximately HK\$66.3 million for the nine months ended 30 September 2022 from approximately HK\$103.0 million for the corresponding period in 2021, representing a decrease of approximately 35.6%. Such decrease in the Group's revenue was mainly attributable to the persistent outbreak of the COVID-19 pandemic which has severely weakened both local and global consumption market and also the sales of the Group.

The revenue for the sales of manufactured aluminum electrolytic capacitors decreased by approximately HK\$31.3 million, from approximately HK\$82.0 million for the nine months ended 30 September 2021 to approximately HK\$50.7 million for the nine months ended 30 September 2022. The revenue derived from trading of electronic components decreased to approximately HK\$15.6 million for the nine months ended 30 September 2022 from approximately HK\$21.0 million for the nine months ended 30 September 2021.

### **Cost of sales**

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales decreased to approximately HK\$62.7 million for the nine months ended 30 September 2022 from approximately HK\$84.6 million for the nine months ended 30 September 2021, representing a decrease of approximately 25.9%. The Group's cost of sales decreased along with the decline in revenue for the nine months ended 30 September 2022.

### **Gross profit and gross profit margin**

The Group's gross profit decreased to approximately HK\$3.6 million for the nine months ended 30 September 2022 from approximately HK\$18.4 million for the nine months ended 30 September 2021, representing a decrease of approximately HK\$14.8 million. The Group's gross profit margin dropped from approximately 17.9% for the nine months ended 30 September 2021 to approximately 5.4% for the nine months ended 30 September 2022. Such decrease was mainly due to the lockdowns which posed an adverse impact on supply chains resulted in higher production costs of the Group and the cost of raw material continues to increase.

### **Selling and distribution costs**

The Group's selling and distribution costs decreased to approximately HK\$2.2 million for the nine months ended 30 September 2022 from approximately HK\$3.1 million for the nine months ended 30 September 2021, representing a decrease of approximately 27.3%, mainly due to decrease in sales commission paid and transportation expenses.

### **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\$9.5 million for the nine months ended 30 September 2022 from approximately HK\$9.4 million for the nine months ended 30 September 2021.

### **Income tax expenses**

Income tax expenses decreased by approximately HK\$1.4 million, from approximately HK\$1.9 million for the nine months ended 30 September 2021 to approximately HK\$0.5 million for the nine months ended 30 September 2022.

### **(Loss) profit for the period**

The Group recorded a loss for the period of approximately HK\$8.7 million for the nine months ended 30 September 2022, as compared with the profit for the nine months ended 30 September 2021 of approximately HK\$4.3 million. Such decrease was mainly due to a decrease in revenue and gross profit of approximately HK\$36.7 million and HK\$14.8 million for the nine months ended 30 September 2022 as compared to the corresponding period in 2021.

### **Basic (loss) earnings per share**

The Company recorded basic loss per share for the nine months ended 30 September 2022 of approximately 3.14 HK cents as compared with basic earnings per share of approximately 2.21 HK cents (restated) for the nine months ended 30 September 2021.

### **RESERVES**

Movements in the reserves of the Group for the nine months ended 30 September 2022 are set out in the unaudited condensed consolidated statement of changes in equity.

### **DIVIDEND**

The Board has recommended the payment of a special dividend of 3.5 HK cents per ordinary share for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: HK\$Nil) 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 Monday, 16 January 2023. Subject to the approval of shareholders at the forthcoming extraordinary general meeting of the Company, it is expected that the special dividend will be paid on or around Thursday, 9 February 2023.

### **CAPITAL COMMITMENTS**

As at 30 September 2022, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounting to approximately HK\$1.5 million (31 December 2021: HK\$1.9 million). 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 nine months ended 30 September 2022.

### **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 30 September 2022 and 2021.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2022, the interests and short positions in the shares (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 had to be 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 which as entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are set out as follows:

#### (a) Long position in the Shares of the Company

Name of Director	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company
Mr. Boon Ho Yin	Beneficial owner	300,000 (L)	0.1%
Henry (“Mr. Boon”)	Interest in a controlled corporation	180,000,000 (L) (Note 2)	62.5%

#### (b) Long position in the shares of the associated corporation of the Company

Name of Director	Nature of interest	Name of associated corporation	Number of shares interested (Note 1)	Percentage of shareholding in the associated corporation
Mr. Boon	Beneficial owner	Vertical Technology Investment Limited (“Vertical Investment”)	1 (L)	100%

*Notes:*

- (1) The letter “L” denotes long position in the relevant share interests.
- (2) Vertical Investment held direct interests of 180,000,000 Shares. Vertical Investment is wholly and beneficially owned by Mr. Boon. Therefore, Mr. Boon is deemed to be interested in all the Shares held by Vertical Investment under the SFO.

Save as disclosed above, as at 30 September 2022, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which was required to be 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 the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

#### **SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2022, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares 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 would be recorded in the register of the Company required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares:

##### **Long position in the Shares of the Company**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held (Note 1)</b>	<b>Percentage of shareholding in the Company</b>
Vertical Investment (Note 2)	Beneficial owner	180,000,000 (L)	62.5%
Ms. Sun Koon Kwan (“Ms. Sun”) (Note 3)	Interest of spouse	180,300,000 (L)	62.6%

*Notes:*

- (1) The letter “L” denotes long position in the share interests.
- (2) Vertical Investment is wholly and beneficially owned by Mr. Boon. He is deemed to be interested in all the Shares held by Vertical Investment under the SFO.
- (3) Ms. Sun is the spouse of Mr. Boon. Ms. Sun is deemed to be interested in the same number of Shares in which Mr. Boon is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2022, none of the Directors is aware of any other person who had any interest or short position in the Shares or underlying Shares 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 would be recorded in the register of the Company required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

### **SHARE OPTION SCHEME**

The Company has a share option scheme (the “**Share Option Scheme**”) which was approved and adopted by the written resolutions of the then sole shareholder of the Company passed on 24 October 2017. No share option has been granted under the Share Option Scheme since its adoption.

### **CODE OF CONDUCT REGARDING 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 nine months ended 30 September 2022.

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.

### **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

During the nine months ended 30 September 2022, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## 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 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 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 requirement under the new CG code will apply to corporate governance report of listed issuers for the financial year commencing on or after 1 January 2022.

During the nine months ended 30 September 2022, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision C.2.1 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 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 the view that 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 taking 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 COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2022.

## **SHARE CONSOLIDATION**

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 announcements dated 26 November 2021, 15 December 2021 and 10 January 2022, and the Company's circular dated 22 December 2021.

## **RIGHTS ISSUE**

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\$18.6 million. 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.

## **LOAN AGREEMENT WITH COVENANT RELATING TO SPECIAL PERFORMANCE OF THE CONTROLLING SHAREHOLDERS**

On 7 March 2022, Vertical Technology Company Limited ("**Vertical Technology**"), a wholly-owned subsidiary of the Company, as borrower; Bank of China (Hong Kong) Limited, as lender; and each of the Company and Mr. Boon, the chairman of the Board, the chief executive officer, an executive Director and a controlling shareholder of the Company, as guarantor, entered into a banking facility letter ("**Facility Letter**") in relation to the general banking facilities granted under the SME Financing Guarantee Scheme ("**Scheme**") guaranteed by HKMC Insurance Limited ("**HKMCI**"). The Facility Letter is comprised of a revolving loan facility and an overdraft facility of up to HK\$18,000,000 (with the aggregate outstanding amount of the overdraft facility not exceeding HK\$8,000,000), which will be made available by the Lender to Vertical Technology on the terms and conditions therein contained subject to, among others, the fulfillment of certain conditions precedent.



According to the terms of the Facility Letter, all amounts borrowed under the revolving loan facility shall be repaid or reborrowed at the end of the relevant drawdown period and the principal shall be repaid every twelve (12) months after the date of each drawdown. In addition, the purpose of entering into the Facility Letter is to finance the acquisition of assets or general working capital of Vertical Technology so as to facilitate its business operations. Furthermore, the revolving loan facility and the overdraft facility under the Facility Letter shall be cancelled and ceased to be operated after the guarantee period as stated in the relevant guarantee issued by HKMCI pursuant to the Scheme.

Pursuant to the Facility Letter, certain specific performance obligations are imposed on Mr. Boon, under which Mr. Boon agrees and undertakes to the Lender that (i) he shall remain directly or indirectly as the largest shareholder of the Company; and (ii) he shall remain as the chairman or executive Director of the Company.

As at the date of this announcement, Mr. Boon directly or indirectly holds 63.78% of the issued share capital of the Company.

Please refer to the announcement of the Company dated 7 March 2022 for more details.

### **EXTRAORDINARY GENERAL MEETING (THE “EGM”)**

The forthcoming EGM of the Company will be held on Thursday, 5 January 2023 at 11:30 a.m. A notice convening the EGM 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 EGM**

The register of members of the Company will be closed from Friday, 30 December 2022 to Thursday, 5 January 2023, 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 EGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 29 December 2022.

#### **For entitlement of proposed special dividend**

The register of members of the Company will be closed from Thursday, 12 January 2023 to Monday, 16 January 2023, 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 EGM, the special dividend will be paid on or before Thursday, 9 February 2023 to the shareholders whose names appear on the register of members of the Company on Monday, 16 January 2023. In order to qualify for the proposed special 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 January 2023.

## **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. 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 unaudited quarterly results of the Company for the nine months ended 30 September 2022.

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

Hong Kong, 9 November 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 the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) 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](http://www.verticaltech.com.cn).*