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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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

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 three months ended 31 March 2023, the Group’s revenue amounted to approximately HK\$17.7 million, representing a decrease of approximately HK\$7.5 million or 29.8% as compared to the corresponding period in 2022.
- The Group’s gross profit margin was approximately 1.5% for the three months ended 31 March 2023 and approximately 11.3% for the three months ended 31 March 2022.
- Loss for the period for the three months ended 31 March 2023 amounted to approximately HK\$2.3 million and approximately HK\$1.0 million for the three months ended 31 March 2022.
- Basic loss per share for the three months ended 31 March 2023 and 2022 were approximately 0.78 HK cents and 0.39 HK cents respectively.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (for the three months ended 31 March 2022: HK\$Nil).

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 ended 31 March 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

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

For the three months ended 31 March 2023

	NOTES	For the three months ended	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	17,707	25,220
Cost of sales		<u>(17,438)</u>	<u>(22,359)</u>
Gross profit		269	2,861
Other income		63	142
Other gains and losses		1,532	469
Selling and distribution costs		(727)	(783)
Administrative expenses		(3,171)	(3,449)
Finance costs		<u>(221)</u>	<u>(129)</u>
Loss before taxation		(2,255)	(889)
Income tax expense	4	<u>—</u>	<u>(91)</u>
Loss for the period		(2,255)	(980)
Other comprehensive income/(expense) for the period			
<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>1,214</u>	<u>(873)</u>
Total comprehensive expense for the period		<u><u>(1,041)</u></u>	<u><u>(1,853)</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	6	<u><u>(0.78)</u></u>	<u><u>(0.39)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	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/ (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (audited)	9,600	72,273	10,000	3,543	15,734	111,150
Loss for the period	–	–	–	–	(980)	(980)
Exchange differences arising on translation of foreign operations	–	–	–	(873)	–	(873)
Total comprehensive expense for the period	–	–	–	(873)	(980)	(1,853)
Issue of new shares by rights issue	4,800	15,360	–	–	–	20,160
Cost of issuance of new shares	–	(1,424)	–	–	–	(1,424)
At 31 March 2022 (unaudited)	<u>14,400</u>	<u>86,209</u>	<u>10,000</u>	<u>2,670</u>	<u>14,754</u>	<u>128,033</u>
At 1 January 2023 (audited)	14,400	83,195	10,000	(3,661)	(2,811)	101,123
Loss for the period	–	–	–	–	(2,255)	(2,255)
Exchange differences arising on translation of foreign operations	–	–	–	1,214	–	1,214
Total comprehensive expense for the period	–	–	–	1,214	(2,255)	(1,041)
Dividends paid	–	(10,080)	–	–	–	(10,080)
At 31 March 2023 (unaudited)	<u>14,400</u>	<u>73,115</u>	<u>10,000</u>	<u>(2,447)</u>	<u>(5,066)</u>	<u>90,002</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 addresses of the registered office and the principal place of business of the Company are 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 is 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 statements for the three months ended 31 March 2023 (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 judgements, 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 judgements 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 2022.

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 manufactured aluminum electrolytic capacitors and trading of electronic components for the three months ended 31 March 2023.

An analysis of the Group's revenue for the three months ended 31 March 2023 is as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of manufactured aluminum electrolytic capacitors	14,525	19,469
Trading of electronic components	3,182	5,751
	<u>17,707</u>	<u>25,220</u>

4. INCOME TAX EXPENSE

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax	—	91
	<u>—</u>	<u>91</u>

No provision for taxation in Hong Kong has been made for both periods as the Company and its subsidiaries incorporated in Hong Kong has 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, the tax rate of the PRC subsidiaries is 25% for both periods. 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. DIVIDEND

On 9 November 2022, the Board recommended the payment of a special dividend of 3.5 HK cents per ordinary share, amounting to HK\$10,080,000, in respect of the nine months ended 30 September 2022. This special dividend had been approved by the shareholders in the extraordinary general meeting on 5 January 2023 and was paid to the shareholders of the Company on 9 February 2023.

No dividend has been proposed for the three months ended 31 March 2023 (for the three months ended 31 March 2022: HK\$Nil).

6. LOSS PER SHARE

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

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the period)	<u><u>(2,255)</u></u>	<u><u>(980)</u></u>
	Three months ended 31 March	
	2023	2022
	Number of	Number of
	shares	shares
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>288,000,000</u></u>	<u><u>251,675,676</u></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 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\$18.6 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 per share for both periods have taken into account the share consolidation and bonus elements of the right issue which were completed during the year ended 31 December 2022.

No diluted loss 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 flat demand on traditional electronic components weakened both local and global consumption market and posed a negative impact on the sales of the Group. The revenue of the Group for the three months ended 31 March 2023 decreased by approximately 29.8% to approximately HK\$17.7 million from approximately HK\$25.2 million for the three months ended 31 March 2022 as the Group adopted a more aggressive pricing approach in order to maintain market share. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors decreased to approximately HK\$14.5 million for the three months ended 31 March 2023 from approximately HK\$19.5 million for the three months ended 31 March 2022.

The gross profit of the Group decreased by approximately HK\$2.6 million to approximately HK\$0.3 million for the three months ended 31 March 2023 from approximately HK\$2.9 million for the three months ended 31 March 2022 as a result of fierce price competition and higher operating costs. 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.

PROSPECTS

We expect the cost of operating will continue to maintain at a high level which will become more challenging for us. The Group will remain conservative towards the overall business environment for the coming periods and to take steps to respond to the environment, including diversifying the procurement routes and/or to relocate the manufacturing activities to another low-cost city or province to reduce costs. Moving forward, the Group will continue to take steps to strengthen the production and sales capabilities in the markets and will take advantage of stepping up development of highly competitive products.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$17.7 million for the three months ended 31 March 2023 and approximately HK\$25.2 million for the corresponding period in 2022, representing a decrease of approximately HK\$7.5 million. The main reason for the decrease was attributable to flat demand on traditional electronic components and excess supply caused fierce price competition and high raw material and operating cost. The Group adopted a more aggressive pricing approach and sacrificed short-term gross profit margin to maintain market share.

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\$17.4 million for the three months ended 31 March 2023 from approximately HK\$22.4 million for the three months ended 31 March 2022, representing a decrease of approximately 22.0%. The Group's cost of sales decreased along with the decline in revenue for the three months ended 31 March 2023.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$0.3 million for the three months ended 31 March 2023 from approximately HK\$2.9 million for the three months ended 31 March 2022, representing a decrease of approximately 90.6%. The Group's gross profit margin decreased to approximately 1.5% for the three months ended 31 March 2023 from approximately 11.3% for the three months ended 31 March 2022. Such decrease was mainly due to the high production costs and the continuous increase of cost of operating. Also, the Group adopted a more aggressive pricing approach in order to maintain the market share.

Other gains and losses

The net amount increased from approximately gain of HK\$0.5 million for the three months ended 31 March 2022 to approximately gain of HK\$1.5 million for the three months ended 31 March 2023. It mainly represented effect from the fair value gain on the equity investments at fair value through profit or loss increased from approximately of HK\$0.5 million for the three month ended 31 March 2022 to approximately of HK\$1.5 million for the three month ended 31 March 2023.

Selling and distribution costs

The Group's selling and distribution costs decreased to approximately HK\$0.7 million for the three months ended 31 March 2023 from approximately HK\$0.8 million for the three months ended 31 March 2022, representing a decrease of approximately HK\$0.1 million. This decrease was mainly due to decrease in 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 decreased to approximately HK\$3.2 million for the three months ended 31 March 2023 from approximately HK\$3.4 million for the three months ended 31 March 2022, representing a decrease of approximately HK\$0.2 million. Such decrease was mainly due to the decrease in advertising and entertainment expenses.

Income tax expenses

Income tax expenses decreased from approximately HK\$0.1 million for the three months ended 31 March 2022 to HK\$Nil for the three months ended 31 March 2023.

Loss for the period

The Group recorded a loss for the period of approximately HK\$2.3 million for the three months ended 31 March 2023, as compared with the loss for the period for the three months ended 31 March 2022 of approximately HK\$1.0 million, representing the loss enlarged of approximately HK\$1.3 million. Such decrease was mainly because of the decrease in gross profit of approximately HK\$2.6 million for the three months ended 31 March 2023 as compared to the corresponding period in 2022.

Basic loss per share

The Company recorded basic loss per share for the three months ended 31 March 2023 of approximately 0.78 HK cents and approximately 0.39 HK cents for the three months ended 31 March 2022.

RESERVES

Movements in the reserves of the Group for the three months ended 31 March 2023 are set out above in the unaudited condensed consolidated statement of changes in equity.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (for the three months ended 31 March 2022: HK\$Nil).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any significant capital commitments (31 March 2022: HK\$1.0 million).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the three months ended 31 March 2023.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2023 and 2022.

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 31 March 2023, 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 Henry	Beneficial owner	7,610,000 (L)	2.64%
(“ Mr. Boon ”) (Note 2)	Interest in a controlled corporation	180,000,000 (L)	62.50%

(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. Mr. Boon also directly held 7,610,000 Shares of the Company.

Save as disclosed above, as at 31 March 2023, 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 31 March 2023, 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 positions in the Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of shareholding in the Company
Vertical Investment <i>(Note 2)</i>	Beneficial owner	180,000,000 (L)	62.50%
Ms. Sun Koon Kwan (“Ms. Sun”) <i>(Note 3)</i>	Interest of spouse	187,610,000 (L)	65.14%

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 31 March 2023, 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 three months ended 31 March 2023.

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 three months ended 31 March 2023, 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 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.

During the three months ended 31 March 2023, 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 three months ended 31 March 2023.

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 65.14% of the issued share capital of the Company.

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

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 three months ended 31 March 2023.

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

Hong Kong, 8 May 2023

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 for at least seven days from the date of its publication. This announcement will also be published on the website of the Company at www.verticaltech.com.cn.