

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

VERTICAL INTERNATIONAL HOLDINGS LIMITED

弘浩國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8375)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$86.4 million for the year ended 31 December 2022, representing a decrease of approximately HK\$46.1 million or 34.8% as compared to approximately HK\$132.5 million for the year ended 31 December 2021.
- The Group's gross profit margin decreased from approximately 17.6% for the year ended 31 December 2021 to approximately 5.9% for the year ended 31 December 2022.
- Loss for the year ended 31 December 2022 amounted to approximately HK\$18.5 million, representing a decrease of profit of approximately HK\$23.6 million as compared to the profit for the year ended 31 December 2021 of approximately HK\$5.1 million.
- The Group recorded basic loss per share for the year ended 31 December 2022 of approximately 6.71 HK cents as compared with basic earnings per share of approximately 2.56 HK cents for the year ended 31 December 2021.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (dividend for the year ended 31 December 2021: 1.00 HK cents per ordinary share).

The board of the Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative audited figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue	3	86,371	132,480
Cost of sales		<u>(81,313)</u>	<u>(109,197)</u>
Gross profit		5,058	23,283
Other income		1,220	2,483
Other gains and losses		(5,632)	(209)
Selling and distribution costs		(2,862)	(4,068)
Administrative expenses		(16,177)	(13,929)
Finance costs		<u>(635)</u>	<u>(576)</u>
(Loss)/profit before taxation		(19,028)	6,984
Income tax credit/(expense)	4	<u>482</u>	<u>(1,907)</u>
(Loss)/profit for the year		<u>(18,546)</u>	<u>5,077</u>
Other comprehensive (expense)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations, net of nil tax		<u>(7,203)</u>	<u>2,415</u>
Total comprehensive (expense)/income for the year		<u>(25,749)</u>	<u>7,492</u>
(Loss)/earnings per share			
Basic and diluted	6	<u>HK cents (6.71)</u>	<u>HK cents</u> <u>2.56</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		44,959	48,229
Right-of-use assets		1,298	1,990
Intangible assets		—	1,811
Deposits for acquisition of property, plant and equipment		—	1,910
		46,257	53,940
Current assets			
Inventories		11,800	17,207
Trade and bills receivables	7	25,121	34,040
Bills receivables at fair value through other comprehensive income	8	3,585	1,287
Financial assets at fair value through profit or loss		1,935	822
Deposits, prepayments and other receivables		2,803	6,032
Bank balances and cash		42,162	43,981
		87,406	103,369
Current liabilities			
Trade and bills payables	9	12,494	21,899
Other payables and accruals		5,336	7,001
Tax payable		83	525
Lease liabilities		1,271	1,723
Borrowings		13,315	14,805
		32,499	45,953
Net current assets		54,907	57,416
Total assets less current liabilities		101,164	111,356
Non-current liabilities			
Lease liabilities		42	206
NET ASSETS		101,122	111,150
Capital and reserves			
Share capital		14,400	9,600
Reserves		86,722	101,550
TOTAL EQUITY		101,122	111,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Vertical International Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has its registered office and principal place of business at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Hong Kong respectively.

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

At 31 December 2022, the immediate and ultimate holding company of the Company is Vertical Technology Investment Limited, a company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Boon Ho Yin Henry, who is also the chairman and chief executive officer of the Company.

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

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

3 REVENUE AND SEGMENT INFORMATION

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

(i) Sales of manufactured aluminum electrolytic capacitors

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

(ii) Trading of electronic components

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

Segment results

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

For the year ended 31 December 2022

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

For the year ended 31 December 2021

	Sales of manufactured aluminum electrolytic capacitors <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue under HKFRS 15			
External sales	<u>105,047</u>	<u>27,433</u>	<u>132,480</u>
Results			
Segment profit	<u>17,610</u>	<u>5,673</u>	23,283
Unallocated expenses			(17,997)
Other income			2,483
Other gains and losses			(209)
Finance costs			<u>(576)</u>
Profit before taxation			<u>6,984</u>

There were no inter-segment sales in both years.

Geographical information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	1,038	2,881
PRC	69,975	111,641
Japan	15,294	17,600
Other Asian regions (<i>note</i>)	<u>64</u>	<u>358</u>
	<u>86,371</u>	<u>132,480</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	7,051	10,215
PRC	<u>39,206</u>	<u>43,725</u>
	<u><u>46,257</u></u>	<u><u>53,940</u></u>

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A (<i>note 1</i>)	10,285	16,132
Customer B (<i>note 1</i>)	8,337	15,482
Customer C (<i>note 2</i>)	15,294	17,600
Customer D (<i>note 1</i>)	N/A [#]	12,754
	<u><u>N/A[#]</u></u>	<u><u>12,754</u></u>

Note 1: Revenue from sales of manufactured aluminum electrolytic capacitors.

Note 2: Revenue from trading of electronic components.

[#] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4 INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC Enterprise Income Tax		
— Current tax	362	2,467
— Over provision in prior years	<u>(844)</u>	<u>(560)</u>
	<u><u>(482)</u></u>	<u><u>1,907</u></u>

No provision for taxation in Hong Kong has been made for the year (2021: HK\$Nil) as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC, 東莞首科電子科技有限公司, has been granted tax incentives as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% since 2016.

5 DIVIDENDS

During the year ended 31 December 2022, a final dividend of 1.00 HK cents per ordinary share in respect of the year ended 31 December 2021 (2021: a final dividend of 0.15 HK cents in respect of the year ended 31 December 2020), was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from share premium of the Company during the year amounted to approximately HK\$2,880,000 (2021: HK\$1,440,000).

In addition, a special dividend for the nine months ended 30 September 2022 of 3.50 HK cents per ordinary share, in an aggregate amount of HK\$10,080,000 was proposed on 15 December 2022 and subsequently approved by the shareholders in the extraordinary general meeting on 5 January 2023. This special dividend has not been recognised as a liability as at 31 December 2022 and has been paid out of the share premium of the Company on 9 February 2023.

No dividend has been proposed since the end of the reporting period.

6 (LOSS)/EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the year)	<u>(18,546)</u>	<u>5,077</u>
	2022 Number of shares '000	2021 Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>276,580</u>	<u>197,982</u>

On 10 January 2022, an ordinary resolution was passed by the shareholders at the extraordinary general meeting of the Company to consolidate every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each (the “**Share Consolidation**”). Following the Share Consolidation which became effective on 12 January 2022, 960,000,000 shares in the issued share capital of the Company were consolidated into 192,000,000 consolidated shares.

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two consolidated shares held (the “**Rights Issue**”), resulting in net proceeds of HK\$18.6 million. Accordingly, the number of issued shares of the Company increased from 192,000,000 shares to 288,000,000 shares. Details of the Rights Issue are set out in the Company’s prospectus dated 24 January 2022 and the Company’s announcement dated 18 February 2022.

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for both years have taken into account the share consolidation and bonus element of the rights issue which were completed during the year ended 31 December 2022.

No diluted (loss)/earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

7 TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	22,906	33,073
Less: Allowance for credit losses	(239)	(340)
	22,667	32,733
Bills receivables	2,454	1,307
	25,121	34,040

The credit period allowed by the Group to its customers was up to 90–120 days (2021: 90–120 days) from the date of issuing invoice. The following is an aged analysis of trade and bills receivables based on the dates of delivery of goods which is also the revenue recognition point, net of allowance for credit losses at the end of each reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	7,545	11,538
31 to 60 days	7,108	11,693
61 to 90 days	4,464	6,421
91 to 180 days	4,504	3,891
181 days to 1 year	1,500	497
	25,121	34,040

8 BILLS RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	147	—
31 to 60 days	912	—
61 to 90 days	1,217	—
91 to 180 days	1,309	1,287
	3,585	1,287

9 TRADE AND BILLS PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	12,494	20,549
Bills payables	—	1,350
	<u>12,494</u>	<u>21,899</u>

The credit period of trade payables granted by suppliers ranged from 0 to 90 days (2021: 0 to 90 days) upon the issue of invoices.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	3,040	5,000
31 to 60 days	3,441	6,855
61 to 90 days	3,769	5,249
91 to 180 days	1,743	2,557
181 days to 1 year	1	408
Over 1 year	500	480
	<u>12,494</u>	<u>20,549</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
91 to 180 days	—	1,350
	<u>—</u>	<u>1,350</u>

10 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 5 and elsewhere in this annual results announcement, the Group does not have any other significant events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group continued to focus on its key markets including manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components, including semiconductor devices and passive components, adopted a more aggressive pricing strategy to increase its market share.

The persistent outbreak of the COVID-19 pandemic severely weakened both local and global consumption market and posed a negative impact on the sales of the Group. The Group adopted a more aggressive pricing approach in order to maintain the market share. Therefore, the revenue of the Group for the year ended 31 December 2022 decreased by approximately 34.8% to approximately HK\$86.4 million from approximately HK\$132.5 million for the year ended 31 December 2021.

Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors decreased to approximately HK\$69.6 million for the year ended 31 December 2022 from approximately HK\$105.0 million for the year ended 31 December 2021. The border closure and lockdowns also posed an adverse impact on domestic and global supply chains resulted in higher production costs of the Group and the cost of operating continued to increase. The gross profit of the Group decreased by approximately HK\$18.2 million to approximately HK\$5.1 million for the year ended 31 December 2022 from approximately HK\$23.3 million for the year ended 31 December 2021.

With the rapid changes in the business environment, the Group is reshaping its management structure to make it more agile, started by focusing on key areas, streamlining human resources, developing training programs, monitoring cost control, and managing customer relation. The Group will continue to carefully and extensively review the current situation in relation to costs and resources deployment, and will consider to tighten its control over the operating costs.

PROSPECTS

The current economic uncertainty is expected to continue. The Group is dedicated to developing high quality products to satisfy the market needs, closely observes the future development direction of the market to research and develop products continuously in order to satisfy the needs for future development in the industry and implementing multiple cost-saving initiatives to reduce operating costs. As at 31 December 2022, the Group maintained a solid financial position and was in a positive net cash position. The Group has sufficient funds and resources to finance its upcoming capital expenditure. The Group will continuously evaluate and monitor the financial impact on the Group's operational and financial performance from the ever challenging business environment. Overall, the Group will adopt a conservative approach towards the overall business environment for the coming periods and will remain cautious on the upcoming capital expenditure requirements and investment opportunity.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to approximately HK\$86.4 million for the year ended 31 December 2022 from approximately HK\$132.5 million for the corresponding year in 2021, representing a decrease of approximately 34.8%. Such decrease in the Group's revenue was mainly attributable to the persistent outbreak of the COVID-19 pandemic which has severely weakened local and global consumption market and posed negative impact on the sales of the Group. Also, the Group adopted a more aggressive pricing approach in order to maintain the market share.

The revenue for the sales of manufactured aluminum electrolytic capacitors decreased by approximately HK\$35.4 million, from approximately HK\$105.0 million for the year ended 31 December 2021 to approximately HK\$69.6 million for the year ended 31 December 2022. The revenue derived from trading of electronic components decreased to approximately HK\$16.8 million for the year ended 31 December 2022 from approximately HK\$27.4 million for the year ended 31 December 2021.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales decreased to approximately HK\$81.3 million for the year ended 31 December 2022 from approximately HK\$109.2 million for the year ended 31 December 2021, representing a decrease of approximately 25.5%. The Group's cost of sales decreased along with the decline in revenue for the year ended 31 December 2022.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$5.1 million for the year ended 31 December 2022 from approximately HK\$23.3 million for the year ended 31 December 2021, representing a decrease of approximately HK\$18.2 million. The Group's gross profit margin decreased from approximately 17.6% for the year ended 31 December 2021 to approximately 5.9% for the year ended 31 December 2022. Such decrease was mainly due to the border closure and lockdowns which posed an adverse impact on domestic and global supply chains resulted in higher production costs of the Group and the cost of operating continues to increase. Also, the Group adopted a more aggressive pricing approach in order to maintain the market share.

Other gains and losses

The net amount increased from approximately loss of HK\$0.2 million for the year ended 31 December 2021 to approximately loss of HK\$5.6 million for the year ended 31 December 2022. It mainly represented effect from the fair value loss on the equity investments at fair value through profit or loss of approximately HK\$1.6 million and impairment of property, plant and equipment and right-of-use assets approximately HK\$4.2 million for the year ended 31 December 2022.

Selling and distribution costs

The Group's selling and distribution expenses decreased to approximately HK\$2.9 million for the year ended 31 December 2022 from approximately HK\$4.1 million for the year ended 31 December 2021, representing a decrease of approximately 29.6%. The decrease was mainly due to decrease in transportation expenses and sales commission paid.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, office supplies, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous, general and administrative expenses. Administrative expenses increased to approximately HK\$16.2 million for the year ended 31 December 2022 from approximately HK\$13.9 million for the year ended 31 December 2021, representing an increase of approximately HK\$2.3 million. Such increase was mainly due to the increase in advertising, entertainment and write-off the intangible assets.

Income tax credit/(expenses)

For the year ended 31 December 2022, the Group recorded income tax credit of approximately HK\$0.5 million as compared to income tax expenses of approximately HK\$1.9 million for the year ended 31 December 2021.

(Loss)/profit for the year

The Group recorded a loss for the year of approximately HK\$18.5 million for the year ended 31 December 2022, as compared with the profit for the year ended 31 December 2021 of approximately HK\$5.1 million. Such decrease was mainly due to a decrease in revenue and gross profit of approximately HK\$46.1 million and HK\$18.2 million for the year ended 31 December 2022 as compared to the corresponding year in 2021.

Basic (loss)/earnings per share

The Company recorded basic loss per share for the year ended 31 December 2022 of approximately 6.71 HK cents as compared with basic earnings per share of approximately 2.56 HK cents for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group has total assets of approximately HK\$133.7 million (2021: HK\$157.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserve) of approximately HK\$32.5 million (2021: HK\$46.1 million) and approximately HK\$101.1 million (2021: HK\$111.2 million) respectively. The current ratio as at 31 December 2022 of the Group was approximately 2.7 times (2021: approximately 2.2 times).

As at 31 December 2022, the Group had cash and cash equivalents and restricted bank deposit of approximately HK\$42.2 million (2021: HK\$44.0 million).

The total interest-bearing borrowings of the Group as at 31 December 2022 was approximately HK\$13.3 million (2021: HK\$14.8 million). The gearing ratio (calculated based on lease liabilities, interest bearing bank borrowings, bills discounted with recourse and margin financing and divided by total equity) of the Group as of 31 December 2022 was 0.14 times (2021: 0.15 times).

SHARE CONSOLIDATION

On 10 January 2022, an ordinary resolution was passed by the shareholders at the extraordinary general meeting of the Company to consolidate every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each (the “**Share Consolidation**”). Following the Share Consolidation which became effective on 12 January 2022, 960,000,000 shares in the issued share capital of the Company were consolidated into 192,000,000 consolidated shares.

RIGHTS ISSUE

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two consolidated shares held (the “**Rights Issue**”), resulting in net proceeds of approximately HK\$18.6 million. Accordingly, the number of issued shares of the Company increased from 192,000,000 shares to 288,000,000 shares. Details of the Rights Issue are set out in the Company's prospectus dated 24 January 2022 and the Company's announcement dated 18 February 2022.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (dividend for the year ended 31 December 2021: 1.00 HK cents).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (2021: HK\$1.9 million).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the year ended 31 December 2022.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2021 and 2022.

CHARGES ON GROUP'S ASSETS

As at 31 December 2022, the leasehold land and building with the carrying value of approximately HK\$4.4 million (2021: HK\$4.5 million) is pledged to a bank to secure banking facilities granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 137 full-time employees (2021: 167 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2022 was approximately HK\$20.0 million (2021: HK\$28.5 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

FOREIGN EXCHANGE EXPOSURE

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

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

	Liabilities		Assets	
	As at 31 December		As at 31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	—	—	111	6
JPY	—	—	2,000	—
US\$	3,287	7,636	12,689	6,627
RMB	—	—	49	49
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not hold any significant investments (2021: HK\$nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 5 and elsewhere in this annual results announcement, the Group does not have any other significant events after the reporting period.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 12 March 2021, the Company entered into a placing agreement with Kingsway Financial Services Group Limited (the “**Placing Agent**”), pursuant to which the Placing Agent agreed, as agent of the Company, to procure, on a best effort basis, not less than six independent third parties to subscribe for up to 160,000,000 shares of HK\$0.01 each in the Company at the placing price of HK\$0.051 per share (“**Placing**”). Details of the Placing are set out in the Company’s announcements dated 12 March 2021, 14 March 2021 and 30 March 2021.

160,000,000 new shares were placed to the places on 30 March 2021 with actual net proceeds of approximately HK\$7.7 million. The net proceeds from the Placing from 30 March 2021 to 31 December 2022 were used as follow:

Use of proceeds from the Placing	Planned use of net proceeds (adjusted on a pro rata basis on the actual net proceeds) as described in the announcement dated 12 March 2021 <i>HK\$ million</i>	Amount of proceeds unutilized as at 1 January 2022 <i>HK\$ million</i>	Amount of proceeds utilized during the year ended 31 December 2022 <i>HK\$ million</i>	Unutilized Proceeds as at 31 December 2022 <i>HK\$ million</i>
To finance the addition of production equipment	4.3	—	—	—
To expand the existing production plant	1.8	1.8	(1.8)	—
General working capital	1.6	—	—	—
	<u>7.7</u>	<u>1.8</u>	<u>(1.8)</u>	<u>—</u>

USE OF PROCEEDS FROM RIGHTS ISSUE

On 21 February 2022, the Company issued 96,000,000 ordinary shares of HK\$0.05 each at a subscription price of HK\$0.21 per ordinary share, in connection with the rights issue on the basis of one rights share for every two existing shares held (the “Rights Issue”), resulting in net proceeds of approximately HK\$18.6 million. Details of the Rights Issue are set out in the Company’s prospectus dated 24 January 2022 and the Company’s announcement dated 18 February 2022.

The net proceeds from the Rights Issue from 21 February 2022 to 31 December 2022 were used as follow:

Use of proceeds from the Rights Issue	Planned use of net proceeds (adjusted on a pro rata basis on the actual net proceeds) as described in the prospectus dated 24 January 2022 <i>HK\$ million</i>	Amount of proceeds utilized during the year ended 31 December 2022 <i>HK\$ million</i>	Unutilized proceeds as at 31 December 2022 <i>HK\$ million</i>	Expected timeline for fully utilizing the unutilized proceeds
For upgrading its equipment and machines	9.6	3.9	5.7	by 31 December 2023
For the repayment of bank borrowings	3.8	3.8	—	N/A
General working capital	<u>5.2</u>	<u>5.2</u>	<u>—</u>	N/A
	<u><u>18.6</u></u>	<u><u>12.9</u></u>	<u><u>5.7</u></u>	

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the shareholders 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.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

Throughout the year ended 31 December 2022, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision C.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

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

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings during the year ended 31 December 2022.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares were held by the public as required under the GEM Listing Rules during the year ended 31 December 2022 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE “AGM”)

The forthcoming AGM of the Company will be held on Monday, 8 May 2023 at 11:30 a.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Wednesday, 3 May 2023 to Monday, 8 May 2023, both days inclusive, during which period no transfer of shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 May 2023.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of the Group’s internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2022.

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

Hong Kong, 23 March 2023

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

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