
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

If you have sold or transferred all your shares in Vertical International Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

SUPER DATE CO., LTD

(Incorporated in the British Virgin Islands with limited liability)

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)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY GLORY SUN SECURITIES LIMITED FOR AND ON BEHALF OF SUPER DATE CO., LTD TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF VERTICAL INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY SUPER DATE CO., LTD AND/OR PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror



瓏盛資本有限公司
Draco Capital Limited

Offer agent to the Offeror



寶新證券有限公司
GLORY SUN SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee



建泉融資有限公司
VBG Capital Limited

Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) shall have the same meanings as those defined in the “Definitions” section of this Composite Document.

A letter from Draco Capital containing, among other things, principal terms of the Offer is set out on pages 8 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 23 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages IBC-1 to IBC-2 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages IFA-1 to IFA-21 of this Composite Document.

The procedures for acceptance and settlement as well as other related information of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar, namely Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on Friday, 17 January 2025 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed “Payment – Overseas Shareholders” in the “Letter from Draco Capital” of this Composite Document before taking any action. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer (as applicable).

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.verticaltech.com.cn as long as the Offer remains open. In case of any inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

27 December 2024

CHARACTERISTICS OF GEM

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

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| Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>) | Friday, 27 December 2024 |
| Latest time and date for acceptance of the Offer (<i>Notes 2 and 3</i>) | 4:00 p.m. on Friday, 17 January 2025 |
| Closing Date (<i>note 2 and 3</i>) | Friday, 17 January 2025 |
| Announcement of the results of the Offer, to be posted on the website of the Stock Exchange (<i>Note 2</i>) | no later than 7pm on Friday, 17 January 2025 |
| Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 4</i>) | Tuesday, 28 January 2025 |

Notes:

- (1) The Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
- (2) In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days after the date of this Composite Document. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 17 January 2025 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Friday, 17 January 2025 stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer, and the announcement regarding the extension of the Offer does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (3) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (4) Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "6. Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

EXPECTED TIMETABLE

- (5) If any severe weather condition is in force in Hong Kong: (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for despatch of remittances will remain on the same Business Day; or (b) at any local time at or after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the next Business Day and the latest date for despatch of remittances will be rescheduled to the next Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter (or another Business Day thereafter that does not have any severe weather condition at 12:00 noon or thereafter). For the purpose of this Composite Document, “severe weather” refers to the scenario where Typhoon Signal No. 8 or above, a Black Rainstorm Warning (as issued by the Hong Kong Observatory), or the “Extreme Conditions” warning (as announced by the Hong Kong Government) is in force in Hong Kong.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to dates and times contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong dates and times.

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are residents, citizens or nationals of jurisdictions outside Hong Kong should keep themselves informed about and observe, at their own responsibility, any applicable legal and regulatory requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant overseas jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes due by such accepting Overseas Shareholders in respect of such overseas jurisdiction. The Offeror, Mr. Guo, the parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Shareholders” in the “Letter from Draco Capital” in this Composite Document.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

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| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “associate” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | a business day is a day on which the Stock Exchange is open for the transaction of business |
| “BVI” | the British Virgin Islands |
| “CCASS” | the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited |
| “Closing Date” | Friday, 17 January 2025, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code |
| “Company” | Vertical International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8375) |
| “Completion” | completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement |
| “Completion Date” | the date on which Completion took place, being 5 December 2024 |
| “Composite Document” | the composite offer and response document proposed to be jointly issued by or on behalf of the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offer containing, among other things, the details of the Offer (accompanied by the acceptance and transfer forms) and the respective letters of advice from the Independent Financial Adviser and the Independent Board Committee |
| “connected person(s)” | has the meaning ascribed thereto under the GEM Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the GEM Listing Rules |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Draco Capital” | Draco Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which is the financial adviser to the Offeror in respect of the Offer |
| “Encumbrances” | any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same |
| “Executive” | Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “Form of Acceptance” | the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document |
| “GEM” | GEM of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Glory Sun” | Glory Sun Securities Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, which is the agent making the Offer on behalf of the Offeror |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offer |

DEFINITIONS

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| “Independent Financial Adviser” or “VBG Capital” | VBG Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the independent financial adviser with the approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders regarding the Offer and as to acceptance |
| “Independent Shareholders” | Shareholders other than the Offeror and parties acting in concert with it |
| “Joint Announcement” | the announcement dated 5 December 2024 jointly issued by the Offeror and the Company in relation to, among others, the Offer |
| “Last Trading Day” | 22 November 2024, the last full trading day for the Shares prior to the publication of the Joint Announcement |
| “Latest Practicable Date” | Tuesday, 24 December 2024 being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein |
| “Mr. Guo” | Mr. Guo Fan (郭凡先生), the sole director and the sole shareholder of the Offeror |
| “Offer” | the mandatory unconditional cash offer to be made by Glory Sun for and on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code |
| “Offer Period” | has the meaning ascribed to it under the Takeovers Code and commencing from 5 December 2024, being the date of the Joint Announcement |
| “Offer Price” | the price at which the Offer will be made, being HK\$0.3055 per Offer Share |
| “Offer Share(s)” | Share(s) other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it |
| “Offeror” | Super Date Co., Ltd, a company incorporated in the British Virgin Islands with limited liability |

DEFINITIONS

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| “Overseas Shareholder(s)” | Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong |
| “PRC” | the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this Composite Document |
| “Registrar” | Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong |
| “Relevant Period” | the period commencing on 5 June 2024, being the date falling six months before the Offer Period, up to and including the Latest Practicable Date |
| “Sale Share(s)” | an aggregate of 188,150,000 Shares beneficially owned by the Vendors immediately before Completion, representing approximately 65.33% of the entire issued share capital of the Company as at the date of the Joint Announcement |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 22 November 2024 entered into among the Vendors and the Offeror in respect of the Sale Shares |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.05 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the issued Share(s) |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Takeovers Code |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it under the GEM Listing Rules |
| “Takeovers Code” | the Code on Takeovers and Mergers published by the SFC, as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

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| “Vendor 1” or “Vertical Investment” | Vertical Technology Investment Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Boon |
| “Vendor 2” or “Mr. Boon” | Mr. Boon Ho Yin Henry, the Chairman, Chief Executive Officer and Executive Director of the Company |
| “Vendors” | collectively, Vendor 1 and Vendor 2 |
| “%” | per cent |

** For identification purposes only*

Unless the context otherwise requires, all references in this Composite Document to:

- (a) times and dates are references to Hong Kong times and dates, except as otherwise specified;
- (b) pronouns in masculine, feminine or neutral genders shall be construed to state and include any other gender; and
- (c) words, terms and titles in the singular form shall be construed to include the plural and vice versa.

LETTER FROM DRACO CAPITAL



4/F, Connaught Harbour Front House
35-36 Connaught Road West
Sheung Wan, Hong Kong

To the Independent Shareholders

27 December 2024

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
GLORY SUN SECURITIES LIMITED
FOR AND ON BEHALF OF
SUPER DATE CO., LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
VERTICAL INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SUPER DATE CO., LTD AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the acquisition of the Sale Shares and the Offer. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, on 22 November 2024 (after trading hours), the Vendors and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendors agreed to sell, and the Offeror agreed to purchase, the Sale Shares (being 188,150,000 Shares, representing approximately 65.33% of the entire issued share capital of the Company as at the Latest Practicable Date) for a total cash Consideration of HK\$57,479,825, equivalent to HK\$0.3055 per Sale Share.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion (which took place on 5 December 2024) and as at the Latest Practicable Date, the Offeror and parties acting in concert with it hold in aggregate 188,150,000 Shares, representing 65.33% of the total issued share capital of the Company.

The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Glory Sun is making the Offer for and on behalf of the Offeror.

LETTER FROM DRACO CAPITAL

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer and the procedures for acceptance and settlement of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders, the "Letter from the Independent Financial Adviser" to the Independent Board Committee and the Independent Shareholders and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

Glory Sun is making the Offer for and on behalf of the Offeror to acquire the Offer Shares on the following basis:

The Offer

For each Offer Share HK\$0.3055 in cash

The Offer Price of HK\$0.3055 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 288,000,000 Shares in issue and the Company does not have any outstanding options, warrants, derivatives or other securities which are convertible or exchangeable into Shares.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from any Encumbrances together with all rights and benefits accruing and attaching to them as at the date on which the Offer is made, being the date of the despatch of this Composite Document or subsequently becoming attached to them, including all rights to any dividend or other distribution and any return of capital, if any, declared, made or paid or agreed to be made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document. As at the Latest Practicable Date, (i) the Company has not declared any dividend or any other distributions which is outstanding and not yet paid; and (ii) the Company has confirmed that it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offer.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of Shares or any other conditions.

Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM DRACO CAPITAL

Comparison of Value

The Offer Price of HK\$0.3055 per Offer Share represents:

- (i) a discount of approximately 87.38% to the closing price of HK\$2.4200 per Share as quoted on the Stock Exchange on 24 December 2024, being the Latest Practicable Date;
- (ii) a premium of approximately 42.09% to the closing price of HK\$0.2150 per Share as quoted on the Stock Exchange on 22 November 2024, being the Last Trading Day;
- (iii) a premium of approximately 71.24% to the average closing price of approximately HK\$0.1784 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 87.77% to the average closing price of approximately HK\$0.1627 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 81.95% to the average closing price of approximately HK\$0.1679 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 14.85% to the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 of approximately HK\$0.2660 (which was calculated by dividing the sum of the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 (being the date to which the latest audited financial statements of the Company were made up) of approximately HK\$76.6 million by 288,000,000 Shares in issue as at the Latest Practicable Date); and
- (vii) a premium of approximately 17.23% to the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2024 of approximately HK\$0.2606 (which was calculated by dividing the sum of the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2024 (being the date to which the latest financial statements of the Company were made up) of approximately HK\$75.0 million by 288,000,000 Shares in issue as at the Latest Practicable Date).

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period ended on the Last Trading Day were HK\$0.2150 per Share on 22 November 2024 (being the Last Trading Day) and HK\$0.1250 per Share on 24 June 2024, respectively.

LETTER FROM DRACO CAPITAL

Value of the Offer

As at the Latest Practicable Date, there are 288,000,000 Shares in issue. Based on the Offer Price of HK\$0.3055 per Offer Share, the entire issued share capital of the Company is valued at HK\$87,984,000 and the Offer Shares are valued at HK\$30,504,175. Assuming the Offer is accepted in full by the Independent Shareholders and based on 99,850,000 Offer Shares, the total amount of cash required to effect the Offer in full will be HK\$30,504,175.

Confirmation of financial resources

The Offeror intends to finance and satisfy the consideration payable under the Offer in full by way of its internal resources.

Draco Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources and will remain available to the Offeror to satisfy the amount of funds required for Completion in respect of the Sale Shares and acceptance of the Offer in full in respect of the Offer Shares.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

The duly completed and signed Form of Acceptance, should be sent by post or by hand, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Vertical International Holdings Limited – Offer”, on the envelope, as soon as possible and in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to “Further terms and procedures for acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM DRACO CAPITAL

Effect of accepting the Offer

As at the Latest Practicable Date, the Company has not declared any dividend or any other distribution which is not yet paid.

By accepting the Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits accruing and attaching thereto as at the date on which the Offer is made, being the date of the despatch of this Composite Document, or subsequently becoming attached thereto, including but not limited to all rights to any dividend and other distributions, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

The Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions, and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

PAYMENT

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar or for the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code. No fractions of a Hong Kong cent will be payable and the amount of the consideration payable to any Independent Shareholder who accepts the Offer will be rounded up to the nearest Hong Kong cent.

Nominee registration

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

LETTER FROM DRACO CAPITAL

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due by such accepting Overseas Shareholders in respect of such jurisdictions).

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. The Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

As at the Latest Practicable Date, based on the register of members of the Company, there are no Overseas Shareholders.

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, Mr. Guo, the Company, the Vendors, the Financial Adviser, the Offer Agent, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is beneficially and ultimately wholly-owned Mr. Guo. The sole director of the Offeror is Mr. Guo.

LETTER FROM DRACO CAPITAL

As at the date of the Latest Practicable Date, Mr. Guo, aged 49, is a PRC citizen. Mr. Guo has over 10 years of experience in the areas of digital trade industry in the PRC, which encompasses not only the online promotion, transactions, and settlements of physical goods facilitated by information and communication technologies, but also the trade of digital services transmitted over information networks, such as voice and data networks. In 2007, Mr. Guo, as the founder and the shareholder, established Shenzhen Shengtang United Investment Company Limited, a company principally engaged in development in digital trade industry. He is committed to the implementation and application of digital trade, as well as the development and popularisation of digital trade, leading various industries to enter the digital trade field. Under Mr. Guo's leadership, his company's development team launched the instant messaging software application "Believe*(相信)" in 2019. "Believe" provide a channel for users with specialized expertise in various industries to realize income through their professional expertise, knowledge and abilities. Through the instant messaging services in "Believe", users could charge for the professional services provided to other users. Mr. Guo graduated from NingXia University (寧夏大學) of the PRC in June 2014, majoring in art design (self-study undergraduate).

Being an investor in digital trade industry, Mr. Guo always looks for any potential investment opportunity in the market. Mr. Guo realised that the Group is principally engaged in the manufacturing and trading of chip type and radial lead type aluminium electrolytic capacitors in the PRC, and 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. Besides the software development industry, Mr. Guo is of the view that the growth of the hardware manufacturing and electronic components trading market in the PRC is substantial as long as the PRC government continues to pursue international competitiveness in the field of hardware development. After reviewing the publicly available information of the Company, including but not limited to its historical financial performance, Mr. Guo is of the view that, investing in the Company not only meets his investment appetite but also allows him to achieve his investment objectives. Having considered the above reasons, Mr. Guo considers that the acquisition of the Sale Shares which represents approximately 65.33% of the entire issued share capital of the Company and become a controlling shareholder of the Company, would allow him to enter into the market of manufacturing and trading of hardware in the PRC.

Save as disclosed above, Mr. Guo has not acted as director in the last three years in public companies of which the securities are listed on any securities market in Hong Kong or overseas.

INFORMATION ON THE GROUP

Your attention is drawn to the sections headed "Information on the Group" in the "Letter from the Board" as set out on pages 18 to 23 of this Composite Document.

LETTER FROM DRACO CAPITAL

INTENTIONS OF THE OFFEROR REGARDING TO THE GROUP

Immediately following the Completion, the Offeror has become a controlling shareholder of the Company. It is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange. The existing principal business of the Group includes the manufacturing and trading of aluminium electrolytic capacitors and trading of electronic components. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for changes in the composition of the board of directors of the Group as set out below); or (ii) re-deploy the fixed assets of the Group other than those in its ordinary and usual course of business. However, subject to the results of the review regarding the business and financial position of the Group, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

Proposed change of Board composition

As at the Latest Practicable Date, the Board comprises Mr. Boon Ho Yin Henry (Chief Executive Officer and Chairman) and Ms. Chow Cheung Chu as executive Directors, and Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung as independent non-executive Directors.

The Offeror intends to nominate Mr. Mai Junhui (麥俊暉) as an executive Director, Mr. Deng Kaihong (鄧凱鴻) and Mr. Wu Yuantao (吳元濤) as independent non-executive Directors, with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code.

The biographies of the three new Directors are set out below:

Mr. Mai Junhui

Mr. Mai Junhui (麥俊暉), aged 45, holds a dual bachelor's degree in electronics and information technology and e-commerce from South China University of Technology. Since November 2019, Mr. Mai has served as the legal representative and general manager of Digital Trade (Shenzhen) Blockchain Technology Co. (數貿(深圳)區塊鏈科技有限公司).

LETTER FROM DRACO CAPITAL

Mr. Deng Kaihong

Mr. Deng Kaihong (鄧凱鴻), aged 49, completed a junior college to bachelor's degree transfer programme in law at Yunnan Minzu University (雲南民族大學) in January 2007. Between December 1993 and August 2024, he worked for the Kunming Railway Public Security Bureau in Yunnan Province, retiring as a second-grade sergeant.

Mr. Wu Yuantao

Mr. Wu Yuantao (吳元濤), aged 33, graduated from Yunnan University of Finance and Economics in July 2013 with a bachelor's degree in English, and obtained a master's degree in law from Peking University in July 2016. Mr. Wu is currently a practising lawyer in the PRC.

From March 2018 to November 2019, he worked at Beijing Long An (Shenzhen) Law Firm (北京市隆安(深圳)律師事務所) as a paralegal and lawyer. Since December 2019, he has been working at Beijing Jingsh Law Firm Shenzhen Office (北京市京師(深圳)律師事務所) as a lawyer.

Mr. Wu has extensive experience in corporate governance, strategic consulting, transformation and upgrading, disposal of non-performing assets, and industrial integration. He has participated in the planning and implementation of tender offer projects, financing mergers and acquisitions, and restructuring for several listed companies. He possesses in-depth research skills and rich experience in corporate governance, transformation and upgrading, and industrial integration of listed enterprises.

Each of the aforesaid new Directors confirm that he has not held any directorships in any publicly listed companies.

In addition to the above nominees, the Offeror may nominate further Directors to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board. Should there be any change to the Board, it will be made in compliance with the Takeovers Code and the GEM Listing Rules. Further announcement(s) will be made upon any appointment of new Directors.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, as at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:

- (i) false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

LETTER FROM DRACO CAPITAL

The Offeror intends the Company to remain listed on GEM after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board of the Company, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Shares after the close of the Offer.

GENERAL

All documents and remittances in respect of cash consideration payable for the Offer Shares tendered under the Offer will be sent to the accepting Shareholders by ordinary post at such Shareholder's own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, Mr. Guo, parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser, the Registrar, the company secretary of the Company and any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss in postage or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Draco Capital Limited
Kevin Choi **Leon Au Yeung**
Managing Director *Director*

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Boon Ho Yin Henry

Ms. Chow Cheung Chu

Independent non-executive Directors:

Mr. Liu Kwan

Mr. Chik Kin Man Paul

Mr. Wong Wai Leung

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:

Unit 2212, 22/F.

Global Gateway Tower 63

Wing Hong Street

Cheung Sha Wan, Kowloon

Hong Kong

27 December 2024

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY GLORY SUN SECURITIES LIMITED
FOR AND ON BEHALF OF
SUPER DATE CO., LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
VERTICAL INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SUPER DATE CO., LTD AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement whereby the Company and the Offeror jointly announced that the Vendors and the Offeror entered into the Sale and Purchase Agreement on 22 November 2024, pursuant to which, among other things, the Vendors have agreed to sell, and the Offeror has agreed to purchase, the Sale Shares, being 188,150,000 Shares, representing approximately 65.33% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$57,479,825, equivalent to HK\$0.3055 per Sale Share. Completion took place on 5 December 2024.

LETTER FROM THE BOARD

Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group and the Offeror; (ii) further details of the Offer; (iii) a letter from Draco Capital; (iv) a letter from the Board; (v) a letter of recommendation from the Independent Board Committee; and (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer and as to the acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting. The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung, has been established by the Company to make recommendations to the Independent Shareholders in this regard.

As disclosed in the Joint Announcement, VBG Capital has been appointed by the Company with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

A letter from Draco Capital is set out on pages 8 to 17 of the Composite Document. A letter from the Board is set out on pages 18 to 23 of the Composite Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of the Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages IFA-1 to IFA-21 of the Composite Document.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately before Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 188,150,000 Shares, representing approximately 65.33% of the entire issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 288,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Glory Sun, on behalf of the Offeror and in compliance with the Takeovers Code, is now making the Offer on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.3055 in cash

The Offer Price of HK\$0.3055 per Offer Share is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects and will be extended to all the Independent Shareholders in accordance with the Takeovers Code.

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Draco Capital”, Appendix I to the Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is incorporated in Cayman Islands with limited liability and its Shares are listed on the GEM of the Stock Exchange.

The Group is principally engaged in the manufacturing and trading of chip type and radial lead type aluminium electrolytic capacitors in the PRC, and 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.

LETTER FROM THE BOARD

Shareholding structure of the Company

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$50,000,000 divided into 1,000,000,000 ordinary shares, and there are 288,000,000 Shares in issue.

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date but before the Offer is made:

| Shareholders | (i) Immediately prior to Completion | | (ii) Immediately after Completion and as at the Latest Practicable Date but before the Offer is made | |
|--|--|---|---|---|
| | <i>Number of shares</i> | <i>Approximate % of the interest held</i> | <i>Number of shares</i> | <i>Approximate % of the interest held</i> |
| <i>Vendors</i> | | | | |
| Mr. Boon | 8,150,000 | 2.83 | – | – |
| Vertical Investment (<i>Note</i>) | 180,000,000 | 62.50 | – | – |
| The Offeror and parties acting in concert with it | – | – | 188,150,000 | 65.33 |
| Public Shareholders | 99,850,000 | 34.67 | 99,850,000 | 34.67 |
| Total | 288,000,000 | 100 | 288,000,000 | 100 |

Note: 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.

As at the Latest Practicable Date, the Directors did not have any interests in the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Your attention is drawn to Appendices II and III to the Composite Document which contains further financial and general information on the Group.

INFORMATION OF THE OFFEROR AND INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intentions of the Offeror regarding the Group” in the “Letter from Draco Capital” of the Composite Document for detailed information on the Offeror’s intention on the business and management of the Group. The Directors are aware of the intentions of the Offeror in respect of the Group and its employees, and that the Offeror intends to continue the principal business of the Group after the close of the Offer.

LETTER FROM THE BOARD

Proposed change of Board composition of the Company

Your attention is drawn to the paragraph headed “Proposed change of Board composition” in the “Letter from Draco Capital” of the Composite Document.

As at the Latest Practicable Date, the Board comprises Mr. Boon Ho Yin Henry (Chief Executive Officer and Chairman) and Ms. Chow Cheung Chu as executive Directors, and Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung as independent non-executive Directors.

As at the Latest Practicable Date, the Directors were aware of the Offeror’s intention to nominate Mr. Mai Junhui (麥俊暉) as an executive Director, and Mr. Deng Kaihong (鄧凱鴻) and Mr. Wu Yuantao (吳元濤) as independent non-executive Directors, with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

The existing Directors as at the Latest Practicable Date who will remain on the Board, is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and the Shareholders as a whole.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from Draco Capital”, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

RECOMMENDATION

Independent Shareholders are advised to read the recommendation of the Independent Board Committee set out in “Letter from the Independent Board Committee” and the advice of the Independent Financial Adviser set out in “Letter from the Independent Financial Adviser” contained in the Composite Document before deciding on the actions to be taken on the Offer.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

You are also advised to read the Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to the Composite Document.

Yours faithfully,
For and on behalf of the Board
Vertical International Holdings Limited
Boon Ho Yin Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

27 December 2024

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY GLORY SUN SECURITIES LIMITED
FOR AND ON BEHALF OF
SUPER DATE CO., LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
VERTICAL INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SUPER DATE CO., LTD AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer document dated 27 December 2024 (the “**Composite Document**”) jointly issued by the Company and the Offeror, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

Details of the Offer are set out in the “Letter from Draco Capital” on pages 8 to 17 of the Composite Document and the “Letter from the Board” on pages 18 to 23 of the Composite Document.

We have been appointed by the Board as members to form the Independent Board Committee and to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

VBG Capital has been appointed to advise us and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-21 of the Composite Document.

RECOMMENDATION

Having considered the Offer and the advice and recommendation of the Independent Financial Adviser, we concur with the Independent Financial Adviser’s advice and recommendation and consider that the Offer and the Offer Price are fair and reasonable and we recommend the Independent Shareholders to accept the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Notwithstanding the above, taking into account the advice and recommendation of the Independent Financial Adviser, we note that the Shares have traded above the Offer Price after the Joint Announcement was published, closing at HK\$2.420 as at the Latest Practicable Date. In this connection, we would like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider disposing of their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than the receivable under the Offer, and only to accept the Offer if the Independent Shareholders (especially those with relatively sizeable shareholdings) encounter difficulties to dispose of their Shares in the open market due to the liquidity issue at the Offer Price or a price higher than the Offer Price. In any event, the Independent Shareholders should note that there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

Furthermore, Independent Shareholders are reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer and the “Letter from the Independent Financial Adviser” in the Composite Document.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Liu Kwan
Independent non-executive
Director

Mr. Chik Kin Man Paul
Independent non-executive
Director

Mr. Wong Wai Leung
Independent non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.



21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

27 December 2024

To: The independent board committee of Vertical International Holdings Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
GLORY SUN SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO
ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
VERTICAL INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY
THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 27 December 2024 jointly issued by the Company and the Offeror to the Shareholders, of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Company was informed by the Vendors that, the Vendors and the Offeror entered into the Sale and Purchase Agreement on 22 November 2024 (after trading hours), pursuant to which, among other things, the Vendors have agreed to sell, and the Offeror has agreed to purchase, the Sale Shares for a total consideration of HK\$57,479,825, equivalent to HK\$0.3055 per Sale Share. As disclosed in the announcement jointly issued by the Company and the Offeror on 5 December 2024, Completion took place on 5 December 2024.

Prior to Completion, the Offeror and parties acting in concert with any of them did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion, the Offeror and parties acting in concert with it are interested in 188,150,000 Shares, representing approximately 65.33% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will therefore be required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung, has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of VBG Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company.

Apart from the existing engagement in connection with the Offer, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or the Offeror or the controlling shareholders of either of them within two years prior to the commencement of the Offer Period, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates, the Offeror or parties acting in concert with any of them. We consider ourselves independent to form our opinion in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have reviewed or studied, amongst others, (i) the interim reports of the Company for the six months ended 30 June 2024 and 2023 and the annual reports of the Company for the financial year ended 31 December 2023 and 2022; (ii) the research information as being presented in the sections headed “Prospects and outlook of the Group” and “The Offer Price” of this letter of advice; and (iii) the relevant information contained in the Composite Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the management of the Group and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the management of the Group and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers and/or management (where applicable), which have been provided to us. Our opinion is based on

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the management of the Group's and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

Mr. Guo Fan, being the sole director and sole shareholder of the Offeror, accepts full responsibility for the accuracy of information contained in the Composite Document (other than those relating to the Vendors and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs of the Company, the Vendors, the Offeror, Mr. Guo Fan or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter of advice).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

Should there be any material changes to the information affecting our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

(1) Terms of the Offer

Glory Sun is, on behalf of the Offeror and in compliance with the Takeovers Code, making the Offer on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.3055 in cash

The Offer Price of HK\$0.3055 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Offer is unconditional in all respects and is extended to all Independent Shareholders in accordance with the Takeovers Code.

As at the date of the Composite Document, the Company has 288,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company. As the Offeror and parties acting in concert with it hold in aggregate 188,150,000 Shares immediately following Completion, 99,850,000 Shares will be subject to the Offer.

(2) Financial information of the Group

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the GEM of the Stock Exchange. The Group is principally engaged in the manufacturing and trading of chip type and radial lead type aluminum electrolytic capacitors in the PRC, and 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.

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Set out below is a summary of certain unaudited consolidated financial information of the Company for the six months ended 30 June 2024 and 2023 and audited consolidated financial information of the Company for the financial years ended 31 December 2023, 2022 and 2021 extracted from its interim report for the six months ended 30 June 2024 and annual reports for the years ended 31 December 2023 and 2022, respectively:

| | For the six months | | For the year | | |
|--------------------------------|--------------------|-----------------|-------------------|-----------------|-----------------|
| | ended 30 June | | ended 31 December | | |
| | 2024 | 2023 | 2023 | 2022 | 2021 |
| | (unaudited) | (unaudited) | (audited) | (audited) | (audited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 39,847 | 37,745 | 84,262 | 86,371 | 132,480 |
| Gross profit | 3,942 | 1,393 | 6,123 | 5,058 | 23,283 |
| Gross profit margin | 9.89% | 3.69% | 7.27% | 5.86% | 17.57% |
| Other income | 1,105 | 119 | 502 | 1,220 | 2,483 |
| Other gains/(losses), net | 2,973 | 1,424 | (2,005) | (5,632) | (209) |
| Selling and distribution costs | (1,431) | (1,440) | (2,753) | (2,862) | (4,068) |
| Administrative expenses | (6,346) | (6,609) | (13,073) | (16,177) | (13,929) |
| Finance costs | (299) | (330) | (644) | (635) | (576) |
| Loss before taxation | (56) | (5,443) | (11,850) | (19,028) | 6,984 |
| Income tax expenses | (83) | (8) | (338) | 482 | (1,907) |
| Profit/(Loss) | | | | | |
| for the year/period | (139) | (5,451) | (12,188) | (18,546) | 5,077 |

The Group's revenue decreased to approximately HK\$86.4 million for the year ended 31 December 2022 from approximately HK\$132.5 million for the corresponding year in 2021, representing a decrease of approximately 34.8%; with gross profit decreased significantly to approximately HK\$5.1 million for the year ended 31 December 2022 from approximately HK\$23.3 million for the year ended 31 December 2021, representing a decrease of approximately 78.8%. The Group's recorded a loss for the year of approximately HK\$18.5 million in 2022 as compared to a profit for the year of approximately HK\$5.1 million in 2021. As referred to the annual report for the financial year ended 31 December 2022, such decrease in the Group's revenue was mainly attributable to the persistent outbreak of the COVID-19 pandemic which has severely weakened local and global consumption market. As such, the Group adopted a more competitive pricing approach by providing discounts to long term customers with sizeable orders to maintain market share which resulted in negative impact on the revenue of the Group. The dramatic decrease in the gross profit and gross profit margin was mainly due to the border closure and lockdowns which posed an adverse impact on domestic and global supply chains resulted in higher production costs of the Group and the operating cost including the costs of raw materials, direct labour and overhead continued to increase. The loss for the year in 2022 was mainly attributed to (i) decrease in gross profit of approximately HK\$18.3 million and (ii) increase in other losses of approximately HK\$5.4 million due to impairment loss on property, plant and equipment of approximately HK\$4.2 million where no such impairment loss in 2021 and loss from fair value changes of financial assets at FVTPL of approximately HK\$1.6 million as compared to fair value gains of financial assets at FVTPL of approximately HK\$89,000 in 2021.

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As depicted by the above table, the Group's revenue slightly decreased by approximately 2.4% from approximately HK\$86.4 million for the financial year ended 31 December 2022 to approximately HK\$84.3 million for the financial year ended 31 December 2023; while its gross profit increased by approximately 21.0% from approximately HK\$5.1 million to approximately HK\$6.1 million during the same financial year. The Group's loss for the year decreased by approximately 34.3% from approximately HK\$18.5 million in 2022 to approximately HK\$12.2 million in 2023. As referred to in the annual report for the financial year ended 31 December 2023, the increase of gross profit was mainly because the management has implemented multiple cost saving initiatives to reduce the production costs. Consequently, the Group's gross profit margin increased from approximately 5.9% for the financial year 31 December 2022 to approximately 7.3% for the financial year ended 31 December 2023. And the decrease in loss in 2023 was mainly due to (i) a decrease in other losses of approximately HK\$3.6 million mainly contributed from gains from fair value changes of financial assets at FVTPL of approximately HK\$2.9 million; and (ii) administrative expenses of approximately HK\$3.1 million, mainly because management has implemented multiple cost saving initiatives to reduce the operation costs.

The Group's revenue was approximately HK\$39.8 million for the six months ended 30 June 2024 and approximately HK\$37.7 million for the corresponding period in 2023, representing an increase of approximately HK\$2.1 million. Such slight increase in the Group's revenue was mainly attributable to increase in sales volume of self-manufactured products while slight decrease in selling price to sustain sales growth. The gross profit of the Group increased by approximately HK\$2.5 million from approximately HK\$1.4 million for the six months ended 30 June 2023 to approximately HK\$3.9 million for the six months ended 30 June 2024 as the management has implemented multiple cost saving initiatives to reduce the production costs. The Group recorded a loss for the period of approximately HK\$0.1 million for the six months ended 30 June 2024, as compared with a loss of approximately HK\$5.5 million for the corresponding period in 2023 was mainly due to (i) increase in gross profit of approximately HK\$2.5 million; (ii) increase in other income of approximately HK\$1.0 million of handling fee charged on the clients; and (iii) increase of other gains of approximately HK\$1.5 million mainly because of decrease in written off on inventories and property, plant and equipment in total of approximately HK\$1.2 million as compared to the same interim period in 2023.

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Financial position of the Group

| | As at 30 June 2024 (unaudited) <i>HK\$'000</i> | As at 31 December 2023 (unaudited) <i>HK\$'000</i> |
|---|---|---|
| Non-current assets | 39,776 | 40,420 |
| Property, plant and equipment | 39,201 | 39,082 |
| Right-of-use assets | 575 | 1,338 |
| Current assets | 71,850 | 67,181 |
| Inventories | 9,980 | 7,642 |
| Trade and bills receivables | 27,749 | 27,385 |
| Bills receivables at fair value through other comprehensive income | 1,774 | 1,975 |
| Financial assets at fair value through profit or loss | 7,956 | 4,883 |
| Deposits, prepayments and other receivables | 1,364 | 1,705 |
| Bank balances and cash | 23,027 | 23,591 |
| Current liabilities | 36,581 | 30,983 |
| Trade payables | 18,470 | 18,127 |
| Other payables and accruals | 6,296 | 4,189 |
| Tax payable | 111 | 36 |
| Lease liabilities | 729 | 1,485 |
| Bank borrowings | 10,975 | 7,146 |
| Net current assets | 35,269 | 36,198 |
| Net assets | 75,045 | 76,618 |

As at 30 June 2024 and 31 December 2023, the total assets of the Group were approximately HK\$111.6 million and HK\$107.6 million, respectively, which was financed by total liabilities of approximately HK\$36.6 million and HK\$31.0 million and shareholders' equity (comprising share capital and reserve) of approximately HK\$75.0 million and HK\$76.6 million, respectively. The Group's assets mainly comprised of (i) the property, plant and equipment of approximately HK\$39.2 million; (ii) trade and bills receivables of approximately HK\$27.7 million; and (iii) bank balances and cash of approximately HK\$23.0 million as of 30 June 2024. The Group did not hold any non-current liabilities of which current liabilities mainly comprised of (i) trade payables of approximately HK\$18.5 million and (ii) interest-bearing bank borrowings of approximately HK\$11.0 million as at 30 June 2024.

The Group's net assets remained stable at approximately HK\$75.0 million and HK\$76.6 million as at 30 June 2024 and 31 December 2023 respectively.

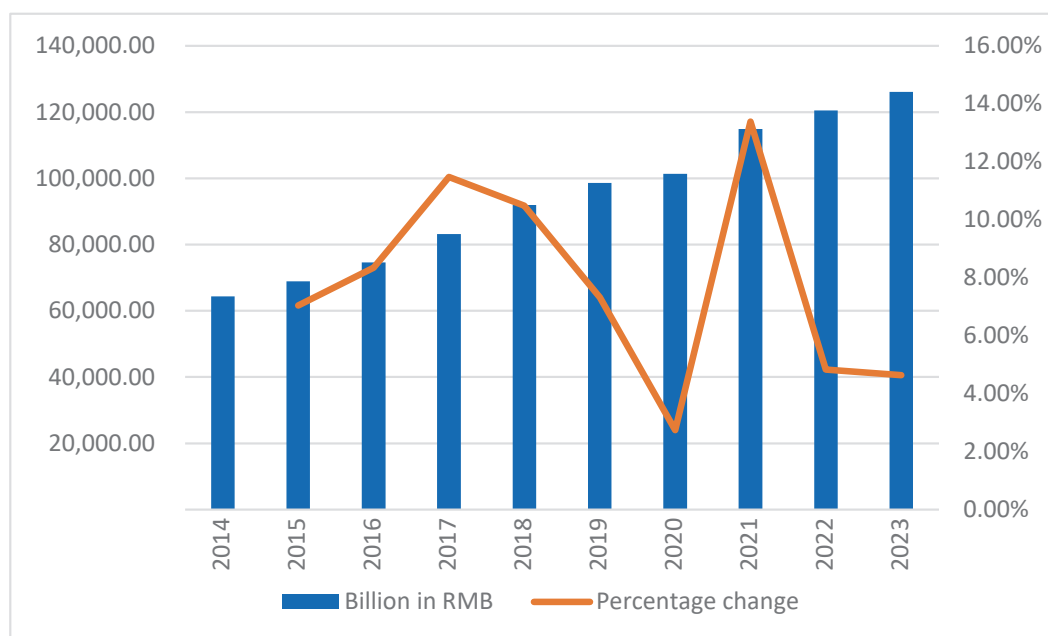
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(3) Prospects and outlook of the Group

The majority of the Group's revenue is derived from sales of manufactured aluminum electrolytic capacitors in the PRC, which accounted for approximately 87.36% of its total revenue for the financial year ended 31 December 2023. The remaining revenue is derived from the trading of electronic components.

Overview on the GDP growth and the industry of the PRC

Set out below is a chart showing the movement of the value and percentage change of the gross domestic product ("GDP") of the PRC between 2014 and 2023:



Source: National Bureau of Statistics of China website (<https://data.stats.gov.cn/index.htm>)

As illustrated above, the GDP of the PRC had been growing persistently from approximately RMB64,356.3 billion in 2014 to approximately RMB126,058.2 billion in 2023, but the said persistent growth was deterred by the Covid-19 pandemic in 2020 and slow down since 2022 due to weak consumer and business confidence, mounting local government debts and slowing global growth. On average, the annual percentage growth of the PRC's GDP during the period between 2014 and 2023 was approximately 7.81%. The majority of the Group's revenue was generated in the PRC which accounted for approximately 85.11% and 84.90% for the year ended 31 December 2023 and the six months ended 30 June 2024 respectively as referred to in the annual report for the financial year ended 31 December 2023 and the interim report for the six months ended 30 June 2024. Given the Group's core business is the manufacturing and trading of chip type and radial lead type aluminium electrolytic capacitors in the PRC, and trading of a wider range of lighting products and electronic components, the uncertainties in the recent PRC business environment with weak consumption demand and business confidence may affect the Group's revenue in short-term.

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According to the “Statistical Communiqué of the People’s Republic of China on the 2022 National Economic and Social Development” and “Statistical Communiqué of the People’s Republic of China on the 2023 National Economic and Social Development” by the National Bureau of Statistics of China, for the industrial enterprises above the designated size (i.e. with annual revenue from principal business over RMB20 million), the profit for manufacture of computers, communication equipment and other electronic equipment increased by 7.6% and 3.4% in 2022 and 2023, respectively. With reference to the “The Profit of Industrial Enterprises above Designated Size from January to October in 2024” published by the National Bureau of Statistics of China, for the period from January 2024 to October 2024, the profit for manufacture of computers, communication equipment and other electronic equipment increased by 8.4%, as compared to the same period of the previous year.

The future prospects of the industry

According to the article titled 預見2024：2024年中國鋁電解電容器行業市場規模、競爭格局及發展前景分析 未來市場規模將超500億元 (“**Forecasting 2024: Analysis of the market size, competition pattern and development prospects of the PRC aluminum electrolytic capacitor industry in 2024 — The future market size will exceed RMB50 billion**”) published on 15 October 2024 by Qianzhan Industry Research Institute (<https://bg.qianzhan.com/>), a leading industry research and market consultancy institute in the PRC. Qianzhan Industry Research Institute has more than 20 years of experience in the industrial research industry and more than 20 years of accumulation on the industry data, which serves more than 180,000 enterprises, government and scientific research institutes. It estimated that the market size of the PRC’s aluminum electrolytic capacitor industry will reach approximately RMB53.2 billion by 2029, with an average annual compound growth rate of approximately 5.5%.

Benefiting from a wide range of application fields, the growing demand for the new energy vehicle market, technological innovation, and environmental policy requirements, the aluminum electrolytic capacitor industry has shown a strong momentum and development potential year-to-date 2024. With the rapid development of the domestic electronics industry and the improvement of technological innovation capabilities, the competitiveness of the aluminum electrolytic capacitor companies in the PRC market is gradually increasing. As the scale of the industry expands, competition becomes increasingly fierce. In this context, those companies with technical strength and brand advantages are expected to capture a larger market share in the future. At the same time, industry competition will also drive the entire industry to develop towards a higher quality.

Our view

The uncertainties in the recent PRC business environment with weak consumption demand and business confidence may affect the Group’s revenue in short-term. Nevertheless, having taken into account (i) the positive outlook of the aluminum electrolytic capacitor industry in the PRC in which the market size of the PRC’s aluminum electrolytic capacitor industry will reach approximately RMB53.2 billion by 2029, with average annual

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compound growth rate of approximately 5.5% according to the Qianzhan Industry Research Institute; (ii) the improving financial performance of the Group with the reduction of loss from approximately HK\$18.5 million for the financial year ended 31 December 2022 to approximately HK\$12.2 million for the financial year ended 31 December 2023, and further reduced to a loss of approximately HK\$0.1 million for the six months ended 30 June 2024, the PRC's aluminum electrolytic capacitor industry will continue to grow and the Group's business will continue to recover in long term.

(4) Historical dividend payment of the Company

The Company has adopted a dividend policy (the “**Dividend Policy**”) on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to Shareholders.

The Company does not have any pre-determined dividend payout ratio. Depending on the financial results and conditions of the Company and the Group, and the conditions and factors as set out in the Dividend Policy, including but not limited to cash flow situation, business conditions and strategies, future operations and earnings, and capital requirements and expenditure plans of the Group, as well as the interests of Shareholders and any restrictions on payment of dividends, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

For the year ended 31 December 2021, a final dividend of 1.00 HK cents per ordinary share with aggregate amount of approximately HK\$2,880,000 was declared and paid on 8 June 2022 to the shareholders of the Company. And for the nine months ended 30 September 2022, a special dividend of 3.50 HK cents per ordinary share with aggregate amount of approximately HK\$10,080,000 was approved by the shareholders in the extraordinary general meeting on 5 January 2023 and was paid out on 9 February 2023.

Save as disclosed above, there has not been any dividend declared or paid by the Company for the financial years ended 31 December 2021, 2022 and 2023 and up to the Latest Practicable Date.

The Company further confirmed that as at the Latest Practicable Date, (i) the Company has not declared any dividend or any other distributions which is outstanding and not yet paid; and (ii) the Company has confirmed that it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offer.

With the foregoing being the case, investment in the Shares would be less attractive, especially for those Shareholders who opt for dividend income from their investment.

(5) Information on the Offeror

To provide Independent Shareholders with basic information regarding the background of the Offeror, set out below is the key information of the Offeror as extracted from the “Letter from Draco Capital” of the Composite Document:

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“The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is beneficially and ultimately wholly-owned by Mr. Guo Fan (郭凡) (“**Mr. Guo**”). The sole director of the Offeror is Mr. Guo.

As at the Latest Practicable Date, Mr. Guo, aged 49, is a PRC citizen. Mr. Guo has over 10 years of experience in the areas of digital trade industry in the PRC, which encompasses not only the online promotion, transactions, and settlements of physical goods facilitated by information and communication technologies, but also the trade of digital services transmitted over information networks, such as voice and data networks. In 2007, Mr. Guo, as the founder and the shareholder, established Shenzhen Shengtang United Investment Company Limited, a company principally engaged in development in the digital trade industry. He is committed to the implementation and application of digital trade, as well as the development and popularisation of digital trade, leading various industries to enter the digital trade field. Under Mr. Guo’s leadership, his company’s development team launched the instant messaging software application “Believe* (相信)” in 2019. “Believe” provides a channel for users with specialized expertise in various industries to realize income through their professional expertise, knowledge and abilities. Through the instant messaging services in “Believe”, users could charge for the professional services provided to other users. Mr. Guo graduated from NingXia University (寧夏大學) of the PRC in June 2014, majoring in art design (self-study undergraduate).

Being an investor in the digital trade industry, Mr. Guo always looks for any potential investment opportunity in the market. Mr. Guo realised that the Group is principally engaged in the manufacturing and trading of chip type and radial lead type aluminium electrolytic capacitors in the PRC, and 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. Besides the software development industry, Mr. Guo is of the view that the growth of the hardware manufacturing and electronic components trading market in the PRC is substantial as long as the PRC government continues to pursue international competitiveness in the field of hardware development. After reviewing the publicly available information of the Company, including but not limited to its historical financial performance, Mr. Guo is of the view that, investing in the Company not only meets his investment appetite but also allows him to achieve his investment objectives. Having considered the above reasons, Mr. Guo considers that the acquisition of the Sale Shares which represents approximately 65.33% of the entire issued share capital of the Company and become a controlling shareholder of the Company, would allow him to enter the market of manufacturing and trading of hardware in the PRC.

Save as disclosed above, Mr. Guo has not acted as director in the last three years in public companies of which the securities are listed on any securities market in Hong Kong or overseas.”

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(6) Intentions of the Offeror in relation to the Group

Immediately following the Completion, the Offeror has become a controlling shareholder of the Company. It is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange. The existing principal business of the Group includes the manufacturing and trading of aluminium electrolytic capacitors and trading of electronic components. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for changes in the composition of the board of directors of the Group as set out below); or (ii) re-deploy the fixed assets of the Group other than those in its ordinary and usual course of business. However, subject to the results of the review regarding the business and financial position of the Group, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

Proposed change of Board composition

As at the Latest Practicable Date, the Board comprises Mr. Boon Ho Yin Henry (Chief Executive Officer and Chairman) and Ms. Chow Cheung Chu as executive Directors, and Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung as independent non-executive Directors.

The Offeror intends to nominate Mr. Mai Junhui (麥俊暉) as an executive Director, Mr. Deng Kaihong (鄧凱鴻) and Mr. Wu Yuantao (吳元濤) as independent non-executive Directors, with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code.

Taken into consideration that the Offeror and the three new Directors to be nominated by the Offeror had no previous experience in the aluminium electrolytic capacitors industry according to biographies as disclosed in the Composite Document, we are of the view that there is uncertainty on the future performance of the Group under the leadership of the Offeror and the three new Directors to be nominated.

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(7) The Offer Price

Offer Price comparison

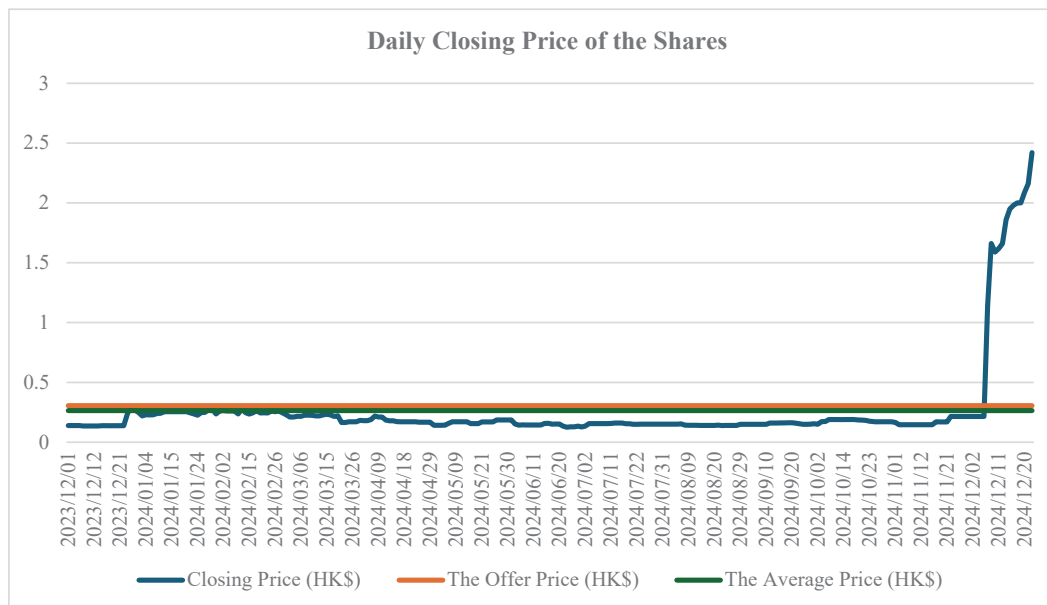
The Offer Price of HK\$0.3055 per Offer Share represents:

- (a) a discount of approximately 87.38% to the closing price of HK\$2.4200 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 42.09% to the closing price of HK\$0.2150 per Share as quoted on the Stock Exchange on 22 November 2024, being the Last Trading Day;
- (c) a premium of approximately 71.24% to the average closing price of approximately HK\$0.1784 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 87.77% to the average closing price of approximately HK\$0.1627 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 81.95% to the average closing price of approximately HK\$0.1679 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 14.85% to the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 of approximately HK\$0.2660 (which was calculated by dividing the sum of the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 (being the date to which the latest audited financial statements of the Company were made up) of approximately HK\$76.6 million by 288,000,000 Shares in issue as at the Latest Practicable Date); and
- (g) a premium of approximately 17.23% to the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2024 of approximately HK\$0.2606 (which was calculated by dividing the sum of the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2024 (being the date to which the latest financial statements of the Company were made up) of approximately HK\$75.0 million by 288,000,000 Shares in issue as at the Latest Practicable Date).

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Historical price performance of the Shares

The chart below displays the movement of the closing prices of the Shares within the period from 1 December 2023 to the Last Trading Day (the “**Pre-Announcement Period**”) and from 6 December 2024 up to the Latest Practicable Date (the “**Post-Announcement Period**”) (collectively, the “**Review Period**”), being the approximate one-year period preceding and including the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares for a reasonable long recent period up to the Latest Practicable Date:



Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

- (1) Trading in the Shares on the Stock Exchange was halted from 25 November 2024 to 5 December 2024 (both dates inclusive) pending the release of the Joint Announcement.

From the above chart, during the Pre-Announcement Period, we noted that the closing prices of the Shares on the Stock Exchange had been moving upward from the floor of HK\$0.14 per Share on 1 December 2023 to the ceiling of HK\$0.295 per Share on 28 December 2023. From end of December 2023 to mid-March 2024, the closing prices of the Shares remained above HK\$0.20 per Share. Starting from 20 March 2024, the closing prices of the Shares decreased gradually from HK\$0.222 per Share on 20 March 2024 to HK\$0.147 per Share on 15 November 2024 with the lowest price of HK\$0.125 per Share on 24 June 2024. After mid November 2024, the closing prices of the Shares rebounded to HK\$0.215 per Share on 22 November 2024 before the trading halt.

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As such, it is noted that the Offer Price of HK\$0.3055 per Share has been at all times above the historical closing prices of the Shares during the Pre-Announcement Period. In particular, the Offer Price represents premiums of approximately 144.40%, 3.56% and 70.67%, respectively, to the lowest closing price of HK\$0.125 per Share, the highest closing price of HK\$0.295 per Share and the average closing price of approximately HK\$0.179 per Share for the Pre-Announcement Period.

Following the issue of the Joint Announcement on 5 December 2024, the closing price surged sharply from approximately HK\$0.215 per Share on the Last Trading Day to the highest of approximately HK\$2.420 per Share on the Latest Practicable Date, representing an increase of approximately 1,025.58% during the period. During the Post-Announcement Period, the average closing price of the Shares was approximately HK\$1.856, which is higher than the Offer Price by approximately 507.58%. The Offer Price of HK\$0.3055 represents a discount of approximately 87.38% to the closing price of 2.420 per Share on the Latest Practicable Date. We consider that the short-term increase in the Share price after the Joint Announcement may reflect the market anticipation of the favourable effects to be brought by the change of the controlling Shareholder.

Given the Offer Price of HK\$0.3055 per Share (i) has been at all times above the historical closing price of the Shares during the Pre-Announcement Period; and (ii) represents a premium of approximately 15.26% to the average closing price of HK\$0.2651 per Share during the Review Period, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

Historical NAV per Share

A comparison between the Offer Price and the NAV per Share over the recent two financial years of the Group is shown in the following table:

| NAV per Share (<i>Note</i>) | % of premium/(discount) of the Offer Price over the NAV per Share |
|--|--|
| Approximately HK\$0.351 as at 31 December 2022 | (12.99)% |
| Approximately HK\$0.286 as at 30 June 2023 | 6.86% |
| Approximately HK\$0.266 as at 31 December 2023 | 14.83% |
| Approximately HK\$0.261 as at 30 June 2024 | 17.24% |

Note:

Calculated based on (i) a total of 288,000,000 Shares in issue throughout the recent two financial years of the Company and as at the Latest Practicable Date; and (ii) the NAV (which mainly comprised contract assets and bank balances and cash) as at the respective interim period/annual year end date.

Although there was a discount of the Offer Price over the NAV per share as at 31 December 2022, the Offer Price is at premium over the NAV per Share as at 30 June 2023, 31 December 2023 and 30 June 2024.

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Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

| Month | Number of trading days in each month | Average daily trading volume (the "Average Volume") <i>Number of Shares</i> | % of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (<i>Note 3</i>) % | % of the Average Volume to total number of issued Shares as at the Latest Practicable Date (<i>Note 4</i>) % |
|--|--------------------------------------|--|--|---|
| <i>2023</i> | | | | |
| December | 19 | 1,244,368 | 1.2462 | 0.4321 |
| <i>2024</i> | | | | |
| January | 22 | 321,000 | 0.3215 | 0.1115 |
| February | 19 | 90,526 | 0.0907 | 0.0314 |
| March | 20 | 192,000 | 0.1923 | 0.0667 |
| April | 20 | 79,500 | 0.0796 | 0.0276 |
| May | 21 | 17,143 | 0.0172 | 0.0060 |
| June | 19 | 111,158 | 0.1113 | 0.0386 |
| July | 22 | 26,818 | 0.0269 | 0.0093 |
| August | 22 | 17,727 | 0.0178 | 0.0062 |
| September | 19 | 43,684 | 0.0437 | 0.0152 |
| October | 21 | 23,810 | 0.0238 | 0.0083 |
| 1 November to the Last Trading Day | 16 | 77,750 | 0.0779 | 0.0270 |
| 6 December up to the Latest Practicable Date | 13 | 12,661,708 | 12.6807 | 4.3964 |

Source: The Stock Exchange website (www.hkex.com.hk)

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Notes:

- (1) Trading in the Shares on the Stock Exchange was halted on 22 December 2024 pending the release of Rule 3.7 announcement.
- (2) Trading in the Shares on the Stock Exchange was halted from 25 November 2024 to 5 December 2024 (both dates inclusive) pending the release of the Joint Announcement.
- (3) Based on 99,850,000 Shares held by the public as at the Latest Practicable Date.
- (4) Based on 288,000,000 Shares in issue as at the Latest Practicable Date.

As depicted by the above table, except for December 2023, January 2024 and early December 2024 following the issue of the Joint Announcement (the increase in trading volume is believed to be stimulated by the Offer following the issue of the Joint Announcement on 5 December 2024), trading in the Shares had been extremely thin (around or below 0.2000% of the total number of issued Shares held by the public as at the Latest Practicable Date) during the Review Period. In this relation, we further noted that there were approximately 39.92% of the trading days (101 out of the total 253 trading days) on which the trading volume was nil. As such, it is uncertain as to whether there would be sufficient liquidity in the Shares in the foreseeable future for the Independent Shareholders to dispose of their Shares in the open market without causing market price slump of the Shares. We therefore consider that the Offer provides the Independent Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to do so.

Nonetheless, if any Independent Shareholders who would like to realise their investment in the Shares are able to dispose their Shares in an open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they think fit having regard to their own circumstances, in case the net proceeds from the sales of their Shares would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the recent financial statements of the Group as released by the Company and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining part or all of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investment in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investment in the Shares at the Offer Price after the close of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with other comparable companies

As the trading multiples analysis (including price-to-earnings ratio (“P/E”), price-to-sales ratio (“P/S”) and price-to-book ratio (“P/B”)) is a commonly adopted valuation method in the market, to further assess the fairness and reasonableness of the Offer Price, we researched for Hong Kong listed companies which are engaged in similar line of business and market capitalisation with the following criteria: (i) majority of revenue (i.e. over 80%) is generated from capacitor-related business in the PRC; and (ii) market capitalisation ranged from HK\$50 million to HK\$200 million considering the Company’s implied market capitalisation of approximately HK\$61.92 million as at the Last Trading Day and the number of comparable companies available for us. There are two exhaustive Hong Kong listed companies which met our selection criteria (the “**Comparable Companies**”). In view of the similarity of the industry, business nature, the geographical segment and market capitalisation of the Comparable Companies, we consider the Comparable Companies are fair and representative sample for comparison to the Company. Among the trading multiples, the P/E is inapplicable as the Group was loss making in its latest financial year. As such, we compared respective P/S and P/B ratios of the Comparable Companies.

Shareholders should note that the principal activities, market capitalisations, profitability and financial positions of each of the Comparable Companies are not identical which may affect how they are valued and their respective market multiple valuations in the market.

The following tables set out (i) the P/Ss and P/Bs of the Comparable Companies based on their closing share price as at the Last Trading Day and their latest published financial information; and (ii) the implied P/S and P/B of the Company based on the Offer Price and its latest published financial information:

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The Comparable Companies

| Company name (Stock code) | Principal business | P/S (times) | P/B (times) | Market capitalisation based on closing share price as at the Last Trading Day (HK\$ million) |
|---|--|------------------------|------------------------|---|
| Tianli Holdings Group Limited (117) | Multi-layer ceramic chip (MLCC) capacitors-related businesses. | 0.33 | 0.26 | 171.29 |
| Man Yue Technology Holdings Limited (894) | The manufacture, sales and distribution of electronic components. Its products include aluminium electrolytic capacitors, conductive polymer aluminium solid capacitors and other electronic components. | 0.10 | 0.09 | 140.29 |

Source: the Stock Exchange website (www.hkex.com.hk)

The Company

| Company name (Stock code) | Principal business | P/S (times) | P/B (times) | Market capitalisation based on the Offer Price (HK\$ million) |
|--|--|------------------------|------------------------|--|
| Vertical International Holdings Limited (8375) | The manufacturing of chip type and radial lead type aluminium electrolytic capacitors. | 1.04 | 1.17 | 87.98 |

Source: the Stock Exchange web-site (www.hkex.com.hk)

As illustrated by the above table, the implied P/S and P/B of the Company (based on the Offer Price) is substantially higher than the P/S and P/B of the Comparable Companies.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above and summarised below:

- (a) although the outlook of the PRC's aluminium electrolytic capacitor industry is positive as elaborated in the section headed "Prospects and outlook of the Group" of this letter of advice, including (i) the growth in the profit for manufacture of computers, communication equipment and other electronic equipment segment (for the industrial enterprises above the designated size); (ii) the growing market size of the aluminium electrolytic capacitors industry; and (iii) the improving financial performance of the Group with the reduction in the Group's loss for the year ended in 2023 and for the six months ended in 2024;
- (b) given that the Company does not have any intention to declare or pay any future dividend or make other distributions prior to the close of the Offer, investment in the Shares would be less attractive, especially for those Shareholders who opt for dividend income from their investment;
- (c) as set forth in the section headed "Intentions of the Offeror in relation to the Group" of this letter of advice, (i) the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group; and (ii) there is uncertainty on the future performance of the Group under the leadership of the Offeror and the three new Directors to be nominated. Thus, those Shareholders who prefer high assurance level may consider disposing their investment in the Shares by accepting the Offer;
- (d) the Offer Price (i) has been all times above the historical closing prices of the Shares during the Pre-Announcement Period; (ii) represents a premium of approximately 15.26% to the average closing price of HK\$0.2651 per Share during the Review Period; and (iii) is at premiums over the NAV per Share as of 30 June 2023, 31 December 2023 and 30 June 2024;
- (e) except for December 2023, January 2024 and early December 2024 following the issue of the Joint Announcement (the increase in trading volume is believed to be stimulated by the Offer following the issue of the Joint Announcement on 5 December 2024), trading in the Shares had been extremely thin (around or below 0.2000% of the total number of issued Shares held by the public as at the Latest Practicable Date) during the Review Period. In this relation, we further noted that there were approximately 39.92% of the trading days (101 out of the total 253 trading days) on which the trading volume was nil. As such, it is uncertain as to whether there would be sufficient liquidity in the Shares in the foreseeable future for the Independent Shareholders to dispose of their Shares in the open market without causing market price slump of the Shares. We therefore consider that the Offer provides the Independent Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to do so; and

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- (f) the implied P/S and P/B of the Company (based on the Offer Price) is substantially higher than the P/Ss and P/Bs of the Comparable Companies,

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Notwithstanding the above, we note that the Shares have traded above the Offer Price after the Joint Announcement was published, closing at HK\$2.420 as at the Latest Practicable Date. In this connection, we would like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider disposing of their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than the receivable under the Offer, and only to accept the Offer if the Independent Shareholders (especially those with relatively sizeable shareholdings) encounter difficulties to dispose of their Shares in the open market due to the liquidity issue at the Offer Price or a price higher than the Offer Price. In any event, the Independent Shareholders should note that there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Ringo Hui
Director

Mr. Ringo Hui is a licensed person and responsible officer of VBG Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance industry.

** For identification purpose only*

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Vertical Technology Investment Limited – Offer” on the envelope, as soon as possible and in any event by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be jointly announced by the Offeror and the Company in compliance with the Takeovers Code and approved by the Executive.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
- (1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or
 - (2) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or
 - (3) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by

HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (4) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Glory Sky or their respective agent(s) to collect from the Company or the Registrar on your behalf and to authorize and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive and in accordance with Note 1 to Rule 30.2 of the Takeovers Code), and the Registrar has recorded that the acceptance and any relevant documents required, under paragraph (g) below have been so received.

- (g) Acceptance of the Offer may not be counted as valid unless the Form of Acceptance is duly completed and signed and is:
- (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (2) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph under this paragraph (g)); or
 - (3) certified by the Registrar or the Stock Exchange.
- (h) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code. Each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's Form of Acceptance at his/her/its own risk.
- (b) No fractions of a Hong Kong cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest Hong Kong cent.

- (c) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on 27 December 2024, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date. In accordance with Rule 15.1 of the Takeovers Code, the Offer must be opened for acceptance for at least 21 days after the date of this Composite Document.
- (b) Unless the Offer has previously been extended with the consent of the Executive, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce in compliance with the Takeovers Code with the consent of the Executive. The Offer is unconditional in all respects.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the GEM Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, closed, expired or revised. The announcement will state the total number of Shares and rights over Shares:
- (1) for which acceptances of the Offer have been received;
 - (2) held, controlled or directed by the Offeror, Mr. Guo and parties acting in concert with any of them before the Offer Period; and
 - (3) acquired or agreed to be acquired during the Offer Period by the Offeror, Mr. Guo and parties acting in concert with any of them.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Mr. Guo and parties acting in concert with any of them have borrowed or lent, save for any borrowed securities which have been either on-lent or sold. The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in the section headed "1. Procedures For Acceptance Of The Offer" of this Appendix and which have been received by the Registrar or the Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the section headed “4. ANNOUNCEMENTS” in this Appendix above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days after receipt of the notice of withdrawal, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to those Independent Shareholders who have exercised their right to withdraw at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any issue, transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdictions.

The Offeror, Mr. Guo, the parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay. Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

8. STAMP DUTY

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAXATION ADVICE

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the members of the Offeror, Mr. Guo and parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificates, title document(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, Mr. Guo and parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Glory Sun or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Glory Sun and the Company:
 - (1) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all Encumbrances and together with all rights and benefits accruing or attaching thereto as at the date on which the Offer is made, being the date of the despatch of this Composite Document or subsequently becoming attached to them, including all rights to any dividend or other distribution and any return of capital, if any, declared, made or paid or agreed to be made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document; and
 - (2) that if such Shareholder accepting the Offer is an Overseas Shareholder, he/she has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents and any registration or filing, complied with all requisite formalities, regulatory and/or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her in connection with such acceptance in any territory, that he/she has not taken or omitted to take any action which will or may result in the Offeror, Mr. Guo and parties acting in concert with any of them, the Company, the Financial Adviser, the Offer Agent, the Independent Financial Adviser or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his/her acceptance thereof, and is permitted under all applicable laws to accept the Offer, and that such acceptance is valid and binding in accordance with all applicable laws.

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (h) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror or parties acting in concert with it, the Company or their respective ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension thereof.
- (j) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text, where indicated by an asterisk (*), is included for the purpose of information only, and should not be regarded as the official English name(s) of such Chinese name(s).
- (k) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no person other than the Offeror and the accepting Independent Shareholders may enforce any terms of the Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong).

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited consolidated financial results of the Group for each of the years ended 31 December 2021 (“FY2021”), 31 December 2022 (“FY2022”) and 31 December 2023 (“FY2023”) as extracted from the audited consolidated financial statements of the Company as set out in the annual reports of the Company for each of FY2021, FY2022 and FY2023, respectively; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2024 (“6M2024”) as extracted from the unaudited consolidated financial statements of the Company as set out in the interim report of the Company for 6M2024.

| | 6M2024 <i>HK\$'000</i> (unaudited) | FY2023 <i>HK\$'000</i> (audited) | FY2022 <i>HK\$'000</i> (audited) | FY2021 <i>HK\$'000</i> (audited) |
|---|--|--|--|--|
| Revenue | 39,847 | 84,262 | 86,371 | 132,480 |
| Cost of sales | (35,905) | (78,139) | (81,313) | (109,197) |
| Gross profit | 3,942 | 6,123 | 5,058 | 23,283 |
| Other income | 1,105 | 502 | 1,220 | 2,483 |
| Other gains and losses | 2,973 | (2,005) | (5,632) | (209) |
| Selling and distribution costs | (1,431) | (2,753) | (2,862) | (4,068) |
| Administrative expenses | (6,346) | (13,073) | (16,177) | (13,929) |
| Finance costs | (299) | (644) | (635) | (576) |
| Profit/(Loss) before taxation | (56) | (11,850) | (19,028) | 6,984 |
| Income tax credit/(expense) | (83) | (338) | 482 | (1,907) |
| Profit/(Loss) for the year and profit/(loss) for the year attributable to owners of the Company | (139) | (12,188) | (18,546) | 5,077 |
| Other comprehensive income/(expense) for the year | | | | |
| Items that may be reclassified subsequently to profit and loss: | | | | |
| Exchange differences arising on translation of foreign operations, net of nil tax | (1,434) | (2,236) | (7,203) | 2,415 |
| Total comprehensive income/(expense) for the year and total comprehensive income/ (expense) for the year attributable to owners of the Company | (1,573) | (14,424) | (25,749) | 7,492 |
| Earnings/(Loss) per share | | | | |
| – Basic and diluted (<i>HK cents</i>) | (0.05) | (4.23) | (6.71) | 2.56 |

For FY2021, a final dividend of 1.00 HK cents per ordinary share, in an aggregate amount of HK\$2,880,000 was proposed and subsequently approved by the shareholders at the annual general meeting on 6 May 2022; such final dividend was paid to the shareholders of the Company on 8 June 2022.

For the nine months ended 30 September 2022, a special dividend of 3.50 HK cents per ordinary share, in an aggregate amount of HK\$10,080,000 was proposed and subsequently approved by the shareholders at the extraordinary general meeting on 5 January 2023; such special dividend was paid to the shareholders of the Company on 9 February 2023.

Save as disclosed above, no dividend has been declared nor paid by the Group for each of FY2021, FY2022, FY2023 and 6M2024.

The profit and loss and other comprehensive income is solely attributable to the owners of the Company. The Group did not record any minority interests for each of FY2021, FY2022, FY2023 and 6M2024.

The auditors' reports issued by Baker Tilly Hong Kong Limited in respect of the consolidated financial statements of the Group for each of FY2021, FY2022 and FY2023 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed above, there are no other items of income or expense which are material for each of FY2021, FY2022, FY2023 and 6M2024.

2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for FY2021 (the “**2021 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for FY2022 (the “**2022 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for FY2023 (the “**2023 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for 6M2024 (the “**6M2024 Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out on pages 73 to 143 of the annual report of the Company for FY2021 (“**2021 Annual Report**”), which was published on 30 March 2022. The 2021 Annual Report is posted on the Company's website at <http://www.verticaltech.com.cn/>.

Please also see below a direct link to the 2021 Annual Report:

<http://www.verticaltech.com.cn/script/News/MANAGE/pic/33017773880.pdf>

The 2022 Financial Statements are set out on pages 76 to 147 of the annual report of the Company for FY2022 (“**2022 Annual Report**”), which was published on 30 March 2023. The 2022 Annual Report is posted on the Company’s website at <http://www.verticaltech.com.cn/>.

Please also see below a direct link to the 2022 Annual Report:

<http://www.verticaltech.com.cn/script/News/MANAGE/pic/330165892782.pdf>

The 2023 Financial Statements are set out on pages 77 to 141 of the annual report of the Company for FY2023 (“**2023 Annual Report**”), which was published on 2 April 2024. The 2023 Annual Report is posted on the Company’s website at <http://www.verticaltech.com.cn/>.

Please also see below a direct link to the 2023 Annual Report:

<http://www.verticaltech.com.cn/script/News/MANAGE/pic/431031162338.pdf>

The 6M2024 Financial Statements are set out on pages 6 to 20 of the interim report of the Company for 6M2024 (“**2024 Interim Report**”), which was published on 26 August 2024. The 2024 Interim Report is posted on the Company’s website at <http://www.verticaltech.com.cn/>.

Please also see below a direct link to the 2024 Interim Report:

<http://www.verticaltech.com.cn/script/News/MANAGE/pic/8261735106969.pdf>

The 2021 Financial Statements, the 2022 Financial Statements, the 2023 Financial Statements and the 6M2024 Financial Statements (but not any other part of the 2021 Annual Report, 2022 Annual Report, the 2023 Annual Report, the 2024 Interim Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. NO MATERIAL CHANGE

The Directors confirm that save for the following matters, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date:

- (1) as disclosed in the 2024 Interim Report, the unaudited loss for the period of approximately HK\$0.1 million record by the Group for the six months ended 30 June 2024, which was approximately 97.5% less than the unaudited loss for the period of approximately HK\$5.5 million recorded by the Group for the six months ended 30 June 2023. Such decrease was mainly due to (a) the increase in gross profit of approximately HK\$2.5 million as a result of implementation of multiple cost saving initiatives to reduce the production costs; and (b) the increase of other gains of approximately HK\$1.5 million as a result of fair value changes of financial assets at FVTPL;

- (2) the Group's financial assets at FVTPL increased by approximately 73.9% as of 30 September 2024 as compared to 31 December 2023 as a result of fair value gain on the equity investments at fair value through profit or loss; and
- (3) the Group's right of use assets and lease liabilities decreased by approximately 83.2% and 74.4% respectively mainly because the existing lease term of the leased properties entered by the Group are due to expire in December 2024.

4. INDEBTEDNESS

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had outstanding bank borrowing of approximately HK\$9,896,000, which were secured by corporate guarantee from the Company and a subsidiary of the Company and the Group's leasehold land and building, with floating interest rates and lease liabilities of approximately HK\$380,000 in respect of various offices and factories.

Save as aforesaid and apart from intra-group liabilities, and normal trade payables, as at 30 September 2024, the Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

| <i>Authorised</i> | | <i>HK\$</i> |
|----------------------------------|--------|----------------------|
| <u>1,000,000,000</u> | Shares | <u>50,000,000.00</u> |
| <i>Issued and fully paid</i> | | |
| <u>288,000,000</u> | Shares | <u>14,400,000.00</u> |

As at the Latest Practicable Date, the Company had no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

All the Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2023, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of the substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the following person (other than a Director and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Substantial Shareholder | Capacity | Number of issued Shares held (long positions) | Approximate percentage of the issued share capital of the Company |
|----------------------------------|------------------------------------|---|---|
| The Offeror | Beneficial Owner | 188,150,000 | 65.33% |
| Mr. Guo Fan <i>(Note 1)</i> | Interest in controlled corporation | 188,150,000 | 65.33% |
| Ms. Jiang Caiyun <i>(Note 2)</i> | Interest of spouse | 188,150,000 | 65.33% |

Note:

- As at the Latest Practicable Date, Mr. Guo Fan is the sole shareholder and sole director of the Offeror and is therefore deemed to be interested in the Shares held by the Offeror.
- Ms. Jiang Caiyun is the spouse of Mr. Guo Fan and was deemed, or taken to be, interested in all the Shares which Guo Fan had, or was deemed to have, an interest for the purpose of the SFO.

Save as disclosed in this sub-section headed “Interests of the substantial Shareholders”, to the best knowledge of the Directors, as at the Latest Practicable Date, no person had any interest or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES

- during the Relevant Period, neither the Company nor any of the Directors had or had dealt in any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- during the Relevant Period, save for Mr. Boon’s acquisition of a total of 310,000 Shares in June and July 2024, and the Vendors’ interest in and disposal of the Sale Shares, none of the Directors had or had dealt in any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (c) during the Relevant Period, no subsidiary of the Company, or pension fund of the Company or of any other member of the Group, or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code, or person who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), owned or controlled or dealt in any interest in relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) during the Relevant Period, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3), or (5) of the definition of “acting in concert” under the Takeovers Code, or who is an associate of the Company by virtue of classes (2), (3), or (4) of the definition of “associate” under the Takeovers Code, owned or controlled or dealt in any interest in relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) during the Relevant Period, no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company;
- (f) as at the Latest Practicable Date, none of the Directors beneficially own any Shares and accordingly none of them is entitled to the Offer;
- (g) as at the Latest Practicable Date, there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent; and
- (h) as at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by any member of the Group after the date falling two years before commencement of the Offer Period up to and including the Latest Practicable Date.

7. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date, (i) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offers; (ii) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offer; and (iii) save for the Sale and Purchase Agreement, there were no material contracts entered into by the Offeror in which any Director had a material personal interest.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice contained in this Composite Document:

| Name | Qualification |
|-------------|--|
| VBG Capital | a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

VBG Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, advice, and reference to its name, in the form and context in which they are respectively included.

10. MISCELLANEOUS

- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands.
- (ii) The head office and principal place of business of the Company is situated at Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Hong Kong.

- (iii) The company secretary of the Company is Ms. Cheung Yuet Fan. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly “The Institute of Chartered Secretaries and Administrators”).
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.
- (v) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display (i) on the website of the SFC (www.sfc.hk); and (ii) on the website of the Company (www.verticaltech.com.cn) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the second amended and restated memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2022 and 2023;
- (c) the letter from the Board, the text of which is set out in this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (f) the written consent referred to in the section headed “Expert and consent” in this appendix; and
- (g) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

Mr. Guo, being the sole director and sole shareholder of the Offeror, accepts full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Vendors and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

The Offeror is ultimately wholly and beneficially owned by Mr. Guo, who is also the sole director of the Offeror. As at the Latest Practicable Date, the Offeror, Mr. Guo and the parties acting in concert with them hold in aggregate 188,150,000 Shares, representing 65.33% of the total issued share capital of the Company. As at the Latest Practicable Date, save as disclosed above, the Offeror, Mr. Guo and parties acting in concert with them did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer or any irrevocable undertaking from any Shareholders not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by he/she/it/them;
- (ii) save for 188,150,000 Shares held by the Offeror, none of the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them owns, has control or has direction over any voting rights or rights over the Shares, convertible securities, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;
- (iii) save for the Sale and Purchase Agreement, neither the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company during the Relevant Period;
- (iv) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them;
- (v) there is no other agreement, arrangement or understanding that any securities acquired in pursuance of the Offer or the Sale Shares would be transferred, charged or pledged to any other persons;

- (vi) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares between the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them and/or other associates of the Offeror and any other person;
- (vii) none of the persons who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (viii) save for the Sale and Purchase Agreement, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;
- (ix) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a precondition or a condition to the Offer;
- (x) neither the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (xi) save for the Consideration for the Sale Shares, there is no consideration, compensation or benefit in whatever form paid or to be paid by the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them to the Vendor, its ultimate beneficial owner and/or any parties acting in concert with any of them in connection with the sale and purchase of the Sale Shares;
- (xii) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them on one hand, and the Vendors, its ultimate beneficial owner and/or parties acting in concert with any of them on the other hand;
- (xiii) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (including the Vendors, its ultimate beneficial owner and/or parties acting in concert with any of them); and the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them;

- (xiv) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (xv) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) which exists between the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (xvi) save for the Share Purchase Agreement, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

| Date | Closing price per Share (HK\$) |
|--|-----------------------------------|
| 28 June 2024 | 0.127 |
| 31 July 2024 | 0.151 |
| 30 August 2024 | 0.150 |
| 30 September 2024 | 0.155 |
| 31 October 2024 | 0.170 |
| 22 November 2024 (the Last Trading Day) | 0.215 |
| 29 November 2024 | 0.215 |
| 24 December 2024 (the Latest Practicable Date) | 2.420 |

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.420 per Share on 24 December 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.042 per Share on 14 June 2024, respectively.

4. EXPERTS AND CONSENTS

In addition to those listed under the section headed “9. EXPERT AND CONSENT” in Appendix III to this Composite Document, the followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

| Name | Qualification |
|---------------|--|
| Draco Capital | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO |
| Glory Sun | a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO |

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advice letter/report and/or the references to its name included herein in the form and context in which it appears.

5. MISCELLANEOUS

- (a) The principal members of the Offeror’s concert parties are the Offeror and Mr. Guo. The Offeror, Super Date Co., Ltd, is a company incorporated in British Virgin Islands with limited liability, which is wholly owned by Mr. Guo, who is also the sole director of the Offeror as at the Latest Practicable Date.
- (b) The registered office of the Offeror is at Keyway Chambers 3rd Floor, Quastisky Building, Road Town, Tortola, VG1110 British Virgin Islands. The correspondence address of the Offeror and Mr. Guo is 7B Bishopsgate, Singapore, 249974.
- (c) The registered office of Draco Capital is at 4/F, Connaught Harbour Front House, 35-36 Connaught Road West, Sheung Wan, Hong Kong.
- (d) The registered office of Glory Sun is at Room 2309, 23/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (e) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

6. DOCUMENTS ON DISPLAY

In addition to the documents set forth in the section headed “11. DOCUMENTS ON DISPLAY” in Appendix III to this Composite Document, copies of the following documents are available on display on the website of the SFC at www.sfc.hk and the website of the Company at www.verticaltech.com.cn during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Offeror;
- (b) the letter from Draco Capital, the text of which is set out in the section headed “Letter from Draco Capital” of this Composite Document; and
- (c) the written consents as referred to in the section headed “4. EXPERTS AND CONSENTS” in this appendix.