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## **VERTICAL INTERNATIONAL HOLDINGS LIMITED**

### **弘浩國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8375)**

## **(I) PROPOSED SHARE CONSOLIDATION; AND (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE**

**Financial adviser and Underwriter**

**SUNWAH KINGSWAY**  
**新華滙富**

### **PROPOSED SHARE CONSOLIDATION**

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.05 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

As at the date of this announcement, the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Existing Shares of HK\$0.01 each, of which 960,000,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will become HK\$50,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.05 each, of which 192,000,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

## **PROPOSED RIGHTS ISSUE**

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.21 per Rights Share, to raise gross proceeds of approximately HK\$20.2 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date), by way of the Rights Issue of 96,000,000 Rights Shares to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders one (1) Rights Share in nil-paid form for every two (2) Consolidated Shares in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$18.7 million (assuming no further issue or repurchase of Shares on or before the Record Date), which are intended to be applied in following manner:

- (i) approximately HK\$9.6 million, representing approximately 51.3% of the net proceeds, for upgrading its equipment and machines to enhance the Group's production and operation efficiency;
- (ii) approximately HK\$3.8 million, representing approximately 20.3% of the net proceeds, for the repayment of bank borrowings; and
- (iii) approximately HK\$5.3 million, representing 28.4% of the net proceeds, as general working capital of the Group.

## **IRREVOCABLE UNDERTAKING FROM THE CONTROLLING SHAREHOLDERS**

As at the date of this announcement, Vertical Technology, being a Controlling Shareholder of the Company, is beneficially interested in 600,000,000 Existing Shares, representing approximately 62.5% of the issued share capital of the Company. Vertical Technology is wholly owned by Mr. Boon.

As at 26 November 2021, the Company has received from the Controlling Shareholders the Irrevocable Undertaking, which provides that, among other things, the Controlling Shareholders will accept or procure the acceptance in full of the Rights Shares to be provisionally allotted to Vertical Technology pursuant to the Rights Issue, which is expected to be 60,000,000 Rights Shares, in respect of the Shares held by Vertical Technology as at the Record Date. For further information, please refer to the paragraph headed "Irrevocable Undertaking from the Controlling Shareholders".

Save for the Irrevocable Undertaking given by the Controlling Shareholders, the Company has not received any other information or irrevocable undertaking from any Substantial Shareholder of the Company of their intention to take up the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

### **THE UNDERWRITING AGREEMENT**

On 26 November 2021 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue.

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite up to 36,000,000 Rights Shares (being all of the Rights Shares under the Rights Issue other than 60,000,000 Rights Shares that have been undertaken to be subscribed by Vertical Technology pursuant to the Irrevocable Undertaking), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the condition precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “THE UNDERWRITING ARRANGEMENT” in this announcement.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 24 December 2021 to Friday, 31 December 2021 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

The register of members of the Company will be closed from Friday, 7 January 2022 to Thursday, 13 January 2022 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

### **GEM LISTING RULES IMPLICATIONS**

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

As the Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the date of this announcement or (ii) prior to such 12 month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to the Shareholders as part of such rights issues or open offers), the Rights Issue is not subject to Shareholders' approval under Rule 10.29 of the GEM Listing Rules. In addition, the Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation. A circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 15 December 2021.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

## **WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed "Conditions of the Share Consolidation" in this announcement. Accordingly, the Share Consolidation may or may not proceed.**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Rescission and Termination of the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.**

**It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 4 January 2022 and the Consolidated Shares will be dealt in on an ex-right basis from Wednesday, 5 January 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (both dates inclusive).**

**Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares from the date of this announcement and up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).**

## **PROPOSED SHARE CONSOLIDATION**

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.05 each.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following:

- (i) the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

## **Effects of the Share Consolidation**

As at the date of this announcement, the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Existing Shares of HK\$0.01 each, of which 960,000,000 Existing Shares have been issued and are fully paid or credited as fully paid.

Assuming no further Shares will be issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will become HK\$50,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.05 each, of which 192,000,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise and the necessary professional expenses for the implementation of the Share Consolidation.

## **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the Circular.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

## **Exchange of share certificates**

Subject to the Share Consolidation having become effective, which is expected to be on Tuesday, 4 January 2022, the Shareholders may, during the period between Tuesday, 4 January 2022 and Monday, 14 February 2022 (both dates inclusive), submit the existing



share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in red colour in order to distinguish them from the existing yellow colour.

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 24 December 2021 to Friday, 31 December 2021 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

### **Listing and dealings**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

### **Board lot size**

The existing board lot of 10,000 Shares will remain unchanged upon the Share Consolidation becoming effective. The value of the current board lot, based on the closing price of HK\$0.071 per Existing Share at the date of this announcement, was HK\$710.

Upon the Share Consolidation becoming effective, the expected value of each board lot of 10,000 Consolidated Shares, based solely on the closing price of HK\$0.071 per Existing Share (equivalent to the theoretical closing price of HK\$0.355 per Consolidated Share) as at the date of this announcement, is expected to be HK\$3,550.

## **Adjustments in relation to other securities of the Company**

As at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities in issue which are convertible or exchangeable into or confer any right to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

## **Reasons for and benefits of the Share Consolidation**

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For the past two months, the share price of the Company has been trading at or below HK\$0.10, and the closing price of the Existing Shares on the date of this announcement was HK\$0.071. The existing board lot value has been less than HK\$2,000.

The Directors consider that the proposed Share Consolidation will increase the share price of the Company, over HK\$0.10, and the board lot value, over HK\$2,000, of the Existing Shares. As such, it would (i) enable the Company to comply with the trading requirements under the GEM Listing Rules; and (ii) reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

Accordingly, the Board is of the view that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and is in the interest of the Company and the Shareholders as a whole. The Board also believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.



## PROPOSED RIGHTS ISSUE

The Company proposes, subject to, amongst others, the Share Consolidation becoming effective, to implement the Rights Issue. The terms of the Rights Issue are summarised below:

### Issue statistics

Basis of Rights Issue:	One (1) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.21 per Rights Share
Number of Shares in issue as at the date of this announcement:	960,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	192,000,000 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	96,000,000 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares:	HK\$4.8 million (assuming no Shares are issued or repurchased on or before the Record Date)
Total number of Consolidated Shares in issue immediately upon completion of the Rights Issue:	288,000,000 Consolidated Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Number of Rights Shares undertaken to be taken up:	Vertical Technology has undertaken to take up 60,000,000 Rights Shares, representing approximately 62.5% of the total Rights Shares proposed to be provisionally allotted by the Company
Gross proceeds from the Rights Issue:	Approximately HK\$20.2 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)
Right of excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities in issue which are convertible or exchangeable into or confer any right to subscribe for Shares in the Rights Issue.

The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no Shares are issued or repurchased on or before the Record Date, the 96,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 50.00% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and (ii) approximately 33.33% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

### **Irrevocable Undertaking from the Controlling Shareholders**

As at the date of this announcement, Vertical Technology, being a Controlling Shareholder of the Company, is beneficially interested in 600,000,000 Existing Shares, representing approximately 62.5% of the issued share capital of the Company. Vertical Technology is wholly owned by Mr. Boon.

As at 26 November 2021, the Company has received from the Controlling Shareholders the Irrevocable Undertaking, which provides that:

- (i) he/it will accept or procure the acceptance in full of the Rights Shares to be provisionally allotted to Vertical Technology pursuant to the Rights Issue, which is expected to be 60,000,000 Rights Shares, in respect of the Shares held by Vertical Technology as at the Record Date;
- (ii) he/it will lodge or procure the lodgment of the PAL(s) in respect of the Rights Shares referred to in paragraph (i) above and the EAF(s) accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance;
- (iii) the 600,000,000 Shares registered in the name of and beneficially owned by Vertical Technology as at the date of the Irrevocable Undertaking will remain registered in the name of and beneficially owned by Vertical Technology on the Record Date; and
- (iv) Mr. Boon will remain the beneficial owner of the entire issued share capital of Vertical Technology on the Record Date.

Save for the Irrevocable Undertaking given by the Controlling Shareholders, the Company has not received any information or irrevocable undertaking from any Substantial Shareholder of the Company of their intention to take up the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

## Subscription Price

The Subscription Price of HK\$0.21 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 40.8% to the theoretical closing price of HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 42.5% to the theoretical closing price of HK\$0.365 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.073 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 43.2% to the theoretical closing price of approximately HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.074 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.5% to the theoretical closing price of approximately HK\$0.385 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.077 per Existing Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 31.6% to the theoretical ex-rights price of approximately HK\$0.307 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 62.4% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$0.558 (based on the latest published consolidated net asset value of the Group of approximately HK\$107.2 million as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 192,000,000 Consolidated Shares assuming the Share Consolidation has become effective); and

(vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 14.2% represented by the theoretical diluted price of approximately HK\$0.313 to the benchmarked price of approximately HK\$0.365 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.071 and the average closing price of HK\$0.073 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day immediately prior to the date of this announcement).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the recent market price of the Existing Shares prior to the Last Trading Day, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in this announcement.

The Directors consider that the terms of the Rights Issue, including the Subscription Price, are commercially rational, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. the Subscription Price less the cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.195, upon full acceptance of the relevant provisional allotment of Rights Shares.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 6 January 2022.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 4 January 2022, and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 5 January 2022.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

#### **Closure of register of members**

The register of members of the Company will be closed from Friday, 7 January 2022 to Thursday, 13 January 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

#### **Basis of provisional allotment**

The Rights Shares will be allotted on the basis of one (1) Rights Share (in nil-paid form) for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

## **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Directors will make enquiries regarding the legality and feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send the Prospectus only (without the PAL and the EAF) and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue to the Excluded Shareholders for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

**Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries to be made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, such Overseas Shareholders and beneficial owners of the Shares should exercise caution when dealing in the securities of the Company.**

## **Application for the excess Rights Shares**

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.



Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

If the aggregate number of the excess Rights Shares is less than the number of Rights Shares applied for under the relevant EAFs, the Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) the excess Rights Shares will be allocated to the applicants on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders.

If the aggregate number of Rights Shares available for excess application is greater than the aggregate number of excess Rights Shares applied for under the relevant EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the relevant EAFs.

Underwritten Shares which have either been accepted or which are the subject of accepted applications under the EAFs are herein referred to as having been “taken up”. Any Rights Shares not accepted for by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not taken up by excess application will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Beneficial owners of Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary

documents with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 January 2022.

In the event that the Board notes unusual patterns of excess application and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

### **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Friday, 11 February 2022 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Friday, 11 February 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Friday, 11 February 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

### **Fractional entitlements to the Rights Shares**

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefits and interests of the Company. No odd-lot matching services will be provided by the Company in respect of the Rights Issue.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 10,000 Shares in one board lot.

## **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **THE UNDERWRITING ARRANGEMENT**

On 26 November 2021 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue. The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Date	:	26 November 2021 (after trading hours of the Stock Exchange)
Parties	:	(i) the Company; and (ii) the Underwriter

Underwriter : Kingsway Financial Services Group Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO whose ordinary course of business includes underwriting of securities and complies with the requirement under Rule 10.24A(1) of the GEM Listing Rules

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons

Number of Rights Shares underwritten by the Underwriter : Up to 36,000,000 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 60,000,000 Rights Shares that have been undertaken to be subscribed by Vertical Technology pursuant to the Irrevocable Undertaking

Underwriting Commission : 4.0% of the aggregate Subscription Price in respect of the Underwritten Shares

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not otherwise taken up.

## **Rescission and Termination of the Underwriting Agreement**

If prior to the Latest Time for Termination, in the absolute opinion of the Underwriter:

- (i) the success of the Rights Issue would be affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the opinion of the Underwriter is material to the Group as a whole and is likely to affect the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination to terminate the Underwriting Agreement.

Moreover, the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any of the followings comes to the knowledge of the Underwriter:

- (i) any material breach of any of the warranties or undertakings of the Company contained in the Underwriting Agreement; or
- (ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties of the Company contained in the Underwriting Agreement untrue or incorrect in any respect.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. All obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.**

#### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in the Consolidated Shares;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (together with any other documents required by the applicable law or regulation to be annexed thereto) by no later than the Prospectus Posting Date;



- (v) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by no later than the Prospectus Posting Date;
- (vi) the compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands;
- (vii) the compliance with and performance of all the undertakings and obligations of the Controlling Shareholders under the Irrevocable Undertaking;
- (viii) the representations, warranties and undertakings of the Company referred to in the Underwriting Agreement remaining true and accurate and not misleading in all material respects at all times prior to the Latest Time for Termination;
- (ix) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (x) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination; and
- (xi) the Underwriter being satisfied with the results of due diligence review of the Group to be conducted pursuant to the Underwriting Agreement.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. If the conditions set out in the above paragraphs are not satisfied (or, if applicable, waived by the Underwriter) by the Latest Time for Acceptance and/or the conditions set out in paragraphs (viii) and (ix) do not remain fulfilled (unless waived by the Underwriter under the terms of the Underwriting Agreement) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the surviving provisions in relation to fees and expenses, indemnity, notices and governing law) and no party hereto will have any claim against any other party for cost, damages, compensation or otherwise (save in respect of any rights or obligations which may have accrued under the Underwriting Agreement prior to such termination), and the Rights Issue will not proceed.

## **REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Group is principally engaged in the manufacture and distribution of chip type and radial lead type aluminum electrolytic capacitors.

It is estimated that the Company will raise approximately HK\$20.2 million from the Rights Issue and the relevant expenses would be approximately HK\$1.5 million, which includes underwriting commission and professional fees payable to financial adviser, legal adviser and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$18.7 million.

The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK\$9.6 million, representing approximately 51.3% of the net proceeds, for upgrading its equipment and machines to enhance the Group's production and operation efficiency; (ii) approximately HK\$3.8 million, representing approximately 20.3% of the net proceeds, for the repayment of bank borrowings; and (iii) the balance of approximately HK\$5.3 million, representing approximately 28.4% of the net proceeds, as general working capital of the Group.

As stated in the third quarterly report 2021 for the nine months ended 30 September 2021 (the “**Period**”), the revenue of the Group increased by approximately 55.9% to approximately HK\$103.0 million from approximately HK\$66.1 million for the nine months ended 30 September 2020. The gross profit of the Group increased by approximately HK\$9.0 million to approximately HK\$18.4 million for the Period from approximately HK\$9.4 million for the nine months ended 30 September 2020. The significant increase was mainly attributable to the rising demand in the Group's self-manufactured aluminum electrolytic capacitor during the Period. In response to the market trend, the Group plans to apply approximately HK\$9.6 million, representing approximately 51.3% of the net proceeds to upgrade its equipment and machinery for slitting, stitching and winding, assembly, aging and marking, to expand its production capacity, enhance its operation efficiency and capture the market opportunity.

In addition, according to the interim report 2021 of the Company for the six months ended 30 June 2021, the Company's outstanding bank loans were amounted to approximately HK\$14.4 million with a total outstanding bank loans (including the principal and the relevant interest) of HK\$3.8 million which will be due on or before 31 December 2022 (the “**Borrowing**”) and carried interest rates ranged from 2.38% to 5.38%. The Group intends to apply approximately HK\$3.8 million, representing approximately 20.3% of the net proceeds to repay the Borrowing, which will reduce the financial cost and enhance the financial position of the Group. Accordingly, the remaining amount of the net proceeds amounted to approximately HK\$5.3 million will be used as general working capital purposes.

Apart from the Rights Issue, the Directors have considered other debt/equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity, and placing of new shares dilutes the interests of existing shareholders without giving them the opportunity to take part in the enlarged capital base of the Company. As opposed to an open offer, the Rights Issue enables the shareholders to sell the nil-paid rights in the market, which would allow the Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

The Directors are of the view that the Rights Issue, when compared with other forms of debt/equity fundraising, is in the best interests of the Company and the Shareholders as a whole, and that the Rights Issue is an appropriate fundraising method to strengthen the capital base and gearing ratio of the Company, which in turn will support the Company's continuing development and business growth, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

## SHAREHOLDING STRUCTURES

Assuming there is no further issue or repurchase of Shares from the date of this announcement up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective; and (iii) immediately after completion of the Rights Issue.

	Immediately after completion of the Rights Issue							
	As at the date of this announcement		Immediately after the Share Consolidation becoming effective		Assuming full acceptance of the Rights Shares by the existing Shareholders		Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Controlling Shareholder who has provided the Irrevocable Undertaking	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
<b>Controlling Shareholder</b>								
Vertical Technology (Note 1)	600,000,000	62.5%	120,000,000	62.5%	180,000,000	62.5%	180,000,000	62.5%
<b>Public Shareholder</b>								
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them	—	0.00%	—	0.00%	—	0.00%	36,000,000	12.5%
Other public Shareholders	360,000,000	37.5%	72,000,000	37.5%	108,000,000	37.5%	72,000,000	25.0%
<b>Total</b>	<u>960,000,000</u>	<u>100.00%</u>	<u>192,000,000</u>	<u>100.00%</u>	<u>288,000,000</u>	<u>100.00%</u>	<u>288,000,000</u>	<u>100.00%</u>

*Notes:*

1. Vertical Technology is wholly and beneficially owned by Mr. Boon. Therefore, Mr. Boon is deemed to be interested in the 600,000,000 Existing Shares of the Company held by Vertical Technology under the SFO as at the date of this announcement.
2. The applications of any Shareholder for his entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation to make a general offer under the Takeovers Code.
3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

## **EXPECTED TIMETABLE**

The expected timetable in respect of the Share Consolidation and Rights Issue is set out below:

<b>Event</b>	<b>Hong Kong Date and Time</b>
Publication of this announcement. . . . .	Friday, 26 November 2021
Expected despatch date of the Circular together with notice of EGM and proxy form for EGM . . . . .	Wednesday, 15 December 2021
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Thursday, 23 December 2021
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM . . . . .	Friday, 24 December 2021 to Friday, 31 December 2021 (both dates inclusive)
Latest time for lodging proxy forms for the EGM . . . . .	11:30 a.m. on Wednesday, 29 December 2021
Record date for determining attendance and voting at the EGM . . . . .	Friday, 31 December 2021
Expected date and time of the EGM to approve the proposed Share Consolidation. . . . .	11:30 a.m. on Friday, 31 December 2021
Announcement of the poll results of the EGM. . . . .	Friday, 31 December 2021
Register of members of the Company re-opens . . . . .	Monday, 3 January 2022

<b>Event</b>	<b>Hong Kong Date and Time</b>
Effective date of the Share Consolidation . . . . .	Tuesday, 4 January 2022
Commencement of dealings in the Consolidated Shares. . . . .	9:00 a.m. on Tuesday, 4 January 2022
Original counter for trading in Existing Shares in board lots of 10,000 Shares (in the form of existing share certificates) temporarily closes . . . . .	9:00 a.m. on Tuesday, 4 January 2022
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Tuesday, 4 January 2022
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares. . . . .	Tuesday, 4 January 2022
Last day of dealings in the Consolidated Shares on a cum-right basis relating to the Rights Issue . . . . .	Tuesday, 4 January 2022
First day of dealings in the Consolidated Shares on an ex-right basis relating to the Rights Issue. . . . .	Wednesday, 5 January 2022
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to be qualified for the Rights Issue . . . . .	4:30 p.m. on Thursday, 6 January 2022
Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive) . . . . .	Friday, 7 January 2022 to Thursday, 13 January 2022 (both dates inclusive)
Record date for the Rights Issue . . . . .	Thursday, 13 January 2022
Register of members of the Company re-opens . . . . .	Friday, 14 January 2022
Expected despatch date of the Prospectus Documents (including the PAL and Prospectus), and in case of the Excluded Shareholders, the Prospectus only . . . . .	Friday, 14 January 2022
First day of dealings in nil-paid Rights Shares. . . . .	9:00 a.m. on Tuesday, 18 January 2022

Event	Hong Kong Date and Time
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens . . . . .	9:00 a.m. on Tuesday, 18 January 2022
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	9:00 a.m. on Tuesday, 18 January 2022
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares. . . . .	9:00 a.m. on Tuesday, 18 January 2022
Latest time for splitting the PAL . . . . .	4:30 p.m. on Thursday, 20 January 2022
Last day of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Tuesday, 25 January 2022
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Friday, 28 January 2022
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional. . . . .	4:00 p.m. on Monday, 31 January 2022
Announcement of allotment results of the Rights Issue . . . . .	Thursday, 10 February 2022
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares . . . . .	4:00 p.m. on Thursday, 10 February 2022
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Thursday, 10 February 2022
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends . . . . .	4:10 p.m. on Thursday, 10 February 2022



Event	Hong Kong Date and Time
Despatch of share certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful application for excess Rights Shares or if the Rights Issue is terminated . . . . .	Friday, 11 February 2022
Commencement of dealings in fully-paid Rights Shares. . . . .	9:00 a.m. on Monday, 14 February 2022
Latest time for free exchange of existing share certificates for new share certificates . . . . .	4:30 p.m. on Monday, 14 February 2022

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

**EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The Latest Time for Acceptance will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or “extreme condition” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

## EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had carried out the following equity fundraising activity in the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
12 March 2021	Placing of new Shares under general mandate	HK\$7.68 million	Approximately (i) HK\$4.23 million to finance the addition of production equipment; (ii) HK\$1.84 million to expand the existing production plant; and (iii) HK\$1.61 million as general working capital of the Group	Approximately HK\$5.84 million of the total net proceeds of HK\$7.68 million has been utilized as intended and as disclosed in the announcement of the Company dated 12 March 2021, amongst which approximately (i) HK\$4.23 million was utilised to finance the addition of production equipment; (ii) none has been utilised for the expansion of the existing production plant and (iii) HK\$1.61 million was utilised for general working capital of the Group

Save as disclosed above, the Company had not conducted any other equity fundraising activities in the past 12 months immediately preceding the date of this announcement.

## GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

As the Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the date of this announcement or (ii) prior to such 12 month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to the Shareholders as part of such rights issues or open offers), the Rights Issue is not subject to Shareholders' approval under Rule 10.29 of the GEM Listing Rules. In addition, the Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation. A circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 15 December 2021.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

## **WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Rescission and Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 4 January 2022 and the Consolidated Shares will be dealt in on an ex-right basis from Wednesday, 5 January 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (both dates inclusive).

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares from the date of this announcement and up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, a Sunday, a public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders by the Company, relating to, among other things, the Share Consolidation
“Company”	Vertical International Holdings Limited (Stock code: 8375), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company immediately following the Share Consolidation becoming effective
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Mr. Boon and Vertical Technology
“Director(s)”	the director(s) of the Company

“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Share Consolidation
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making due and careful enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertaking”	a letter of irrevocable undertaking executed by the Controlling Shareholders in favour of the Company
“Last Trading Day”	26 November 2021, being the last full trading day of the Shares before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 28 January 2022 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares

“Latest Time for Termination”	4:00 p.m. on Monday, 31 January 2022 or such other time or date as may be agreed between the Company and the Underwriter in writing, being the first Business Day after the Latest Time for Acceptance
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“Mr. Boon”	Mr. Boon Ho Yin Henry, the chairman, the chief executive officer, an executive Director and a controlling shareholder of the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issues
“Prospectus Documents”	the Prospectus, the PAL and the EAF and any supplementary prospectus or supplementary PAL and EAF (if required)
“Prospectus Posting Date”	Friday, 14 January 2022 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 13 January 2022 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited



“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every two (2) Consolidated Shares in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and to be set out in the Prospectus Documents
“Rights Share(s)”	new Consolidated Share(s) to be allotted and issued by the Company under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the consolidation of every five (5) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.21 per Rights Share under the Rights Issue
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Underwriter”	Kingsway Financial Services Group Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 26 November 2021 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	up to 36,000,000 Rights Shares to be underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement

“Vertical Technology”                      Vertical Technology Investment Limited, a limited liability company incorporated in the British Virgin Islands and a Controlling Shareholder

“%”    per cent.

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

Hong Kong, 26 November 2021

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

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

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