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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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

- The Group’s revenue amounted to approximately HK\$84.3 million for the year ended 31 December 2023, representing a decrease of approximately HK\$2.1 million or 2.4% as compared to approximately HK\$86.4 million for the year ended 31 December 2022.
- The Group’s gross profit margin increased from approximately 5.9% for the year ended 31 December 2022 to approximately 7.3% for the year ended 31 December 2023.
- Loss for the year ended 31 December 2023 amounted to approximately HK\$12.2 million, representing a decrease of loss of approximately HK\$6.3 million as compared to the loss for the year ended 31 December 2022 of approximately HK\$18.5 million.
- The Group recorded basic loss per share for the year ended 31 December 2023 of approximately 4.23 HK cents as compared with basic loss per share of approximately 6.71 HK cents for the year ended 31 December 2022.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (dividend for the year ended 31 December 2022: HK\$Nil).

The board of the Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 together with the comparative audited figures for the corresponding period in 2022 as follows:

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

*For the year ended 31 December 2023*

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>84,262</b>	86,371
Cost of sales		<u>(78,139)</u>	<u>(81,313)</u>
<b>Gross profit</b>		<b>6,123</b>	5,058
Other income		<b>502</b>	1,220
Other gains and losses		<b>(2,005)</b>	(5,632)
Selling and distribution costs		<b>(2,753)</b>	(2,862)
Administrative expenses		<b>(13,073)</b>	(16,177)
Finance costs		<u>(644)</u>	<u>(635)</u>
<b>Loss before taxation</b>		<b>(11,850)</b>	(19,028)
Income tax (expense)/credit	4	<u>(338)</u>	482
<b>Loss for the year</b>		<u><b>(12,188)</b></u>	<u>(18,546)</u>
<b>Other comprehensive expense for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations, net of nil tax		<u>(2,236)</u>	<u>(7,203)</u>
<b>Total comprehensive expense for the year</b>		<u><b>(14,424)</b></u>	<u>(25,749)</u>
<b>Loss per share</b>		<i>HK cents</i>	<i>HK cents</i>
<b>Basic and diluted</b>	6	<u><b>(4.23)</b></u>	<u>(6.71)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		39,082	44,959
Right-of-use assets		1,338	1,298
Intangible assets		—	—
		<u>40,420</u>	<u>46,257</u>
<b>Current assets</b>			
Inventories		7,642	11,800
Trade and bills receivables	7	27,385	25,121
Bills receivables at fair value through other comprehensive income	8	1,975	3,585
Financial assets at fair value through profit or loss		4,883	1,935
Deposits, prepayments and other receivables		1,705	2,803
Bank balances and cash		23,591	42,162
		<u>67,181</u>	<u>87,406</u>
<b>Current liabilities</b>			
Trade payables	9	18,127	12,494
Other payables and accruals		4,189	5,336
Tax payable		36	83
Lease liabilities		1,485	1,271
Borrowings		7,146	13,315
		<u>30,983</u>	<u>32,499</u>
<b>Net current assets</b>		<u>36,198</u>	<u>54,907</u>
<b>Total assets less current liabilities</b>		<u>76,618</u>	<u>101,164</u>
<b>Non-current liability</b>			
Lease liabilities		—	42
<b>NET ASSETS</b>		<u>76,618</u>	<u>101,122</u>
<b>Capital and reserves</b>			
Share capital		14,400	14,400
Reserves		62,218	86,722
<b>TOTAL EQUITY</b>		<u>76,618</u>	<u>101,122</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 COMPANY INFORMATION

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 Company has its registered office and 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.

At 31 December 2023, the immediate and ultimate holding company of the Company is Vertical Technology Investment Limited, a company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Boon Ho Yin Henry, who is also the chairman and chief executive officer of the Company.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to nearest thousands of Hong Kong dollars (“**HK\$’000**”) except when otherwise indicated.

## 2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) AND CHANGES IN OTHER ACCOUNTING POLICIES

### (a) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

## ***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies to the consolidated financial statements.

## ***Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong***

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The abolition of the offsetting mechanism did not have a material impact on the Group’s result and financial position.

### 3 REVENUE AND SEGMENT INFORMATION

#### **Performance obligation for contracts with customers and revenue recognition policies**

Revenue is derived from the sales of manufactured aluminum electrolytic capacitors and trading of electronic components. The Group satisfied its performance obligation when the control of the manufactured goods or trading goods has been transferred, being when they are delivered to the customers' specific location. The customers have neither rights to return nor rights to defer or avoid payment for goods once they are accepted by the customers. Revenue from contracts with customers is recognised at a point in time and is consistent with the segment revenue information that is disclosed for each reportable segment under HKFRS 8 "Operating Segments".

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

**(i) Sales of manufactured aluminum electrolytic capacitors**

Sales of manufactured aluminum electrolytic capacitors represents the manufacturing and selling of chip type and radial lead type aluminum electrolytic capacitors in the People's Republic of China (the "PRC").

**(ii) Trading of electronic components**

Trading of electronic components represents trading of a wider range of lighting products and electronic components including integrated circuits and semi-conductors such as diodes and transistors in Hong Kong and the PRC.

During the years ended 31 December 2023 and 2022, all performance obligations for contracts of sales of manufactured aluminum electrolytic capacitors and trading of electronic components are expected to fulfil in a period of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2023 and 2022 is not disclosed.

## Segment results

Segment results represents the profit earned by each segment without allocation of unallocated expenses (including administrative expenses and selling and distribution costs), other income, other gains and losses, finance costs and income tax expense/(credit). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### For the year ended 31 December 2023

	Sales of manufactured aluminum electrolytic capacitors <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue under HKFRS 15</b>			
External sales	<u>73,615</u>	<u>10,647</u>	<u>84,262</u>
<b>Results</b>			
Segment profit	<u><u>5,738</u></u>	<u><u>385</u></u>	6,123
Unallocated expenses			(15,826)
Other income			502
Other gains and losses			(2,005)
Finance costs			<u>(644)</u>
Loss before taxation			<u><u>(11,850)</u></u>

### For the year ended 31 December 2022

	Sales of manufactured aluminum electrolytic capacitors <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue under HKFRS 15</b>			
External sales	<u>69,610</u>	<u>16,761</u>	<u>86,371</u>
<b>Results</b>			
Segment profit	<u><u>3,457</u></u>	<u><u>1,601</u></u>	5,058
Unallocated expenses			(19,039)
Other income			1,220
Other gains and losses			(5,632)
Finance costs			<u>(635)</u>
Loss before taxation			<u><u>(19,028)</u></u>

There were no inter-segment sales in both years.

## Geographical information

The following table provides an analysis of the Group's revenue from external customers by the location of customers:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	<b>2,807</b>	1,038
PRC	<b>71,717</b>	69,975
Japan	<b>9,653</b>	15,294
Other Asian regions ( <i>note</i> )	<b>85</b>	64
	<b>84,262</b>	86,371

*Note:* Revenue generated from Asian regions, other than Hong Kong, the PRC and Japan, are mainly derived from sales to Vietnam and Macau based customers.

The following is an analysis of the carrying amounts of the Group's non-current assets (i.e. property, plant and equipment and right-of-use assets), analysed by the geographical area in which the assets are located:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	<b>5,639</b>	7,051
PRC	<b>34,781</b>	39,206
	<b>40,420</b>	46,257

## Information about major customers

Revenue from major customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ( <i>note 1</i> )	<b>9,653</b>	15,294
Customer B ( <i>note 2</i> )	<b>11,985</b>	10,285
Customer C ( <i>note 2</i> )	<b>11,861</b>	8,337

*Note 1:* Revenue from trading of electronic components.

*Note 2:* Revenue from sales of manufactured aluminum electrolytic capacitors.

#### 4 INCOME TAX

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
PRC Enterprise Income Tax		
– Current tax	<b>67</b>	–
– Over provision in respect of prior years, net	<b>(163)</b>	(844)
– PRC withholding tax	<b>434</b>	362
	<u><b>338</b></u>	<u>(482)</u>

No provision for taxation in Hong Kong has been made for the year (2022: HK\$Nil) as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for the year.

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 years.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary 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 is entitled to a preferential tax rate of 15% since 2016.

The Group is subjected to PRC withholding tax of 5% on dividend income from PRC subsidiaries.

The income tax expense/(credit) for the year can be reconciled to the loss before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<u><b>(11,850)</b></u>	<u>(19,028)</u>
Tax at the applicable tax rate of 15% (2022: 15%)	<b>(1,777)</b>	(2,854)
Tax effect of expenses not deductible for tax purpose	<b>574</b>	1,150
Tax effect of income not taxable for tax purpose	<b>(622)</b>	(172)
Tax effect of temporary differences not recognised	<b>(315)</b>	(979)
Tax effect of tax losses not recognised	<b>2,301</b>	2,908
Tax effect of utilisation of tax losses previously not recognised	<b>(21)</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	<b>167</b>	(53)
Tax concession	<b>(240)</b>	–
Over provision in respect of prior years, net	<b>(163)</b>	(844)
PRC withholding tax	<b>434</b>	362
	<u><b>338</b></u>	<u>(482)</u>
Actual tax expense/(credit)	<u><b>338</b></u>	<u>(482)</u>

## 5 DIVIDENDS

During the year ended 31 December 2023, no dividend has been proposed (2022: a final dividend of 1 HK cents in respect of the year ended 31 December 2021) and paid to the shareholders of the Company. The aggregate amount of final dividend paid from share premium of the Company during the year amounted to approximately HK\$Nil (2022: HK\$2,880,000).

In addition, a special dividend for the nine months ended 30 September 2022 of 3.50 HK cents per ordinary shares was approved by the shareholders in the extraordinary general meeting on 5 January 2023 and paid out at 9 February 2023 amounted to approximately HK\$10,080,000 (2022: HK\$Nil).

## 6 LOSS PER SHARE

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the purpose of calculating basic loss per share (loss for the year)	<u><u>(12,188)</u></u>	<u><u>(18,546)</u></u>
	<b>2023</b> <b>Number of</b> <b>shares</b> <b>'000</b>	2022 Number of shares '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>288,000</u></u>	<u><u>276,580</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the prior year had taken into account the share consolidation and bonus element of the rights issue which were completed during the year ended 31 December 2022.

The diluted loss per share is the same as the basic loss per share for both 2023 and 2022 as there were no potential ordinary shares in issue for both 2023 and 2022.

## 7 TRADE AND BILLS RECEIVABLES

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>26,389</b>	22,906
Less: Allowance for credit losses	<b>(287)</b>	(239)
	<b>26,102</b>	22,667
Bills receivables	<b>1,283</b>	2,454
	<b>27,385</b>	25,121

The credit period allowed by the Group to its customers was up to 30–120 days (2022: 30–120 days) from the date of issuing invoices. The following is an aged analysis of trade and bills receivables based on the dates of delivery of goods which is also the revenue recognition point, net of allowance for credit losses at the end of each reporting period:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 30 days	<b>9,315</b>	7,545
31 to 60 days	<b>9,484</b>	7,108
61 to 90 days	<b>3,148</b>	4,464
91 to 180 days	<b>2,362</b>	4,504
181 days to 1 year	<b>3,076</b>	1,500
	<b>27,385</b>	25,121

## 8 BILLS RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following is an ageing analysis of bills receivables at fair value through other comprehensive income presented based on the delivery dates at the end of the reporting period:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 30 days	–	147
31 to 60 days	<b>1,256</b>	912
61 to 90 days	–	1,217
91 to 180 days	<b>719</b>	1,309
	<b>1,975</b>	3,585

## 9 TRADE PAYABLES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<b>18,127</b>	12,494

The credit period of trade payables granted by suppliers ranged from 0 to 90 days (2022: 0 to 90 days) upon the issue of invoices.

The following is an aged analysis of trade payables based on the invoice dates.

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	<b>8,483</b>	3,040
31 to 60 days	<b>4,709</b>	3,441
61 to 90 days	<b>2,948</b>	3,769
91 to 180 days	<b>1,893</b>	1,743
181 days to 1 year	–	1
Over 1 year	<b>94</b>	500
	<b>18,127</b>	12,494

The Group's trade payables that are denominated in currency other than the functional currencies of relevant group entities are set out below:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Denominated in United States Dollars (“US\$”)	<b>2,066</b>	3,287

## **MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW**

### **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 year ended 31 December 2023 decreased by approximately 2.4% to approximately HK\$84.3 million from approximately HK\$86.4 million for the year ended 31 December 2022 as the Group adopted a more aggressive pricing approach in order to maintain the market share. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors increased to approximately HK\$73.6 million for the year ended 31 December 2023 from approximately HK\$69.6 million for the year ended 31 December 2022.

The gross profit of the Group increased by approximately HK\$1.0 million to approximately HK\$6.1 million for the year ended 31 December 2023 from approximately HK\$5.1 million for the year ended 31 December 2022 as the management has implemented multiple cost saving initiatives to reduce the production costs. The Group will continue to carefully and extensively review the current situation in relation to costs and resources deployment, and will continue 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\$84.3 million for the year ended 31 December 2023 and approximately HK\$86.4 million for the corresponding period in 2022, representing a decrease of approximately HK\$2.1 million or 2.4%. The main reason for the decrease was attributable to flat demand on traditional electronic components and excess supply caused fierce price competition. The Group adopted a more aggressive pricing approach to maintain market share.

The revenue for the sales of manufactured aluminum electrolytic capacitors increased by approximately HK\$4.0 million, from approximately HK\$69.6 million for the year ended 31 December 2022 to approximately HK\$73.6 million for the year ended 31 December 2023. The revenue derived from trading of electronic components decreased to approximately HK\$10.6 million for the year ended 31 December 2023 from approximately HK\$16.8 million for the year ended 31 December 2022.

### **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\$78.1 million for the year ended 31 December 2023 from approximately HK\$81.3 million for the year ended 31 December 2022, representing a decrease of approximately 3.9%. The Group's cost of sales decreased along with the decline in revenue for the year ended 31 December 2023.

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

The Group's gross profit increased to approximately HK\$6.1 million for the year ended 31 December 2023 from approximately HK\$5.1 million for the year ended 31 December 2022, representing an increase of approximately HK\$1.0 million. The Group's gross profit margin increased from approximately 5.9% for the year ended 31 December 2022 to approximately 7.3% for the year ended 31 December 2023. Such increase was mainly due to the management has implemented multiple cost saving initiatives to reduce the production costs.

### **Other gains and losses**

The net amount decreased from approximately loss of HK\$5.6 million for the year ended 31 December 2022 to approximately loss of HK\$2.0 million for the year ended 31 December 2023. It mainly represented effect from the fair value gain on the equity investments at fair value through profit or loss of approximately HK\$2.9 million and impairment of property, plant and equipment and right-of-use assets of approximately HK\$4.2 million in total for the year ended 31 December 2023.

### **Selling and distribution costs**

The Group's selling and distribution costs decreased to approximately HK\$2.8 million for the year ended 31 December 2023 from approximately HK\$2.9 million for the year ended 31 December 2022, representing a decrease of approximately 3.4%. The decrease was mainly due to the transportation expenses and sales commission paid decreased along with the decline in revenue.

### **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\$13.1 million for the year ended 31 December 2023 from approximately HK\$16.2 million for the year ended 31 December 2022, representing a decrease of approximately HK\$3.1 million. Such decrease was mainly due to management has implemented multiple cost saving initiatives to reduce the operation costs.

### **Income tax (expenses)/credit**

For the year ended 31 December 2023, the Group recorded income tax expenses of approximately HK\$0.3 million as compared to income tax credit of approximately HK\$0.5 million for the year ended 31 December 2022.

### **Loss for the year**

The Group recorded a loss for the year of approximately HK\$12.2 million for the year ended 31 December 2023, as compared with the loss for the year ended 31 December 2022 of approximately HK\$18.5 million. Such decrease was mainly due to a decrease in other gain and losses and administrative expenses of approximately HK\$3.6 million and HK\$3.1 million respectively for the year ended 31 December 2023 as compared to the corresponding year in 2022.

### **Basic loss per share**

The Company recorded basic loss per share for the year ended 31 December 2023 of approximately 4.23 HK cents as compared with basic loss per share of approximately 6.71 HK cents for the year ended 31 December 2022.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2023, the Group has total assets of approximately HK\$107.6 million (2022: HK\$133.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserve) of approximately HK\$31.0 million (2022: HK\$32.5 million) and approximately HK\$76.6 million (2022: HK\$101.1 million) respectively. The current ratio as at 31 December 2023 of the Group was approximately 2.2 times (2022: approximately 2.7 times).

As at 31 December 2023, the Group had cash and cash equivalents and restricted bank deposit of approximately HK\$23.6 million (2022: HK\$42.2 million).

The total interest-bearing borrowings of the Group as at 31 December 2023 was approximately HK\$7.1 million (2022: HK\$13.3 million). The gearing ratio (calculated based on lease liabilities, interest bearing bank borrowings, bills discounted with recourse and margin financing and divided by total equity) of the Group as of 31 December 2023 was 0.11 times (2022: 0.14 times).

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (dividend for the year ended 31 December 2022: HK\$Nil).

## **CAPITAL COMMITMENTS**

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

## **MATERIAL ACQUISITIONS OR DISPOSALS**

The Group did not have any material acquisition or disposal during the year ended 31 December 2023.

## **CONTINGENT LIABILITIES**

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

## **CHARGES ON GROUP'S ASSETS**

As at 31 December 2023, the leasehold land and building with the carrying value of approximately HK\$4.2 million (2022: HK\$4.4 million) is pledged to a bank to secure banking facilities granted to the Group.

## **EMPLOYEE INFORMATION**

As at 31 December 2023, the Group had 124 full-time employees (2022: 137 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2023 was approximately HK\$18.0 million (2022: HK\$20.0 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

## FOREIGN EXCHANGE EXPOSURE

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant entities comprising the Group are as follows.

	Liabilities		Assets	
	As at 31 December		As at 31 December	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	—	—	1,410	111
JPY	—	—	1,592	2,000
US\$	2,066	3,287	9,320	12,689
RMB	—	—	46	49
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

## SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group did not hold any significant investments (2022: HK\$Nil).

## EVENTS AFTER THE REPORTING PERIOD

On 21 December 2023, Mr. Boon Ho Yin Henry and Vertical Technology Investment Limited (a controlling shareholder of the Company and is wholly-owned by Mr. Boon Ho Yin Henry) (together known as, the “**Potential Vendors**”), as vendors, and Henan Lixuan Network Technology Company Limited (the “**Potential Purchaser**”), which is ultimately owned as to 90% by Mr. Geng Nan, 10% by Ms. Zhao Baoqin, as purchaser, entered into a memorandum of understanding (the “**MOU**”), which does not constitute a formal agreement in respect of a possible sale of the Potential Vendors’ interest in the Company by the Potential Vendors to the Potential Purchaser.

The MOU contemplates a possible sale of 187,840,000 shares of the Company (the “**Shares**”) held by the Potential Vendors and representing approximately 65.22% of the issued share capital of the Company as at the date of this announcement (“**Possible Transaction**”). The Potential Purchaser and its ultimate beneficial owners are independent third parties, which are not connected persons (as defined in the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined in the Listing Rules). Pursuant to the terms of the MOU, the Potential Purchaser is entitled and is conducting due diligence review on the business, operations, financial and legal affairs of the Group as at the date of this Announcement. Details of the Possible Transaction are set out in the announcement of the Company dated 27 December 2023, 26 January 2024 and 26 February 2024.

As at the date of this announcement, save for the MOU, no formal or legally binding agreement has been entered into between the Potential Vendors and the Potential Purchaser in respect of the Possible Transaction.

## USE OF PROCEEDS FROM RIGHTS ISSUE

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two existing shares held (the “**Rights Issue**”), resulting in net proceeds of approximately HK\$18.6 million. 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 net proceeds from the Rights Issue from 21 February 2022 to 31 December 2023 were used as follow:

	Planned use of net proceeds (adjusted on a pro rata basis on the actual net proceeds) as described in the prospectus dated 24 January 2022 <i>HK\$ million</i>	Amount of proceeds unutilized as at 1 January 2023 <i>HK\$ million</i>	Amount of proceeds utilized during the year ended 31 December 2023 <i>HK\$ million</i>	Unutilized proceeds as at 31 December 2023 <i>HK\$ million</i>
Use of proceeds from the Rights Issue				
For upgrading its equipment and machines	9.6	5.7	(5.7)	—
For the repayment of bank borrowings	3.8	—	—	—
General working capital	5.2	—	—	—
	<u>18.6</u>	<u>5.7</u>	<u>(5.7)</u>	<u>—</u>

## 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 the Shareholders, 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 C1 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.

Throughout the year ended 31 December 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 Ho Yin Henry 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 view of 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 take 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 LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **LOAN AGREEMENTS 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 Ho Yin Henry ("**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 the HKMC Insurance Limited. 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 65.22% of the issued share capital of the Company.

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

## **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 year ended 31 December 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares were held by the public as required under the GEM Listing Rules during the year ended 31 December 2023 and up to the date of this announcement.

## **ANNUAL GENERAL MEETING (THE "AGM")**

The forthcoming AGM of the Company will be held on Friday, 17 May 2024 at 11:30 a.m. A notice convening the AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.verticaltech.com.cn](http://www.verticaltech.com.cn)) in due course.

## CLOSURE OF REGISTER OF MEMBERS

### For attending and voting at the AGM

The register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024, both days inclusive, during which period no transfer of shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2024.

## 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 audited final results of the Company for the year ended 31 December 2023.

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

Hong Kong, 18 March 2024

*As at the date of this announcement, the executive Directors are Mr. Boon Ho Yin Henry and Ms. Chow Cheung Chu, and the independent non-executive Directors are Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from its date of publication. This announcement will also be published on the website of the Company at [www.verticaltech.com.cn](http://www.verticaltech.com.cn).*