



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

THIRD QUARTERLY REPORT 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, 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 report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Boon Ho Yin Henry (*Chairman and Chief Executive Officer*)

Ms. Chow Cheung Chu

Independent Non-executive Directors

Mr. Liu Kwan

Mr. Chik Kin Man Paul

Mr. Wong Wai Leung

BOARD COMMITTEES

Audit Committee

Mr. Wong Wai Leung (*Chairman*)

Mr. Liu Kwan

Mr. Chik Kin Man Paul

Remuneration Committee

Mr. Chik Kin Man Paul (*Chairman*)

Mr. Liu Kwan

Mr. Boon Ho Yin Henry

Nomination Committee

Mr. Boon Ho Yin Henry (*Chairman*)

Mr. Liu Kwan

Mr. Chik Kin Man Paul

COMPLIANCE OFFICER

Mr. Boon Ho Yin Henry

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2212, 22/F

Global Gateway Tower

63 Wing Hong Street

Cheung Sha Wan

Hong Kong

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUTHORISED REPRESENTATIVES

Mr. Boon Ho Yin Henry

Ms. Cheung Yuet Fan

AUDITORS

Baker Tilly Hong Kong Limited

2nd Floor

625 King's Road

North Point

Hong Kong

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THE CAYMAN ISLANDS**

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**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER
OFFICE**

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Central
Hong Kong

COMPANY WEBSITE ADDRESS

www.verticaltech.com.cn

STOCK CODE

8375

FINANCIAL HIGHLIGHTS

- For the nine months ended 30 September 2021, revenue of the Group was approximately HK\$103.0 million, representing an increase of approximately 55.9% as compared to the corresponding period in 2020.
- The Group's gross profit margin was approximately 17.9% for the nine months ended 30 September 2021 and approximately 14.2% for the nine months ended 30 September 2020.
- Basic earnings per share for the nine months ended 30 September 2021 was approximately 0.47 HK cents and basic loss per share for the nine months ended 30 September 2020 was approximately 0.15 HK cents.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: HK\$Nil). On 19 March 2021, the Board recommended the payment of a final dividend of 0.15 HK cents per Share, amounting to HK\$1.44 million, in respect of the year ended 31 December 2020 (for the year ended 31 December 2019: 0.2 HK cents per Share). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 31 May 2021 and was paid to the shareholders of the Company on 2 July 2021.

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 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

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

For the three months and nine months ended 30 September 2021

	NOTES	For the three months ended 30 September		For the nine months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	37,099	28,468	102,991	66,053
Cost of sales		(30,899)	(24,574)	(84,597)	(56,658)
Gross profit		6,200	3,894	18,394	9,395
Other income		404	430	813	1,297
Other gains and losses		(123)	(420)	(222)	(253)
Selling and distribution costs		(1,085)	(853)	(3,086)	(2,082)
Administrative expenses		(2,828)	(2,353)	(9,366)	(8,580)
Finance costs		(132)	(78)	(321)	(297)
Profit (loss) before taxation		2,436	620	6,212	(520)
Income tax expense	4	(836)	(372)	(1,903)	(686)
Profit (loss) for the period		1,600	248	4,309	(1,206)
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		503	(307)	739	(1,283)
Total comprehensive income/ (expense) for the period		2,103	(59)	5,048	(2,489)
Earnings (loss) per share — basic and diluted <i>(Hong Kong cents)</i>	6	0.17	0.03	0.47	(0.15)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note i)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	8,000	69,172	10,000	(3,775)	9,853	93,250
Loss for the period	—	—	—	—	(1,206)	(1,206)
Exchange differences arising on translation of foreign operations	—	—	—	(1,283)	—	(1,283)
Dividends recognised as distribution	—	—	—	—	(1,600)	(1,600)
Total comprehensive expense for the period	—	—	—	(1,283)	(2,806)	(4,089)
At 30 September 2020 (unaudited)	8,000	69,172	10,000	(5,058)	7,047	89,161
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)	9,600	72,273	10,000	1,867	14,966	108,706

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 2021 (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 2020.

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 aluminum electrolytic capacitors and electronic components for the nine months ended 30 September 2021.

An analysis of the Group's revenue for the three months and nine months ended 30 September 2021 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Sales of self-manufactured aluminum electrolytic capacitors	29,241	25,700	81,986	52,790
Trading of aluminum electrolytic capacitors and electronic components	7,857	2,768	21,005	13,263
	37,098	28,468	102,991	66,053

4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
The charge comprises:				
Current tax				
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	836	372	1,903	686

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

No dividend has been paid or declared by the Company for both periods.

On 19 March 2021, the Board recommended the payment of a final dividend of 0.15 HK cents per Share, amounting to HK\$1.44 million, in respect of the year ended 31 December 2020 (for the year ended 31 December 2019: 0.2 HK cents per Share). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 31 May 2021 and was paid to the shareholders of the Company on 2 July 2021.

6. EARNINGS (LOSS) PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Earnings (loss):				
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	1,600	248	4,309	(1,206)

	Three months ended 30 September		Nine months ended 30 September	
	2021 <i>Number of Shares</i> (unaudited)	2020 <i>Number of Shares</i> (unaudited)	2021 <i>Number of Shares</i> (unaudited)	2020 <i>Number of Shares</i> (unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	960,000,000	800,000,000	908,424,908	800,000,000

On 30 March 2021, 160,000,000 placing shares of the Company have been successfully placed by Kingsway Financial Services Group Limited (the “**Placing Agent**”). Details are set out in the Company’s announcement dated 30 March 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components, including semiconductor devices and passive components.

The business environment and economy recovered gradually from the impact of the COVID-19 pandemic leads to the increase in the demand of the Group's products.

For the nine months ended 30 September 2021, the revenue of the Group increased by approximately 55.9% to approximately HK\$103.0 million from approximately HK\$66.1 million for the nine months ended 30 September 2020. The gross profit of the Group increased by approximately HK\$9.0 million to approximately HK\$18.4 million for the nine months ended 30 September 2021 from approximately HK\$9.4 million for the nine months ended 30 September 2020.

Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitor products increased substantially from approximately HK\$52.8 million for the nine months ended 30 September 2020 to approximately HK\$82.0 million for the nine months ended 30 September 2021. To cope with the challenging business environment, while the Group continuously secured more orders from its customers for its manufactured products, it also enhanced business exposure and maintained a growth in revenue.

PROSPECTS

The current economic uncertainty is expected to continue. The Group is closely monitoring the market development 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\$103.0 million for the nine months ended 30 September 2021 from approximately HK\$66.1 million for the corresponding period in 2020, representing an increase of approximately 55.9%. Such increase in the Group's revenue was mainly attributable to the increase in the demand of the Group's products as economy recovered gradually from the impact of the COVID-19 pandemic.

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\$84.6 million for the nine months ended 30 September 2021 from approximately HK\$56.7 million for the nine months ended 30 September 2020. The Group's cost of sales increased along with the growth in revenue for the nine months ended 30 September 2021.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$18.4 million for the nine months ended 30 September 2021 from approximately HK\$9.4 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$9.0 million. The Group's gross profit margin increased from approximately 14.2% for the nine months ended 30 September 2020 to approximately 17.9% for the nine months ended 30 September 2021. The increase was mainly due to the increase demand for the Group's self-manufactured products.

Selling and distribution costs

The Group's selling and distribution costs increased to approximately HK\$3.1 million for the nine months ended 30 September 2021 from approximately HK\$2.1 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$1.0 million. The increase was mainly due to increase in salaries, 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\$9.4 million for the nine months ended 30 September 2021 from approximately HK\$8.6 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$0.8 million. Such increase was mainly due to the increase in advertising and promotion fee.

Income tax expense

Income tax expense increased by approximately HK\$1.2 million, from approximately HK\$0.7 million for the nine months ended 30 September 2020 to approximately HK\$1.9 million for the nine months ended 30 September 2021.

Profit (loss) for the period

The Group recorded a profit for the period of approximately HK\$4.3 million for the nine months ended 30 September 2021, as compared with the loss for the period for the nine months ended 30 September 2020 of approximately HK\$1.2 million. Such increase was mainly due to an increase in revenue and gross profit of approximately HK\$36.9 million and HK\$9.0 million respectively for the nine months ended 30 September 2021 as compared to the corresponding period in 2020.

Basic earnings (loss) per share

The Group recorded basic earnings per share of approximately 0.47 HK cents for the nine months ended 30 September 2021 as compared with basic loss per share of approximately 0.15 HK cents for the nine months ended 30 September 2020, representing an increase of approximately 0.62 HK cents.

RESERVES

Movements in the reserves of the Group for the nine months ended 30 September 2021 are set out in the unaudited condensed consolidated statement of changes in equity.

DIVIDEND

No dividend was paid, proposed or declared for the ordinary shareholders of the Company for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: HK\$Nil).

On 19 March 2021, the Board recommended the payment of a final dividend of 0.15 HK cents per Share, amounting to HK\$1.44 million, in respect of the year ended 31 December 2020 (for the year ended 31 December 2019: 0.2 HK cents per Share). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 31 May 2021 and was paid to the shareholders of the Company on 2 July 2021.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounting to approximately HK\$1.0 million (30 September 2020: HK\$539,000). Such commitments primarily related to purchase 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 2021.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2021 and 2020.



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 2021, 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 <i>(Note 1)</i>	Percentage of shareholding in the Company
Mr. Boon Ho Yin Henry ("Mr. Boon") <i>(Note 2)</i>	Interest in a controlled corporation	600,000,000 (L)	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 600,000,000 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 2021, 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 2021, 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

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	600,000,000 (L)	62.5%
Ms. Sun Koon Kwan <i>("Ms. Sun") (Note 3)</i>	Interest of spouse	600,000,000 (L)	62.5%

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 2021, 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 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2021, 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.

During the nine months ended 30 September 2021, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision A.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 A.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 2021.

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 C.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 2021.

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

Hong Kong, 5 November 2021