

# 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

## Third Quarterly Report 2020



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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.

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*This report, 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 report 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 report misleading.*



## CONTENTS

Corporate Information	3
Financial Highlights	5
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Unaudited Condensed Consolidated Statement of Changes in Equity	7
Notes to the Unaudited Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	13
Corporate Governance and Other Information	18



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Boon Ho Yin Henry (*Chairman and Chief Executive Officer*)

Ms. Chow Cheung Chu

#### Independent Non-executive Directors

Mr. Liu Kwan

Mr. Chik Kin Man Paul

Mr. Wong Wai Leung

### BOARD COMMITTEES

#### Audit Committee

Mr. Wong Wai Leung (*Chairman*)

Mr. Liu Kwan

Mr. Chik Kin Man Paul

#### Remuneration Committee

Mr. Chik Kin Man Paul (*Chairman*)

Mr. Liu Kwan

Mr. Boon Ho Yin Henry

#### Nomination Committee

Mr. Boon Ho Yin Henry (*Chairman*)

Mr. Liu Kwan

Mr. Chik Kin Man Paul

### COMPLIANCE OFFICER

Mr. Boon Ho Yin Henry

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2212, 22/F

Global Gateway Tower

63 Wing Hong Street

Cheung Sha Wan

Hong Kong

### COMPANY SECRETARY

Ms. Cheung Yuet Fan

### AUTHORISED REPRESENTATIVES

Mr. Boon Ho Yin Henry

Ms. Cheung Yuet Fan

### AUDITORS

Baker Tilly Hong Kong Limited

2nd Floor

625 King's Road

North Point

Hong Kong

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THE CAYMAN ISLANDS**

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**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
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Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANK**

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Central  
Hong Kong

**COMPANY WEBSITE ADDRESS**

[www.verticaltech.com.cn](http://www.verticaltech.com.cn)

**STOCK CODE**

8375



## FINANCIAL HIGHLIGHTS

- For the nine months ended 30 September 2020, revenue of the Group was approximately HK\$66.1 million, representing an increase of approximately 5.3% as compared to the corresponding period in 2019.
- The Group's gross profit margin was approximately 14.2% for the nine months ended 30 September 2020 and approximately 18.0% for the nine months ended 30 September 2019.
- Basic loss per share for the nine months ended 30 September 2020 was approximately 0.15 HK cents and approximately 0.09 HK cents for the nine months ended 30 September 2019.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2020. During the nine months ended 30 September 2019, no dividend was paid or declared. On 20 March 2020, the Board recommended the payment of a final dividend of 0.2 HK cents per Share, amounting to HK\$1.6 million, in respect of the year ended 31 December 2019 (2018: Nil). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 7 May 2020 and was paid to the shareholders of the Company on 8 June 2020.

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 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the three months and nine months ended 30 September 2020

	NOTES	For the three months ended 30 September		For the nine months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	28,468	21,411	66,053	62,733
Cost of sales		(24,574)	(17,549)	(56,658)	(51,466)
Gross profit		3,894	3,862	9,395	11,267
Other income		430	600	1,297	1,118
Other gains and losses		(420)	(51)	(253)	(31)
Selling and distribution costs		(853)	(668)	(2,082)	(2,377)
Administrative expenses		(2,353)	(2,855)	(8,580)	(9,301)
Finance costs		(78)	(186)	(297)	(557)
(Loss) profit before taxation		620	702	(520)	119
Income tax expense	4	(372)	(365)	(686)	(844)
(Loss) profit for the period		248	337	(1,206)	(725)
<b>Other comprehensive expense for the period:</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(307)	(742)	(1,283)	(1,375)
<b>Total comprehensive expense for the period</b>		<b>(59)</b>	<b>(405)</b>	<b>(2,489)</b>	<b>(2,100)</b>
(Loss) earnings per share					
— basic and diluted (Hong Kong cents)	6	0.03	0.04	(0.15)	(0.09)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note i)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	8,000	69,172	10,000	(2,460)	8,431	93,143
Adjustment on application of HKFRS 16	—	—	—	—	(124)	(124)
Adjusted balance of 1 January 2019	8,000	69,172	10,000	(2,460)	8,307	93,019
Loss for the period	—	—	—	—	(725)	(725)
Exchange differences arising on translation of foreign operations	—	—	—	(1,375)	—	(1,375)
Total comprehensive expense for the period	—	—	—	(1,375)	(725)	(2,100)
At 30 September 2019 (unaudited)	8,000	69,172	10,000	(3,835)	7,582	90,919
<b>At 1 January 2020 (audited)</b>	<b>8,000</b>	<b>69,172</b>	<b>10,000</b>	<b>(3,775)</b>	<b>9,853</b>	<b>93,250</b>
<b>Loss for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,206)</b>	<b>(1,206)</b>
<b>Exchange differences arising on translation of foreign operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,283)</b>	<b>—</b>	<b>(1,283)</b>
<b>Dividends recognised as distribution</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,600)</b>	<b>(1,600)</b>
<b>Total comprehensive expense for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,283)</b>	<b>(2,806)</b>	<b>(4,089)</b>
<b>At 30 September 2020 (unaudited)</b>	<b>8,000</b>	<b>69,172</b>	<b>10,000</b>	<b>(5,058)</b>	<b>7,047</b>	<b>89,161</b>

*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.



## 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 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The immediate and ultimate holding company of the 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 Company has its registered office and the principal place of business at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Hong Kong respectively. The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

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 2020 (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 Hong Kong dollars 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 2019.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### 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 2020.

An analysis of the Group's revenue for the three months and nine months ended 30 September 2020 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Sales of manufactured aluminum electrolytic capacitors	25,700	12,091	52,790	43,682
Trading of electronic components	2,768	9,320	13,263	19,051
	<b>28,468</b>	21,411	<b>66,053</b>	62,733



#### 4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
The charge comprises:				
Current tax				
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	372	365	686	844
	<b>372</b>	365	<b>686</b>	844

No provision for taxation in Hong Kong has been made for both periods as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits 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 has been granted tax incentives as a High and New Technology Enterprise and has been entitled to a preferential tax rate of 15% since 2016.

## 5. DIVIDEND

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

On 20 March 2020, the Board recommended the payment of a final dividend of 0.2 HK cents per Share, amounting to HK\$1.6 million, in respect of the year ended 31 December 2019 (2018: Nil). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 7 May 2020 and was paid to the shareholders of the Company on 8 June 2020.

## 6. (LOSS) EARNINGS PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>(Loss) earnings:</b>				
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	248	337	(1,206)	(725)
<b>Number of shares:</b>				
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	800,000,000	800,000,000	800,000,000	800,000,000

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components, including semiconductor devices and passive components.

The global economy in the year 2020 faces numerous issues, including the intensification of the spread of the coronavirus disease 2019 (COVID-19), the declining China economy and its impact on the global market.

The revenue of the Group increased by 5.3% to approximately HK\$66.1 million for the nine months ended 30 September 2020 from approximately HK\$62.7 million for the nine months ended 30 September 2019. The gross profit of the Group decreased by 16.6% to approximately HK\$9.4 million for the nine months ended 30 September 2020 from approximately HK\$11.3 million for the nine months ended 30 September 2019. During the period, the Group have continued to expand its overall business with key and new customers and adopted a more aggressive pricing strategy to increase its market share in order to neutralize the impact from COVID-19. Despite short-term pressure on customer's demand due to the overall declining economy, the Group's ability to provide a cost-effective and more flexible supply chain and shorten the production cycle is helping it to build up more long-lasting customer relationships in the medium term which remains the key to the Group's growth momentum.

### PROSPECTS

Due to the impact of the intensification of the spread of COVID-19, ongoing concerns and uncertainties, global economic growth may further slow down. Although this may pose a new challenge to the Group's business, the Group 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.

The current economic uncertainty is expected to continue. To cope with the challenging business environment, the Group will continuously review its business approach.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased to approximately HK\$66.1 million for the nine months ended 30 September 2020 from approximately HK\$62.7 million for the corresponding period in 2019, representing an increase of approximately 5.3%. Such increase in the Group's revenue was mainly attributable to the Group's aggressive pricing strategy to increase its market share in order to neutralize the impact from COVID-19, the declining China economy and its impact on the global market.

### 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\$56.7 million for the nine months ended 30 September 2020 from approximately HK\$51.5 million for the nine months ended 30 September 2019, representing an increase of approximately 10.1%. The Group's cost of sales increased along with the growth in revenue for the nine months ended 30 September 2020.

### Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$9.4 million for the nine months ended 30 September 2020 from approximately HK\$11.3 million for the nine months ended 30 September 2019, representing a decrease of approximately 16.6%. The Group's gross profit margin decreased to approximately 14.2% for the nine months ended 30 September 2020 from approximately 18.0% for the nine month ended 30 September 2019, 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 decreased to approximately HK\$2.1 million for the nine months ended 30 September 2020 from approximately HK\$2.4 million for the nine months ended 30 September 2019, representing a decrease of approximately 12.4%. The decrease was mainly due to decrease in sales commission paid.

## **Administrative expenses**

Administrative expenses primarily consist of office supplies, employee benefit expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous, general and administrative expenses. Administrative expenses decreased to approximately HK\$8.6 million for the nine months ended 30 September 2020 from approximately HK\$9.3 million for the nine months ended 30 September 2019, representing a decrease of approximately HK\$0.7 million. Such decrease was mainly due to the decrease in consultancy fee, compliance and professional fee.

## **Income tax expense**

Income tax expense decreased by approximately HK\$158,000 or 18.7%, from approximately HK\$0.8 million for the nine months ended 30 September 2019 to approximately HK\$0.7 million for the nine months ended 30 September 2020.



## **(Loss) profit for the period**

The Group recorded a loss for the period of HK\$1.2 million for the nine months ended 30 September 2020, as compared with the loss for the period for the nine months ended 30 September 2019 of approximately HK\$0.7 million. This was mainly because of the decrease in gross profit as discussed above.

## **Basic (loss) earnings per share**

The Group recorded loss per share of approximately 0.15 HK cents for the nine months ended 30 September 2020 as compared with loss per share of approximately 0.09 HK cents for the nine months ended 30 September 2019, representing an increase of loss of approximately 0.06 HK cents. This was mainly due to the increase of loss for the period for the nine months ended 30 September 2020.

## **RESERVES**

Movements in the reserves of the Group for the nine months ended 30 September 2020 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 2020 (for the nine months ended 30 September 2019: Nil).

On 20 March 2020, the Board recommended the payment of a final dividend of 0.2 HK cents per Share, amounting to HK\$1.6 million, in respect of the year ended 31 December 2019 (2018: Nil). Such final dividend had been approved by the shareholders of the Company at the annual general meeting held on 7 May 2020 and was paid to the shareholders of the Company on 8 June 2020.



## **CAPITAL COMMITMENTS**

As at 30 September 2020, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounting to approximately HK\$539,000 (30 September 2019: HK\$37,000). Such commitments primarily related to purchases of equipment and machineries for the expansion of the Group's production capacity.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

The Group did not have any material acquisitions or disposals during the nine months ended 30 September 2020.

## **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 30 September 2020 and 2019.

## 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 2020, 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 (Chapter 571 of the Laws of Hong Kong) (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 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 <i>(Note 1)</i>	Percentage of shareholding in the Company
Mr. Boon Ho Yin Henry (“ <b>Mr. Boon</b> ”) <i>(Note 2)</i>	Interest in a controlled corporation	600,000,000 (L)	75%



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

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Name of associated corporation</b>	<b>Number of shares interested</b> <i>(Note 1)</i>	<b>Percentage of shareholding in the associated corporation</b>
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 2020, 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 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 2020, 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 <i>(Note 1)</i>	Percentage of shareholding in the Company
Vertical Investment <i>(Note 2)</i>	Beneficial owner	600,000,000 (L)	75%
Ms. Sun Koon Kwan <i>("Ms. Sun") (Note 3)</i>	Interest of spouse	600,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes 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 2020, 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 2020.

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 2020, 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 2020, the Company has complied with the 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 any of the Company's listed securities during the nine months ended 30 September 2020.

## **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 of the Company for the nine months ended 30 September 2020.

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

Hong Kong, 6 November 2020

