

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



2022 FIRST QUARTERLY REPORT

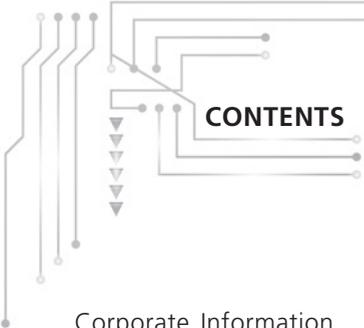
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

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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

AUDITOR

Baker Tilly Hong Kong Limited

2nd Floor, Foyer

625 King's Road

North Point

Hong Kong



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Cayman Islands

**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

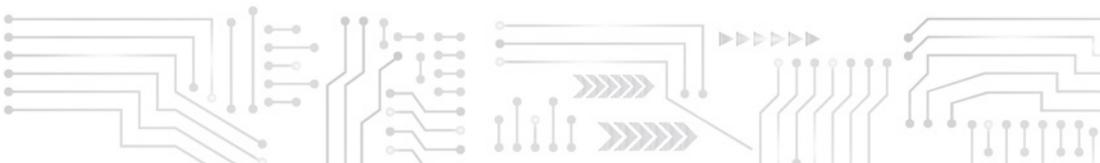
The Hongkong and Shanghai Banking
Corporation Limited
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Central
Hong Kong

COMPANY WEBSITE

www.verticaltech.com.cn

STOCK CODE

8375



FINANCIAL HIGHLIGHTS

- For the three months ended 31 March 2022, the Group's revenue amounted to approximately HK\$25.2 million, representing a decrease of approximately HK\$0.3 million as compared to the corresponding period in 2021.
- The Group's gross profit margin was approximately 11.3% for the three months ended 31 March 2022 and approximately 15.6% for the three months ended 31 March 2021.
- Loss for the period for the three months ended 31 March 2022 amounted to approximately HK\$1.0 million and approximately HK\$0.4 million for the three months ended 31 March 2021.
- Basic loss per share for the three months ended 31 March 2022 was approximately 0.39 HK cents (31 March 2021 (restated): 0.22 HK cents).
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2022. During the three months ended 31 March 2021, no dividend was paid or declared.



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 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 ended 31 March 2022

	NOTES	For the three months ended 31 March	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	25,220	25,530
Cost of sales		(22,359)	(21,543)
Gross profit		2,861	3,987
Other income		142	357
Other gains and losses		469	(45)
Selling and distribution costs		(783)	(950)
Administrative expenses		(3,449)	(3,394)
Finance costs		(129)	(56)
Loss before taxation		(889)	(101)
Income tax expense	4	(91)	(275)
Loss for the period		(980)	(376)
Other comprehensive 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		(873)	(284)
Total comprehensive expense for the period		(1,853)	(660)
		<i>HK cents</i>	<i>HK cents</i> (restated)
Loss per share			
Basic and diluted	6	(0.39)	(0.22)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	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 2021 (audited)	8,000	67,572	10,000	1,128	10,657	97,357
Loss for the period	—	—	—	—	(376)	(376)
Exchange differences arising on translation of foreign operations	—	—	—	(284)	—	(284)
Total comprehensive expense for the period	—	—	—	(284)	(376)	(660)
Issue of new shares by placing	1,600	6,560	—	—	—	8,160
Cost of issuance of new shares	—	(409)	—	—	—	(409)
At 31 March 2021 (unaudited)	9,600	73,723	10,000	844	10,281	104,448
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 upon rights issue	4,800	15,360	—	—	—	20,160
Cost of issuance of new shares	—	(1,424)	—	—	—	(1,424)
At 31 March 2022 (unaudited)	14,400	86,209	10,000	2,670	14,754	128,033

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 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 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 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 manufactured aluminum electrolytic capacitors and trading of electronic components for the three months ended 31 March 2022.

An analysis of the Group's revenue for the three months ended 31 March 2022 is as follows:

	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sale of manufactured aluminum electrolytic capacitors	19,469	20,430
Trading of electronic components	5,751	5,100
	25,220	25,530

4. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax	91	275

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

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

6. LOSS PER SHARE

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

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the period)	(980)	(376)

	Three months ended 31 March	
	2022	2021
	Number of shares	Number of shares
	(unaudited)	(unaudited) (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	251,675,676	172,655,856

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\$18.7 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 the period ended 31 March 2021 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue.

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, and to expand its overall business with key and new customers and adopted a more aggressive pricing strategy to increase its market share.

The revenue of the Group remained relatively stable at approximately HK\$25.2 million for the three months ended 31 March 2022 and approximately HK\$25.5 million for the three months ended 31 March 2021. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors remained steady at approximately HK\$19.5 million for the three months ended 31 March 2022 and approximately HK\$20.4 million for the three months ended 31 March 2021. The cost of raw material continued to increase. The gross profits of the Group decreased by approximately 27.5% to approximately HK\$2.9 million for the three months ended 31 March 2022 from approximately HK\$4.0 million for the three months ended 31 March 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 and closely observes the future development direction of the market to research and develop products continuously in order to satisfy the needs for future development in the industry and continuously evaluating the financial impact of the challenging business environment on the Group's operational and financial performance.



FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$25.2 million for the three months ended 31 March 2022 and approximately HK\$25.5 million for the corresponding period in 2021, representing a slightly decrease of approximately HK\$0.3 million.

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\$22.4 million for the three months ended 31 March 2022 from approximately HK\$21.5 million for the three months ended 31 March 2021, representing an increase of approximately 3.8%. The Group's cost of sales increased mainly due to the price of raw materials increased continuously.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$2.9 million for the three months ended 31 March 2022 from approximately HK\$4.0 million for the three months ended 31 March 2021, representing a decrease of approximately 27.5%. The Group's gross profit margin decreased to approximately 11.3% for the three months ended 31 March 2022 from approximately 15.6% for the three months ended 31 March 2021. Such decreases were due to the increase in cost of raw materials and fixed manufacturing cost were not decreased in line with revenue for the three months ended 31 March 2022.

Selling and distribution costs

The Group's selling and distribution costs decreased to approximately HK\$0.8 million for the three months ended 31 March 2022 from approximately HK\$1.0 million for the three months ended 31 March 2021, representing a decrease of approximately HK\$0.2 million. This decrease was mainly due to decrease in sales commission paid.



Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, office supplies, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous, general and administrative expenses. Administrative expenses remained at approximately HK\$3.4 million for the three months ended 31 March 2022 and 2021.

Income tax expenses

Income tax expenses decreased by approximately HK\$0.2 million, from approximately HK\$0.3 million for the three months ended 31 March 2021 to approximately HK\$0.1 million for the three months ended 31 March 2022.

Loss for the period

The Group recorded a loss for the period of approximately HK\$1.0 million for the three months ended 31 March 2022, as compared with the loss for the period for the three months ended 31 March 2021 of approximately HK\$0.3 million, representing the loss enlarged of approximately HK\$0.7 million. Such decrease was mainly because of the decrease in gross profit of approximately HK\$1.1 million for the three months ended 31 March 2022 as compared to the corresponding period in 2021.

Basic loss per share

The Company recorded basic loss per share for the three months ended 31 March 2022 of approximately 0.39 HK cents and approximately 0.22 HK cents (restated) for the three months ended 31 March 2021.

RESERVES

Movements in the reserves of the Group for the three months ended 31 March 2022 are set out above 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 three months ended 31 March 2022 (for the three months ended 31 March 2021: HK\$Nil).

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounting to approximately HK\$1.0 million (31 March 2021: HK\$Nil). Such commitments primarily related to purchases of equipment and machineries for the expansion of the Group's production capacity.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the three months ended 31 March 2022.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 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 31 March 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 Henry ("Mr. Boon") (Note 2)	Interest in a controlled corporation	180,000,000 (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 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 31 March 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 31 March 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 positions in the Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company
Vertical Investment (Note 2)	Beneficial owner	180,000,000 (L)	62.5%
Ms. Sun Koon Kwan (" Ms. Sun ") (Note 3)	Interest of spouse	180,000,000 (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 31 March 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 three months ended 31 March 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 three months ended 31 March 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 the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

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

During the three months ended 31 March 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 three months ended 31 March 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 announcement 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\$18.7 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 report, Mr. Boon indirectly holds 62.5% 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 2022.

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

Hong Kong, 6 May 2022

