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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)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

- For the nine months ended 30 September 2018, turnover of the Group was approximately HK\$81.1 million, representing an increase of approximately 12.8% as compared to the corresponding period in 2017.
- The Group's gross profit margin at approximately 22.9% for the nine months ended 30 September 2018 and approximately 24.0% for the nine months ended 30 September 2017.
- Excluding the non-recurring listing expenses, profit for the period of the Company for the nine months ended 30 September 2018 would have been approximately HK\$5.7 million, representing a decrease of approximately HK\$3.7 million as compared with the period ended 30 September 2017.
- Basic earnings per share for the nine months ended 30 September 2018 was approximately 0.71 HK cents, and basic loss per share for the nine months ended 30 September 2017 was approximately 0.52 HK cents.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018. During the nine months ended 30 September 2017, no dividend was paid or declared.

The board of the Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding period in 2017 are set out as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

		For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	21,674	25,447	81,141	71,903
Cost of sales		(16,728)	(18,690)	(62,526)	(54,635)
Gross profit		4,946	6,757	18,615	17,268
Other income		502	56	847	78
Other gains and losses		83	(10)	(353)	(66)
Selling and distribution costs		(969)	(736)	(3,050)	(1,826)
Administrative expenses		(2,499)	(1,632)	(8,455)	(4,634)
Finance costs		(36)	(56)	(115)	(208)
Listing expenses		—	(1,702)	—	(12,459)
Profit (loss) before taxation		2,027	2,677	7,489	(1,847)
Income tax expenses	4	(577)	(679)	(1,820)	(1,248)
Profit (loss) for the period		1,450	1,998	5,669	(3,095)
Other comprehensive expense:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(2,317)	(1,092)	(3,064)	(485)
Total comprehensive (expense) income for the period		(867)	906	2,605	(3,580)
Earnings (loss) per share — basic (Hong Kong cents)	6	0.18	0.33	0.71	(0.52)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note ii)	Statutory reserve HK\$'000 (note i)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	<u>—+</u>	<u>—</u>	<u>20,000</u>	<u>1,764</u>	<u>(2,154)</u>	<u>12,141</u>	<u>31,751</u>
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,095)</u>	<u>(3,095)</u>
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(485)</u>	<u>—</u>	<u>(485)</u>
Total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(485)</u>	<u>(3,095)</u>	<u>(3,580)</u>
Effect of the reorganisation (note iii)	<u>—</u>	<u>26,486</u>	<u>(26,486)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deemed contribution	<u>—</u>	<u>—</u>	<u>6,486</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,486</u>
At 30 September 2017 (unaudited)	<u><u>—+</u></u>	<u><u>26,486</u></u>	<u><u>—</u></u>	<u><u>1,764</u></u>	<u><u>(2,639)</u></u>	<u><u>9,046</u></u>	<u><u>34,657</u></u>
At 1 January 2018 (audited)	<u>8,000</u>	<u>69,172</u>	<u>—</u>	<u>3,265</u>	<u>1,123</u>	<u>10,033</u>	<u>91,593</u>
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,669</u>	<u>5,669</u>
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,064)</u>	<u>—</u>	<u>(3,064)</u>
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,064)</u>	<u>5,669</u>	<u>2,605</u>
At 30 September 2018 (unaudited)	<u><u>8,000</u></u>	<u><u>69,172</u></u>	<u><u>—</u></u>	<u><u>3,265</u></u>	<u><u>(1,941)</u></u>	<u><u>15,702</u></u>	<u><u>94,198</u></u>

Note i: Amount represents statutory reserve of the subsidiaries in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

Note ii: Special reserve represents (i) deemed contribution arisen from the capitalisation of an amount due to a shareholder of HK\$6,486,000 during the period ended 30 September 2017; and (ii) merger reserve arising from the acquisition of Vertical Technology Company Limited by Vertical Technology (B.V.I.) Limited ("Vertical (BVI)") on 30 December 2015 and the acquisition of Vertical (BVI) by the Company on 17 March 2017.

Note iii: Amount represents the differences between the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests in Vertical (BVI) and the nominal value of share capital of Vertical (BVI).

⁺ Less than HK\$1,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Vertical International Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 13 November 2017.

The immediate and ultimate holding company is Vertical Technology Investment Limited (“**Vertical Investment**”), a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Boon Ho Yin Henry, who is also the Chairman and Chief Executive Officer of the Company.

The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 9, 27/F, W50, 50 Wong Chuk Hang Road, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”).

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statement for the nine months ended 30 September 2018 (the “**Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Financial Statements include applicable disclosures required by the GEM Listing Rules. The Financial Statements have been prepared under the historical cost convention and are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

In preparing the Financial Statements, the significant judgments made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group’s audited consolidated financial statements for the year ended 31 December 2017.

3. REVENUE

Revenue represents revenue arising on sales of manufactured aluminum electrolytic capacitors and trading of electronic components for the nine months ended 30 September 2018.

An analysis of the Group's revenue for the three months and nine months ended 30 September 2018 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of manufactured aluminum electrolytic capacitors	17,827	18,922	65,759	51,681
Trading of electronic components	3,847	6,525	15,382	20,222
	<u>21,674</u>	<u>25,447</u>	<u>81,141</u>	<u>71,903</u>

4. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current Period:				
The People's Republic of China ("PRC")				
Enterprise Income Tax ("EIT")	446	679	1,728	1,600
Under (over) provision in prior year:				
PRC EIT	131	—	131	(332)
Deferred tax credit	—	—	(39)	(20)
	<u>577</u>	<u>679</u>	<u>1,820</u>	<u>1,248</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC. Pursuant to the relevant laws and regulations in the PRC, 東莞首科電子科技有限公司 is granted tax incentives as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% for 3 years from 1 January 2016 to 31 December 2018.

5. DIVIDEND

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

6. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings (loss):				
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	<u>1,450</u>	<u>1,998</u>	<u>5,669</u>	<u>(3,095)</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>800,000</u>	<u>600,000</u>	<u>800,000</u>	<u>600,000</u>

No diluted earnings (loss) per share for both periods was presented as there were no potential ordinary shares in issue for both periods.

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share for both periods has been determined on the assumption that the group reorganisation to enable the Company to become the holding company of the Group (the “**Group Reorganisation**”) had been effective on 1 January 2017 and 600,000,000 shares in issue upon completion of the Group Reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components. The revenue for the nine months ended 30 September 2018 was derived from the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

The Group had a strong start in the first half of year 2018. However, the business environment is changing recently due to the global trade tariff dispute, especially for the financial performance in the second half of year 2018 and forward could be adversely affected. For the three month ended 30 September 2018, the Group recorded revenue decrease of approximately 14.8% and gross profit decrease of approximately 26.8% as compared with those for the corresponding period in 2017.

For the nine months ended 30 September 2018, the Group recorded increases in revenue of approximately 12.8% and gross profit of approximately 7.8% as compared with those for the corresponding period in 2017. Such increases were mainly due to the increased demand for our Group's chip type and radial lead type aluminum electrolytic capacitor products, in which the revenue for the sales of manufactured aluminum electrolytic capacitors recorded an increase of approximately HK\$14.1 million or 27.2% from approximately HK\$51.7 million for the nine months ended 30 September 2017 to approximately HK\$65.8 million for the nine months ended 30 September 2018. To cope with the challenging business environment, while the Group continuously reviews the business approach, it will also actively seek for potential business opportunities worldwide.

PROSPECTS

The Group expects that over time, global trade tariff dispute will affect international trade and growth, and these uncertainties may pose a new challenge to the Group's business. The Group however remains committed to investing in technology development, advancing its technology capabilities and enforcing the competitive advantage, which will help the Group achieve its long-term strategic and financial goals.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$81.1 million for the nine months ended 30 September 2018 from approximately HK\$71.9 million for the corresponding period in 2017, representing an increase of approximately 12.8%. The increase reflects the Group's continuous effort in expanding its customer base and production capacity during the period under review.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales increased to approximately HK\$62.5 million for the nine months ended 30 September 2018 from approximately HK\$54.6 million for the nine months ended 30 September 2017, representing an increase of approximately 14.4%. The Group's cost of sales increased along with the growth in revenue for the nine months ended 30 September 2018.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$18.6 million for the nine months ended 30 September 2018 from approximately HK\$17.3 million for the nine months ended 30 September 2017, representing an increase of approximately 7.8%. The Group's gross profit margin exhibited a slight decrease from approximately 24.0% for the nine month ended 30 September 2017 to approximately 22.9% for the nine month ended 30 September 2018, which was primarily attributable to a decrease in the profit margin in the sales of the Group's self-manufactured products.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$3.1 million for the nine months ended 30 September 2018 from approximately HK\$1.8 million for the nine months ended 30 September 2017, representing an increase of approximately 67.0%. The increase was mainly due to an increase in the rental expenses for warehouse and the salaries as a result of the Group's increase in the scale of its business.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, office supplies and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$8.5 million for the nine months ended 30 September 2018 from approximately HK\$4.6 million for the nine months ended 30 September 2017, representing an increase of approximately HK\$3.9 million. Such increase was mainly due to the increase in compliance and professional fee, office supplies, salaries and employee benefit expenses of managerial and staff cost.

Total comprehensive income (expense) for the period

Excluding the non-recurring listing expenses, the Company's total comprehensive income of approximately HK\$8.9 million for the nine months ended 30 September 2017 decreased to approximately HK\$2.6 million for the nine months ended 30 September 2018. Such decrease of approximately HK\$6.3 million was mainly attributable to the increase in selling and distribution expenses and administrative expenses as discussed above.

Basic earnings (loss) per share

The Company's basic earnings per share increased to earnings per share of approximately 0.71 HK cents for the nine months ended 30 September 2018 from loss per share of approximately 0.52 HK cents for the nine months ended 30 September 2017, representing an increase of approximately 1.23 HK cents. Such increase was mainly because non-recurring listing expenses of approximately HK\$12.5 million for the nine months ended 30 September 2017 was no longer incurred during the current period.

RESERVES

Movements in the reserves of the Group for the nine months ended 30 September 2018 are set out above in the unaudited condensed consolidated statement of changes in equity.

DIVIDEND

No dividend was paid, proposed or declared for the ordinary shareholders of the Company for the nine months ended 30 September 2018 (For the nine months ended 30 September 2017: Nil).

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounting to approximately HK\$6.5 million (30 September 2017: Nil). Such commitments primarily related to purchases of equipment and machineries for the expansion of the Group's production capacity.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 17 March 2017, the Group completed the Group Reorganisation, details of which are set out in the Prospectus. Subsequent to the completion of the Group Reorganisation and up to 30 September 2018, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2018 and 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, the interests and short positions in the shares (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) held by the Directors and chief executives of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO) or which as entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are set out as follows:

(a) Long position in the Shares of the Company

Name of Director	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company
Mr. Boon Ho Yin Henry (“ Mr. Boon ”) (Note 2)	Interest in a controlled corporation	600,000,000 (L)	75%

(b) Long position in the shares of the associated corporation of the Company

Name of Director	Nature of interest	Name of associated corporation	Number of shares interested (Note 1)	Percentage of shareholding in the associated corporation
Mr. Boon	Beneficial owner	Vertical Technology Investment Limited (“ Vertical Investment ”)	1 (L)	100%

Notes:

- (1) The letter “L” denotes long position in the relevant share interests.
- (2) Vertical Investment held direct interests of 600,000,000 Shares. Vertical Investment is wholly and beneficially owned by Mr. Boon. Therefore, Mr. Boon is deemed to be interested in all the Shares held by Vertical Investment under the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares:

Long position in the shares of the Company

Name of shareholder	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company
Vertical Investment (Note 2)	Beneficial owner	600,000,000 (L)	75%
Ms. Sun Koon Kwan ("Ms. Sun") (Note 3)	Interest of spouse	600,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the long position in the share interest.
- (2) Vertical Investment is wholly and beneficially owned by Mr. Boon. He is deemed to be interested in all the Shares held by Vertical Investment under the SFO.
- (3) Ms. Sun is the spouse of Mr. Boon. Ms. Sun is deemed to be interested in the same number of Shares in which Mr. Boon is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors is aware of any other person who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

SHARE OPTION SCHEME

The Company has a share option scheme (the “**Share Option Scheme**”) which was approved and adopted by the written resolutions of the then sole shareholder of the Company passed on 24 October 2017. No share option has been granted under the Share Option Scheme since its adoption.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings during the nine months ended 30 September 2018.

The Company has also adopted written guidelines as the code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities based on the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. No incidence of non-compliance of this code by the relevant employees was noted by the Company.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2018, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and practices as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules and has adopted the CG Code as the code to govern the Company’s corporate governance practices.

During the nine months ended 30 September 2018, the Company has complied with the applicable code provisions as set out in the CG Code except for the deviation from code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Boon is the Chairman and the Chief Executive Officer of the Company and is responsible for the Group's major decision-making, overall strategic planning, determining corporate policies and daily operation and management of the Group. In the view that Mr. Boon is one of the founders of the Group and he has been operating and managing the Group since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Boon taking up both roles for effective management and business development of the Group. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed securities during the nine months ended 30 September 2018.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this announcement, neither Vinco Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Wai Leung, Mr. Liu Kwan and Mr. Chik Kin Man Paul. Mr. Wong Wai Leung possesses the appropriate professional accounting qualifications and related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules, and he serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of the Group’s internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the unaudited quarterly results for the nine months ended 30 September 2018.

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

Hong Kong, 8 November 2018

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

This announcement will remain on the “Latest Company Announcements” page of the website of GEM (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.