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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)

(1) ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE, RULE 17.10 OF THE GEM LISTING RULES AND INSIDE INFORMATION PROVISIONS UNDER PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE; AND (2) RESUMPTION OF TRADING

This announcement is made by Vertical International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 3.7 of The Codes on Takeovers and Mergers (the “**Takeovers Code**”), Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors of the Company (the “**Director(s)**”) was informed by Vertical Technology Investment Limited (“**Potential Vendor A**”), the controlling shareholder of the Company holding 180,000,000 shares of the Company, representing 62.50% of the issued shares of the Company (the “**Shares**”) and Mr. Boon Ho Yin Henry (“**Potential Vendor B**”, together with Potential Vendor A, known as the “**Potential Vendors**”), holding 7,840,000 Shares, representing 2.72% of the Shares (as at the date of this announcement) that on 21 December 2023 (after trading hours), a memorandum of understanding (the “**Memorandum**”) was entered into between the Potential Vendors and Henan Lixuan Network Technology Co., Ltd.* (河南麗軒網路科技有限公司) (the “**Potential Purchaser**”), pursuant to which the Potential Vendors may sell, and the Potential Purchaser may purchase, 187,840,000 Shares (the “**Potential Sale Shares**”), representing 65.22% of the issued Shares as at the date of this announcement (the “**Possible Transaction**”).

As at the date of this announcement, Potential Vendor A is wholly-owned by Mr. Boon Ho Yin Henry, an executive Director of the Company.

The Potential Purchaser, a company incorporated in the PRC with limited liability, is owned as to 90% and 10% of the equity interest by Mr. Geng Nan (耿楠) and Ms. Zhao Baoqin (趙寶琴). The Potential Purchaser, Mr. Geng Nan and Ms. Zhao Baoqin are independent third parties, not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

The Possible Transaction, if materialised, will lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued Shares (other than those already owned by or agreed to be acquired by the Potential Purchaser or parties acting in concert with it) will be triggered under Rule 26 of the Takeovers Code.

Deposit

Pursuant to the Memorandum, the non-refundable deposit in the amount of HK\$3 million (the “**Deposit**”) shall be payable by the Potential Purchaser to the Potential Vendors upon the date of the Memorandum. If the parties proceed with the Possible Transaction, the Deposit can be used to satisfy part of the consideration to be paid by the Potential Purchaser under the Possible Transaction. As informed by the Potential Vendors, the Deposit has been received from the Potential Purchaser.

Due diligence

Pursuant to the terms of the Memorandum, the Potential Purchaser is entitled to conduct due diligence review on the business, operations, financial and legal affairs of the Group; and the Potential Vendors shall use their best endeavours to provide and procure its agents to provide the Potential Purchaser in connection with the due diligence review within a reasonable time.

Exclusivity

Pursuant to the terms of the Memorandum, the Potential Purchaser has been granted an exclusivity period of 90 days upon the date of the Memorandum (the “**Exclusivity Period**”). During the Exclusivity Period, Potential Vendor B, Potential Vendor A and their group companies, and Potential Vendor A’s directors, officers, employees, representatives and agents will not, directly or indirectly, during the Exclusivity Period (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or memorandum of understanding with, any third parties (other than the Potential Purchaser).

Binding effect

The Memorandum is an expression of the parties’ intention as to further negotiations. Accordingly, save for terms relating to the Deposit, exclusivity, due diligence, confidentiality, termination, notices, costs, legal effect, counterparts and governing law and jurisdiction, the Memorandum shall create no legal and binding obligations on the Potential Vendors and the Potential Purchaser.

Formal agreement

Pursuant to the Memorandum, the parties to the Memorandum will use reasonable effort to negotiate and enter into a formal sale and purchase agreement on or before 90 days upon the date of the Memorandum (or such later date as may be agreed in writing between the Potential Vendors and the Potential Purchaser), failing which the Memorandum will lapse and each party shall have no claim against the other.

SECURITIES OF THE COMPANY

As at the date of this announcement, the Company has a total of 288,000,000 Shares in issue and does not have any other outstanding convertible securities, options and warrants.

Save as disclosed above, there are no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue as at the date of this announcement.

DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period commences from the date of this announcement, being 27 December 2023.

In accordance with Rule 3.8 of the Takeovers Code, respective associates (as defined in the Takeovers Code and including, among others, any person who owns or controls 5% or more of any class of relevant securities of the Company or the Potential Purchaser) of the Company and the Potential Purchaser are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

TRADING HALT AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Friday, 22 December 2023 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 27 December 2023.

MONTHLY UPDATES

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions in relation to the Possible Transaction will be made until an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made as and when necessary in accordance with the GEM Listing Rules and the Takeovers Code (if applicable).

WARNING: THERE IS NO ASSURANCE THAT THE POSSIBLE TRANSACTION REFERRED TO IN THIS ANNOUNCEMENT WILL MATERIALISE OR EVENTUALLY BE CONSUMMATED, OR THAT IF CONSUMMATED, AT WHAT PRICE. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE COMPLETION OF THE POSSIBLE TRANSACTION IS SUBJECT TO ENTERING INTO OF A FORMAL AGREEMENT AND THE SATISFACTION (OR WAIVER AS APPLICABLE) OF SUCH CONDITIONS PRECEDENT AS MAY BE SPECIFIED THEREIN. THE DISCUSSION IN RELATION TO THE POSSIBLE TRANSACTION MAY OR MAY NOT PROCEED, AND THE TERMS OF THE POSSIBLE TRANSACTION ARE SUBJECT TO NEGOTIATION BETWEEN THE POTENTIAL VENDORS AND THE POTENTIAL PURCHASER. AS SUCH, THE DISCUSSIONS MAY OR MAY NOT LEAD TO THE POSSIBLE TRANSACTION TAKING PLACE. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE EXTREME CAUTION WHEN DEALING IN THE SHARES. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE AND ABOUT THEIR POSITION SHOULD CONSULT THEIR STOCKBROKER, LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.

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

Hong Kong, 27 December 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.

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

This announcement will remain on the “Latest Listed Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.verticaltech.com.cn.