

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

2024

INTERIM REPORT

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.

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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.*

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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

AUDITOR

Baker Tilly Hong Kong Limited
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**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER
OFFICE**

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PRINCIPAL BANK

The Hongkong and Shanghai
Banking Corporation Limited
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Central
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COMPANY WEBSITE

www.verticaltech.com.cn

STOCK CODE

8375



FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2024, revenue of the Group was approximately HK\$39.8 million, representing an increase of approximately 5.6% as compared to the corresponding period in 2023.
- The Group's gross profit margin was approximately 9.9% for the six months ended 30 June 2024 and approximately 3.7% for the six months ended 30 June 2023.
- Loss for the period of the Group for the six months ended 30 June 2024 amounted to approximately HK\$0.1 million as compared to the loss for the period of approximately HK\$5.5 million for the corresponding period in 2023.
- The Company recorded basic loss per share for the six months ended 30 June 2024 of approximately 0.05 HK cents as compared to basic loss per share for the six months ended 30 June 2023 of approximately 1.89 HK cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK\$Nil).

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 six months ended 30 June 2024 together with the comparative unaudited figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

	NOTES	For the six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3	39,847	37,745
Cost of sales		(35,905)	(36,352)
Gross profit		3,942	1,393
Other income		1,105	119
Other gains, net	4	2,973	1,424
Selling and distribution costs		(1,431)	(1,440)
Administrative expenses		(6,346)	(6,609)
Finance costs	5	(299)	(330)
Loss before taxation	6	(56)	(5,443)
Income tax expense	7	(83)	(8)
Loss for the period		(139)	(5,451)
Other comprehensive expense for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations, net of nil tax		(1,434)	(3,257)
Total comprehensive expense for the period		(1,573)	(8,708)
		HK cents	HK cents
Loss per share			
– basic and diluted	9	(0.05)	(1.89)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	NOTES	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	39,201	39,082
Right-of-use assets		575	1,338
		39,776	40,420
Current assets			
Inventories		9,980	7,642
Trade and bills receivables	11	27,749	27,385
Bills receivables at fair value through other comprehensive income		1,774	1,975
Financial assets at fair value through profit or loss		7,956	4,883
Deposits, prepayments and other receivables		1,364	1,705
Bank balances and cash		23,027	23,591
		71,850	67,181
Current liabilities			
Trade payables	12	18,470	18,127
Other payables and accruals		6,296	4,189
Tax payable		111	36
Lease liabilities		729	1,485
Bank borrowings	13	10,975	7,146
		36,581	30,983
Net current assets		35,269	36,198
NET ASSETS		75,045	76,618
Capital and reserves			
Share capital	14	14,400	14,400
Reserves		60,645	62,218
TOTAL EQUITY		75,045	76,618

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company					
	Share capital	Share premium	Statutory reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	14,400	83,194	10,000	(3,660)	(2,812)	101,122
Loss for the period	-	-	-	-	(5,451)	(5,451)
Exchange differences arising on translation of foreign operations	-	-	-	(3,257)	-	(3,257)
Total comprehensive expense for the period	-	-	-	(3,257)	(5,451)	(8,708)
Dividends recognised as distribution	-	(10,080)	-	-	-	(10,080)
At 30 June 2023 (unaudited)	14,400	73,114	10,000	(6,917)	(8,263)	82,334
At 1 January 2024 (audited)	14,400	73,114	10,000	(5,896)	(15,000)	76,618
Loss for the period	-	-	-	-	(139)	(139)
Exchange differences arising on translation of foreign operations	-	-	-	(1,434)	-	(1,434)
Total comprehensive expense for the period	-	-	-	(1,434)	(139)	(1,573)
At 30 June 2024 (unaudited)	14,400	73,114	10,000	(7,330)	(15,139)	75,045

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,861	4,428
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,908)	(4,515)
Withdrawal of restricted bank deposits	–	3,027
Interest received	75	90
Dividend income	1	–
NET CASH USED IN INVESTING ACTIVITIES	(4,832)	(1,398)
FINANCING ACTIVITIES		
New borrowing raised	4,486	–
Repayment of bank borrowings	(657)	(5,113)
Repayment of lease liabilities	(727)	(626)
Interest paid	(299)	(330)
Dividends paid	–	(10,080)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	2,803	(16,149)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(168)	(13,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	23,591	39,136
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(396)	(936)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD REPRESENTED BY BANK BALANCES AND CASH	23,027	25,081

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as appropriate.

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”)

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRS and HKAS issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKFRS 16	<i>Lease Liability in Sales and Leaseback</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

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

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers.

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), is organised into divisions for the purposes of resource allocation and performance assessment focusing on the types of goods delivered. Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

– **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 PRC.

– **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.

The Group derives its revenue from the transfer of goods at a point in time in its major revenue stream (i) sales of manufactured aluminum electrolytic capacitors and (ii) trading of electronic components. This is consistent with the revenue information that is disclosed for each reportable segment under HKFRS 8.

For the six months ended 30 June 2024

	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			
External sales	33,666	6,181	39,847
RESULTS			
Segment profit	3,627	315	3,942
Unallocated expenses			(7,777)
Other income			1,105
Other gains, net			2,973
Finance costs			(299)
Loss before taxation			(56)

For the six months ended 30 June 2023

	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			
External sales	29,661	8,084	37,745
RESULTS			
Segment profit	913	480	1,393
Unallocated expenses			(8,049)
Other income			119
Other gains, net			1,424
Finance costs			(330)
Loss before taxation			(5,443)

There were no inter-segment sales in both periods.

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. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Geographical information

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

	Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PRC	33,830	32,727
Hong Kong	291	216
Other Asian regions (<i>Note</i>)	5,726	4,802
	39,847	37,745

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

4. OTHER GAINS, NET

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Net foreign exchange losses	(122)	(94)
Written off on inventories	–	(384)
Written off on property, plant and equipment	–*	(833)
Reversal of impairment loss recognised on trade receivables, net	22	–
Fair value changes of financial assets at FVTPL	3,073	2,735
	2,973	1,424

* Less than HK\$1,000.

5. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Interest on:		
– Bank borrowings	272	307
– Lease liabilities	27	23
	299	330

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation:		
Property, plant and equipment	4,199	3,424
Right-of-use assets	735	651
Depreciation capitalised in inventories	(3,522)	(3,036)
Depreciation	1,412	1,039
Cost of inventories recognised as expense	33,831	34,359

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
The charge comprises:		
Current tax		
The People's Republic of China ("PRC") Enterprise Income Tax (the "EIT")	83	8

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 net 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 the 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% since 2016.

8. DIVIDENDS

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

9. LOSS PER SHARE

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share	(139)	(5,451)

	Six months ended 30 June	
	2024 Number of Shares (unaudited)	2023 Number of Shares (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	288,000,000	288,000,000

The diluted loss per share is the same as the basic loss per share for both periods as there were no potential ordinary shares in issue for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired certain property, plant and equipment amounting to approximately HK\$4,908,000 (six months ended 30 June 2023: HK\$4,515,000).

During the current period, there was a write-off of certain property, plant and equipment of approximately HK\$391 (six months ended 30 June 2023: HK\$833,000).

11. TRADE AND BILLS RECEIVABLES

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Trade receivables	28,008	26,389
Less: Allowance for credit losses	(259)	(287)
	27,749	26,102
Bills receivables	–	1,283
	27,749	27,385

The credit period allowed by the Group to its customers was up to 30-120 days from the date of issuing invoice. The following is an aged analysis of trade and bills receivables based on 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:

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
0 to 30 days	8,118	9,315
31 to 60 days	7,717	9,484
61 to 90 days	6,342	3,148
91 to 180 days	5,280	2,362
181 days to 1 year	292	3,076
	27,749	27,385

12. TRADE PAYABLES

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Trade payables	18,470	18,127

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

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
0 to 30 days	13,380	8,483
31 to 60 days	2,252	4,709
61 to 90 days	1,319	2,948
91 to 180 days	963	1,893
181 days to 1 year	79	–
Over 1 year	477	94
	18,470	18,127

13. BANK BORROWINGS

During the current period, the Group raised borrowings of approximately HK\$4.5 million (six months ended 30 June 2023: HK\$Nil), and repaid bank borrowings of approximately HK\$0.7 million (six months ended 30 June 2023: HK\$5.1 million) respectively.

The bank borrowings carry interest at best lending rate plus/minus certain basis points. The average of effective interest rates (which are also equal to contracted interest rates) ranged from 3.25% to 8.64% (31 December 2023: 3.25% to 8.35%).

14. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follow:

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Authorised:		
At 1 January 2024 and 30 June 2024	1,000,000	50,000
Issued and fully paid:		
At 1 January 2024 and 30 June 2024 (unaudited)	288,000	14,400

15. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of senior management during the period is as follows:

	Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Short-term benefits	2,234	1,990
Post-employment benefits	36	36
	2,270	2,026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

The flat demand on traditional electronic components weakened both local and global consumption market and posed a negative impact on the sales of the Group. The revenue of the Group for the six months ended 30 June 2024 increased by approximately 5.6% to approximately HK\$39.8 million from approximately HK\$37.7 million for the six months ended 30 June 2023 as the Group adopted a competitive pricing approach to sustain sales growth. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors increased to approximately HK\$33.7 million for the six months ended 30 June 2024 from approximately HK\$29.7 million for the six months ended 30 June 2023.

The gross profit of the Group increased by approximately HK\$2.5 million to approximately HK\$3.9 million for the six months ended 30 June 2024 from approximately HK\$1.4 million for the six months ended 30 June 2023 as the management has implemented multiple cost saving initiatives to reduce the production costs. 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

We expect the cost of operating will continue to maintain at a high level which will become more challenging for us. The Group will remain conservative towards the overall business environment for the coming periods and to take steps to respond to the environment, including diversifying the procurement routes and/or to relocate the manufacturing activities to another low-cost city or province to reduce costs. Moving forward, the Group will continue to take steps to strengthen the production and sales capabilities in the markets and will take advantage of stepping up development of highly competitive products.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$39.8 million for the six months ended 30 June 2024 and approximately HK\$37.7 million for the corresponding period in 2023, representing an increase of approximately HK\$2.1 million. Such increase in the Group's revenue was mainly attributable to the Group increase in sales of self-manufactured products and adopted a competitive pricing approach to sustain sales growth.

The revenue for the sales of manufactured aluminum electrolytic capacitors increased by approximately HK\$4.0 million, from approximately HK\$29.7 million for the six months ended 30 June 2023 to approximately HK\$33.7 million for the six months ended 30 June 2024. The revenue derived from trading of electronic components decreased to approximately HK\$6.2 million for the six months ended 30 June 2024 from approximately HK\$8.1 million for the six months ended 30 June 2023.

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\$35.9 million for the six months ended 30 June 2024 from approximately HK\$36.4 million for the six months ended 30 June 2023, representing a decrease of approximately 1.2%. Such decrease was mainly due to the decrease in production costs for the six months ended 30 June 2024.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$3.9 million for the six months ended 30 June 2024 from approximately HK\$1.4 million for the six months ended 30 June 2023, representing an increase of approximately HK\$2.5 million. The Group's gross profit margin raised from approximately 3.7% for the six months ended 30 June 2023 to approximately 9.9% for the six months ended 30 June 2024. Such increase was mainly due to the management has implemented multiple cost saving initiatives to reduce the production costs.

Other income

The Group's other income increased to approximately HK\$1.1 million for the six months ended 30 June 2024 from approximately HK\$0.1 million for the six months ended 30 June 2023, mainly due to the increase in handling fee income.

Other gains, net

The net amount increased from gain of approximately HK\$1.4 million for the six months ended 30 June 2023 to gain of approximately HK\$3.0 million for the six months ended 30 June 2024. It mainly derived from the fair value gain on the equity investments at fair value through profit or loss of approximately HK\$3.0 million for the six months ended 30 June 2024.

Selling and distribution costs

The Group's selling and distribution costs remained at approximately HK\$1.4 million for the six months ended 30 June 2024 and 2023.



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 decreased to approximately HK\$6.3 million for the six months ended 30 June 2024 from approximately HK\$6.6 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$0.3 million. Such decrease was mainly due to management has implemented multiple cost saving initiatives to reduce the operation costs.

Income tax expenses

Income tax expenses increased by approximately HK\$75,000, from approximately HK\$8,000 for the six months ended 30 June 2023 to approximately HK\$83,000 for the six months ended 30 June 2024.

Loss for the period

The Group recorded a loss for the period of approximately HK\$0.1 million for the six months ended 30 June 2024, as compared with the loss for the six months ended 30 June 2023 of approximately HK\$5.5 million. It was mainly due to an increase in gross profit, other income and other gains of approximately HK\$2.5 million, HK\$1.0 million and HK\$1.5 million respectively for the six months ended 30 June 2024 as compared to the corresponding period in 2023.

Basic loss per share

The Company recorded basic loss per share for the six months ended 30 June 2024 of approximately 0.05 HK cents as compared to basic loss per share of approximately 1.89 HK cents for the six months ended 30 June 2023.

RESERVES

Movements in the reserves of the Group for the six months ended 30 June 2024 are set out 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 six months ended 30 June 2024 (for the six months ended 30 June 2023: HK\$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group has total assets of approximately HK\$111.6 million (31 December 2023: HK\$107.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserve) of approximately HK\$36.6 million (31 December 2023: HK\$31.0 million) and approximately HK\$75.0 million (31 December 2023: HK\$76.6 million) respectively. The current ratio as at 30 June 2024 of the Group was approximately 2.0 times (31 December 2023: approximately 2.2 times).

As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$23.0 million (31 December 2023: HK\$23.6 million).

The total interest-bearing bank borrowings of the Group as at 30 June 2024 was approximately HK\$11.0 million (31 December 2023: HK\$7.1 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 30 June 2024 was 0.16 times (31 December 2023: 0.11 times).

CHARGES ON GROUP'S ASSETS

As at 30 June 2024, the leasehold land and building with the carrying value of approximately HK\$4.1 million (31 December 2023: HK\$4.2 million) is pledged to a bank to secure banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group did not have any significant capital commitments (31 December 2023: HK\$Nil).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the six months ended 30 June 2024.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 June 2024 and 2023.

EMPLOYEE INFORMATION

As at 30 June 2024 and 2023, the Group had 134 and 149 full-time employees respectively, including the Directors. Total remuneration for the six months ended 30 June 2024 and 2023 was approximately HK\$9.5 million and HK\$9.1 million respectively. 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 now comprising the Group are as follows.

	Liabilities		Assets	
	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
HK\$	–	–	875	1,410
JPY	–	–	1,414	1,592
US\$	3,423	2,066	14,002	9,320
RMB	–	–	3	46

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 30 June 2024, the Group did not hold any significant investments (31 December 2023: HK\$Nil).

EVENTS AFTER THE REPORTING PERIOD

As from 30 June 2024 to the date of this report, no significant event has occurred.

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 June 2024, 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 (Note 1)	Percentage of shareholding in the Company
Mr. Boon Ho Yin Henry (“ Mr. Boon ”)	Beneficial owner	7,870,000 (L)	2.73%
(Note 2)	Interest in a controlled corporation	180,000,000 (L)	62.50%

(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 180,000,000 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. Mr. Boon also directly held 7,870,000 Shares of the Company.

Save as disclosed above, as at 30 June 2024, 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 June 2024, 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 positions 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	180,000,000 (L)	62.50%
Ms. Sun Koon Kwan ("Ms. Sun") (Note 3)	Interest of spouse	187,870,000 (L)	65.23%

Notes:

- (1) The letter "L" denotes long position in the share interests.
- (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 June 2024, 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 six months ended 30 June 2024.


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 six months ended 30 June 2024, none of the Directors or the controlling shareholders or their respective close 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 C1 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.

During the six months ended 30 June 2024, 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 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 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 COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended 30 June 2024.

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIAL PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 7 March 2022, Vertical Technology Company Limited ("**Vertical Technology**"), a wholly-owned subsidiary of the Company, as borrower; Bank of China (Hong Kong) Limited, as lender; and each of the Company and Mr. Boon, the chairman of the Board, the chief executive officer, an executive Director and a controlling shareholder of the Company, as guarantor, entered into a banking facility letter ("**Facility Letter**") in relation to the general banking facilities granted under the SME Financing Guarantee Scheme ("**Scheme**") guaranteed by the HKMC Insurance Limited ("**HKMCI**"). The Facility Letter is comprised of a revolving loan facility and an overdraft facility of up to HK\$18,000,000 (with the aggregate outstanding amount of the overdraft facility not exceeding HK\$8,000,000), which will be made available by the Lender to Vertical Technology on the terms and conditions therein contained subject to, among others, the fulfillment of certain conditions precedent.

According to the terms of the Facility Letter, all amounts borrowed under the revolving loan facility shall be repaid or reborrowed at the end of the relevant drawdown period and the principal shall be repaid every twelve (12) months after the date of each drawdown. In addition, the purpose of entering into the Facility Letter is to finance the acquisition of assets or general working capital of Vertical Technology so as to facilitate its business operations. Furthermore, the revolving loan facility and the overdraft facility under the Facility Letter shall be cancelled and ceased to be operated after the guarantee period as stated in the relevant guarantee issued by HKMCI pursuant to the Scheme.

Pursuant to the Facility Letter, certain specific performance obligations are imposed on Mr. Boon, under which Mr. Boon agrees and undertakes to the Lender that (i) he shall remain directly or indirectly as the largest shareholder of the Company; and (ii) he shall remain as the chairman or executive Director of the Company.

As at the date of this report, Mr. Boon directly or indirectly holds 65.33% of the issued share capital of the Company.

Please refer to the announcement of the Company dated 7 March 2022 for more details.

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 unaudited interim results of the Company for the six months ended 30 June 2024.

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

Hong Kong, 19 August 2024

