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Vision Fame International Holding Limited
允升國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1315)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Vision Fame International Holding Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

		Six months ended 30 September 2019 <i>HK\$’000</i> (Unaudited)	Six months ended 30 September 2018 <i>HK\$’000</i> (Unaudited)
	<i>Notes</i>		
REVENUE	3	1,091,219	602,126
Cost of sales		(1,053,258)	(568,441)
Gross profit		37,961	33,685
Other income and gains		6,589	9,304
Administrative expenses		(35,370)	(39,257)
Research and development costs		(999)	(5,863)
Other operating losses		(593)	(97,527)
Finance costs	4	(6,662)	(6,142)
PROFIT/(LOSS) BEFORE TAX	5	926	(105,800)
Income tax expense	6	(5,999)	(3,192)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(5,073)	(108,992)

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Reclassification adjustment for deregistration of foreign operations during the period	—	(896)
Exchange differences on translation of foreign operations	<u>(11,276)</u>	<u>(23,034)</u>
	<u>(11,276)</u>	<u>(23,930)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(11,276)</u>	<u>(23,930)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(11,276)</u>	<u>(23,930)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(16,349)</u>	<u>(132,922)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
— Basic and diluted (HK cents)	<u>(0.09)</u>	<u>(1.82)</u>

Notes

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Condensed Consolidated Statement of Financial Position

At 30 September 2019

	<i>Notes</i>	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		53,029	57,611
Right-of-use assets		22,721	—
Equity investments at fair value through other comprehensive income		6,000	6,000
Prepayments, deposits and other receivables		380	555
Total non-current assets		82,130	64,166
CURRENT ASSETS			
Inventories		23,280	355
Trade receivables	9	86,259	93,736
Contract assets		288,817	232,542
Prepayments, deposits and other receivables		114,468	68,743
Financial assets at fair value through profit or loss		14,347	14,922
Tax recoverable		1,546	291
Pledged bank deposits and restricted cash		63,713	174,934
Cash and cash equivalents		65,699	83,537
Total current assets		658,129	669,060
CURRENT LIABILITIES			
Trade payables	10	135,197	164,178
Other payables and accruals		160,686	143,428
Lease liabilities		11,219	—
Amounts due to related parties	11	11,786	7,069
A loan from a related party	11	5,033	5,033
Tax payable		5,999	—
Total current liabilities		329,920	319,708
NET CURRENT ASSETS		328,209	349,352
TOTAL ASSETS LESS CURRENT LIABILITIES		410,339	413,518

		30 September 2019	31 March 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		11,868	—
Convertible bond	<i>12</i>	20,041	18,739
Loans from a related party	<i>11</i>	243,009	243,009
Other payables and accruals		487	487
		<hr/>	<hr/>
Total non-current liabilities		275,405	262,235
		<hr/>	<hr/>
Net assets		134,934	151,283
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,000	12,000
Equity component of convertible bond	<i>12</i>	11,746	11,746
Other reserves		111,188	127,537
		<hr/>	<hr/>
Total equity		134,934	151,283
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 18 January 2012.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institutes of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2019.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments, which have been measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

The Group has adopted the following revised standards for the first time for the current period’s financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKFRS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets and total assets	<u>30,512</u>
Liabilities	
Increase in lease liabilities and total liabilities	<u>30,512</u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 March 2019	37,650
Weighted average incremental borrowing rate as at 1 April 2019	<u>4.54%</u>
Discounted operating lease commitments as at 1 April 2019	31,087
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	<u>(575)</u>
Lease liabilities as at 1 April 2019	<u>30,512</u>

Except for the above disclosed, the adoption of these revised HKFRSs has had no significant financial effect on the financial statements. The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services provided and has four reportable segments as follows:

- (i) building construction and other construction related business;
- (ii) alterations, renovation, upgrading and fitting-out works;
- (iii) property maintenance; and
- (iv) graphene production and trading of materials.

An analysis of the Group's revenue and results by reportable and operating segment is as follows:

	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Sales of materials HK\$'000	Total HK\$'000
Six months ended 30 September 2019					
Segment revenue					
— external customers	<u>79,746</u>	<u>138,669</u>	<u>311,414</u>	<u>561,390</u>	<u>1,091,219</u>
Segment results	<u>6,998</u>	<u>7,599</u>	<u>11,787</u>	<u>10,582</u>	36,966
Unallocated other income and gain					5,992
Administrative expenses					(35,370)
Finance costs					<u>(6,662)</u>
Profit before tax					<u>926</u>
	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Sales of materials HK\$'000	Total HK\$'000
Six months ended 30 September 2018					
Segment revenue					
— external customers	<u>128,744</u>	<u>222,473</u>	<u>250,861</u>	<u>48</u>	<u>602,126</u>
Segment results	<u>11,155</u>	<u>3,851</u>	<u>21,669</u>	<u>(100,935)</u>	(64,260)
Unallocated other income and gain					3,858
Administrative expenses					(39,256)
Finance costs					<u>(6,142)</u>
Loss before tax					<u>(105,800)</u>

4. FINANCE COSTS

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Interest on:		
Secured bank loans	91	151
Banks	20	—
Convertible bond	1,302	1,139
Lease liabilities	523	—
Obligations under finance leases	—	39
Loans from a related party	<u>4,726</u>	<u>4,813</u>
	<u>6,662</u>	<u>6,142</u>

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment*	2,520	5,131
Depreciation of right-of-use assets	9,713	—
Research and development costs	999	5,863
Lease payments not included in the measurement of lease liabilities	109	1,447
Bank interest income	(1,930)	(871)
Interest income from sub-contractors	(3,819)	(4,160)
Gain on disposal of subsidiaries	—	(2,057)
Loss on disposal of property, plant and equipment [#]	593	—
Foreign exchange difference, net [#]	4	5
Impairment loss on property, plant and equipment [#]	—	32,875
Impairment loss on trade receivables [#]	<u>—</u>	<u>62,478</u>

* Amount of approximately HK\$583,000 (2018: HK\$633,000) and HK\$250,000 (2018: HK\$246,000) were included in “research and development costs” and “cost of sales”, respectively.

[#] Included in “other operating losses”

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended	
	30 September 2019	30 September 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong	3,132	3,192
— Elsewhere	2,867	—
	<u>5,999</u>	<u>3,192</u>

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,000,000,000 (2018: 6,000,000,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 September 2019 and 2018.

The calculations of basic and diluted loss per share are based on:

	Six months ended	Six months ended
	30 September 2019	30 September 2018
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent	<u>(5,073)</u>	<u>(108,992)</u>
	Number of shares	
	Six months ended	Six months ended
	30 September 2019	30 September 2018
Shares		
Weighted average number of ordinary shares in issue during the period	<u>6,000,000,000</u>	<u>6,000,000,000</u>

8. DIVIDEND

No dividends were paid, declared or proposed during the current and prior periods. The directors of the Company have determined that no dividend will be paid in respect of the periods.

9. TRADE RECEIVABLES

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	<u>86,259</u>	<u>93,736</u>

The Group does not have a standardised and universal credit period granted to its customers, and the credit periods of individual customers are considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	75,629	86,966
1 to 3 months	3,816	6,011
Over 3 months	<u>6,814</u>	<u>759</u>
	<u>86,259</u>	<u>93,736</u>

10. TRADE PAYABLES

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	77,393	105,957
Retention monies payables	<u>57,804</u>	<u>58,221</u>
	<u>135,197</u>	<u>164,178</u>

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	71,580	101,122
1 month to 3 months	1,254	1,825
Over 3 months	4,559	3,010
	<u>77,393</u>	<u>105,957</u>

Trade payables are non-interest-bearing and are normally settled on 30 to 60 day terms.

11. AMOUNTS DUE TO RELATED PARTIES/LOANS FROM A RELATED PARTY

The loans from a related party were advanced by Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The amounts comprise (i) loans of approximately HK\$243,009,000 which are unsecured and bear interest at 3.8% per annum and repayable in September 2021 as extended by Mr. Wong Law Fai (31 March 2019: loans of approximately HK\$243,009,000 were unsecured and bore interest at 3.8% per annum and were repayable in September 2019); and (ii) loan of approximately HK\$5,033,000 (31 March 2019: HK\$5,033,000) which is unsecured, bears interest at 3.8% and is repayable on demand.

The amounts due to related parties of approximately HK\$11,786,000 (31 March 2019: approximately HK\$7,069,000) was advanced by Mr. Wong Law Fai and Mr. So Kwok Lam, directors of certain subsidiaries of the Company, respectively. They are unsecured, interest-free and repayable on demand.

12. CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK\$24,000,000 to Mega Start Limited (“Mega Start”), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Co-Chairman and an executive director of the Company). The convertible bond can be converted into ordinary shares of the Company at HK\$0.06 per conversion share, bearing no interest and will mature in 5 years after the date of issue. The holder of the convertible bond shall convert the outstanding principal amount of the convertible bond into ordinary shares in full mandatorily, if and only if, the gross profits of the new graphene business of the Group for the two financial years ending 31 March 2018 and 2017 exceed HK\$300 million in aggregate. The conversion right on the convertible bond expired on 31 March 2018 and the bond shall be redeemed on its maturity.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The convertible bond issued during the prior periods has been split into the liability and equity components as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Nominal value		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	<u>24,000</u>	<u>24,000</u>
Liability component		
At 1 April	18,739	16,383
Interest expense	<u>1,302</u>	<u>2,356</u>
At period/year end	<u>20,041</u>	<u>18,739</u>
Equity component		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	<u>11,746</u>	<u>11,746</u>

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Interim Results

For the half year ended 30 September 2019 (the “Period”), the Group recorded a turnover of approximately HK\$1,091,219,000, representing an approximately 81% increase as compared to approximately HK\$602,126,000 of the same period in 2018 (the “Prior Interim Period”).

The Group recorded a gross profit of approximately HK\$37,961,000 (Prior Interim Period: approximately HK\$33,685,000) for the Period, representing an approximately 13% increase as compared to the Prior Interim Period.

The fluctuations in revenue and segment results are discussed in the Review of Operations section below.

The loss attributable to owners of the Company for the Period was approximately HK\$5,073,000 as compared to the loss of approximately HK\$108,992,000 in Prior Interim Period. The substantial loss in Prior Interim Period was mainly attributable to the recognition of impairment loss on property, plant and equipment of approximately HK\$32,875,000 and impairment loss on trade receivables of approximately HK\$62,478,000.

Basic loss per share for the Period was approximately HK0.09 cent (Prior Interim Period: approximately HK1.82 cent).

(2) Review of Operations

(i) *Building Construction and Other Construction Related Business*

Revenue for the building construction segment for the Period was approximately HK\$79,746,000 (Prior Interim Period: approximately HK\$128,744,000).

The decrease in segment revenue was in line with the decrease in number of building construction projects in progress during the Period. The average contract sum of building construction projects in progress for the Period was amounted to approximately HK\$926 million (Prior Interim Period: approximately HK\$970 million).

Segment profit decreased from the Prior Interim Period approximately HK\$11,155,000 to approximately HK\$6,998,000 in the Period. The decrease in the segment profit was mainly attributable to a full swing operation of two large scale building constructions project in Hong Kong that had contributed more segment profit in Prior Interim Period.

(ii) *Property Maintenance*

Revenue for the property maintenance segment for the Period was approximately HK\$311,414,000 (Prior Interim Period: approximately HK\$250,861,000) and segment profit was approximately HK\$11,787,000 (Prior Interim Period: approximately HK\$21,669,000).

The property maintenance projects mainly included maintenance works for public sectors. The increase in segment revenue was mainly attributable to two large scale long term property maintenance contracts, with total contract value of approximately HK\$1,695 million, were in full swing in the Period. The two large scale long term property maintenance contracts had contributed approximately 83% of segment revenue during the Period.

On the contrary, decline in segment profit was mainly attributable to additional construction costs of a large scale long term property maintenance project in the Period.

(iii) Alterations, renovation, upgrading and fitting-out works (collectively “A&A works”)

Revenue for the A&A works segment for the Period was approximately HK\$138,669,000 (Prior Interim Period: approximately HK\$222,473,000) and segment profit was approximately HK\$7,599,000 (Prior Interim Period: approximately HK\$3,815,000).

The decrease in segment revenue was in line with the decrease in number of A&A works projects in progress during the Period. The average contract sum of A&A works projects in progress for the Period was amounted to approximately HK\$336 million (Prior Interim Period: approximately HK\$482 million).

The decrease in the segment revenue from A&A works was mainly attributable to the recognition of more revenue from a large scale A&A works project secured in early 2018 in Hong Kong with contract value approximately HK\$262 million which was in full swing operation in the Prior Interim Period.

On the contrary, increase in segment profit was mainly attributable to additional construction costs in the Prior Interim Period for completion of a large scale A&A works project secured in 2016.

(iv) Trading of materials and Graphene Production

Revenue for this segment of the Period included sales of materials of approximately HK\$ 561,390,000 (Prior Interim Period: approximately HK\$Nil) and sales of graphene of approximately HK\$Nil (Prior Interim Period: approximately HK\$48,000).

The Company has appointed Mr. Zhu Xiaodong as executive director on 2 September 2019 and the Group has diversified its trading businesses, such as trading of iron ores, cast iron and coal.

Segment profit was approximately HK\$10,582,000 (Prior Interim Period: loss of approximately HK\$100,935,000). Loss of Prior Interim Period was mainly attributable to the recognition of impairment loss on property, plant and equipment of approximately HK\$32,875,000 and impairment loss on trade receivables of approximately HK\$62,478,000.

After the resignation of the Company's former executive director, Mr. Dai Jialong ("Mr. Dai") on 7 September 2018, and the revelation of the pledge of bank deposit of RMB100 million of Wuxi Taike Nano New Material Co. Ltd ("Wuxi Taike")* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, without the acknowledgement and authorization of the Board, in favor of a company controlled by Mr. Dai, the Company's attention and efforts were drawn to the relevant investigation, and the release of the deposit pledge.

The deposit pledge in the sum of RMB100 million was subsequently released on 23 August 2019 and Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements").

(3) Prospects

Building construction, property maintenance and A&A works

The Hong Kong construction market recorded a decline in 2019. The outbreak of the coronavirus has made the already bad situation worse. The building industry, particularly the private sector, would remain in recession in 2020. To overcome this downturn the Group will control its operating costs within desirable levels and we also actively secure further business opportunities to keep the Group moving forward.

For the past couple of months, the entire world has been battling with the coronavirus which has disrupted supply chains and manpower flow in Singapore. There are several challenges faced and the Group in Singapore has developed preventive action plan and business continuity plan to deal with the situation. The action plan which includes health declaration and temperature taking has been implemented company-wide at every project site as well as the headquarters. For business continuity, the Group is actively sourcing for alternative material supplies, managing its manpower

resources and limiting risk exposure by setting up emergency protocol. The Group is staying agile and observing both Singapore and global developments closely, and adapting itself to the situation accordingly.

Trading of material business and Graphene production

After the resignation of the Company's former executive director, Mr. Dai Jialong ("Mr. Dai") on 7 September 2018, and the revelation of the pledge of bank deposit of RMB100 million of Wuxi Taike Nano New Material Co. Ltd ("Wuxi Taike")* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, without the acknowledgement and authorization of the Board, in favor of a company controlled by Mr. Dai, the Company's attention and efforts were drawn to the relevant investigation, and the release of the deposit pledge.

The deposit pledge in the sum of RMB100 million was subsequently released on 23 August 2019 and Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements").

The Company has appointed Mr. Zhu Xiaodong as executive director on 2 September 2019 and the Group would explore and strive to diversify its trading businesses in 2020.

(4) Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. Details could be referred to the "Prospects" section of this announcement.

Except for the above disclosed, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the Period.

(5) Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 30 September 2019, the current assets and current liabilities were stated at approximately HK\$658.1 million (as at 31 March 2019: approximately HK\$669.1 million) and approximately HK\$329.9 million (as at 31 March 2019: approximately HK\$319.8 million), respectively. The current ratio decreased from 2.06 times as at 31 March 2019 to 1.99 times as at 30 September 2019. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.

As at 30 September 2018, the Group had total cash and bank deposits of approximately HK\$129.4 million (as at 31 March 2019: approximately HK\$258.5 million).

As at 30 September 2019, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK\$248.0 million (31 March 2019: approximately HK\$248.0 million) and approximately HK\$20.0 million (31 March 2019: approximately HK\$18.7 million) respectively.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 30 September 2019, the Group had obtained credit facilities from various banks and financial institutions up to a maximum amount of approximately HK\$197 million (31 March 2019: approximately HK\$200 million) and approximately HK\$20.9 million (31 March 2019: approximately HK\$24.7 million) of the credit facilities has been utilized.

As at 30 September 2019, the gearing ratio of the Group was approximately 33.6% (as at 31 March 2019: approximately 33.9%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%.

(6) Foreign Exchange and Interest Rate Risk

The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required.

Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary.

(7) Pledge of Assets

At the end of the reporting period, the following assets are pledged to banks and insurance companies to secure the bank borrowings and performance bond facilities to the extent of approximately HK\$295,310,000 (31 March 2019 approximately HK\$610,489,000) in aggregate granted to the Group:

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Other receivables	4,928	6,277
Financial assets at fair value through profit or loss	11,852	11,675
Bank deposits and restricted cash	63,713	174,934
	80,493	192,886

(8) Contingent Liabilities and Capital Commitments

At the end of each reporting period, the Group had provided the following guarantees:

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees in respect of performance bonds in favor of its clients	109,226	121,258

At the end of each reporting period, the Group had the following capital commitments:

	30 September 2019	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for: Plant and machinery	23,925	11,781

(9) Event after the Reporting Period

- (a) On 23 August 2019, the 2 deposit pledge contracts totalled RMB100 million (equivalent to HK\$117.23 million) entered into by Wuxi Taike with a bank to guarantee the indebtedness of Jiangyin Youjia had expired and the deposit pledge in the sum of RMB100 million (equivalent to HK\$117.23 million) were released on the same day.
- (b) From November to December 2019, China Carbon Valley Technology Group Limited (“China Carbon”), a wholly-owned subsidiary of the Company and the immediate holding company of Wuxi Taike, reduced the capital invested in Wuxi Taike by HK\$120,000,000 and Wuxi Taike has returned HK\$120,000,000 to China Carbon, which then transferred the same amount to another wholly-owned subsidiary of the Company.
- (c) On 20 January 2020, the Group signed a sales and purchases agreement to dispose of the entire interest in Pure Fountain Holdings Limited, which holds 100% equity interests in China Carbon and Wuxi Taike, to Jiangyin Meihong Plastic Electronics Co., Ltd, at a total of consideration of RMB8,000,001 (equivalent to HK\$8,950,000). The transaction was completed on 28 February 2020. Further details of the disposal were set out in the Company announcement dated 20 January 2020 and 22 January 2020.
- (d) An outbreak of the coronavirus disease 2019 (“COVID-19”) pandemic may impact the Group’s business in the coming year.

The Group will continue to monitor the development of COVID-19 situation closely and assess its impacts on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress.

Save for disclosed above, there is no other significant event has taken place after 30 September 2019 and up to the date of this announcement.

(10) Movement of Incomplete Contracts for the six months ended 30 September 2019

	31 March 2019 <i>HK\$'000</i>	Contracts Secured <i>HK\$'000</i>	Contracts Completed <i>HK\$'000</i>	30 September 2019 <i>HK\$'000</i>
Building Construction	1,004,158	—	155,800	848,358
Property Maintenance Alteration, Renovation, Upgrading and Fitting-Out Works	2,054,646	418	7,129	2,047,935
	<u>420,363</u>	<u>130,522</u>	<u>299,074</u>	<u>251,811</u>
Total	<u>3,479,167</u>	<u>130,940</u>	<u>462,003</u>	<u>3,148,104</u>

(11) Employees and Remuneration Policies

As at 30 September 2019, the Group employed a total of 347 staff (as at 30 September 2018: 264 staff) which included Hong Kong, Singapore, the People's Republic of China and Macau employees. The total remuneration for staff was approximately HK\$59.0 million for the Period (Prior Interim Period: approximately HK\$44.3 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package are consisted of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

INTERIM DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures.

Save as disclosed below, the Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 30 September 2019.

Roles of the chairman and the chief executive

Under the code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing.

The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Chau Chit during the period from 1 April 2019 to 30 September 2019.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Financial reporting, Risk management and internal control

On 23 August 2018, Wuxi Taike Nano New Material Co. Ltd* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, pledged the bank deposit in the sum of RMB100 million (the "Secured Deposits") under deposit pledge contracts (the "Deposit Pledge Contracts") to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd* (江陰市友佳珠光雲母有限公司) ("Jiangyin Youjia"), a company established in the PRC, for the opening bank acceptance bill contracts (《開立銀行承兌匯票合同》) (the "Opening Bank Acceptance Bill Contracts") entered into between Jiangyin Youjia and a PRC bank (the "Pledgee Bank") to obtain credit facilities of up to an aggregate amount of RMB100 million (the "Credit Facilities") for a period from 17 August 2018 to 17 August 2019. As of the date of the Opening Bank Acceptance Bill Contracts, the legal representative of Jiangyin Youjia was the late Mr. Dai Jialong, a former executive Director of the Company and a then substantial shareholder of the Company holding approximately 12.17% of the issued share capital of the Company.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements").

For the above matters as disclosed in the Prior Announcements, the Board considered the followings:

- the management of the Group had not provided sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval in accordance with code provision C.1.1 of the CG Code; and
- according to the principle and code provisions of C2 of CG Code The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in

the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems; and the Board acknowledged weaknesses in the above.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting system and internal control procedures of the Group, and oversee the relationship with the Company’s external auditor.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Tak Kei Raymond (the chairman of the Audit Committee), Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.

The Audit Committee has reviewed with the management the Group’s interim results for the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website (<http://www.visionfame.com>) and the Stock Exchange’s website (<http://www.hkexnews.hk>). The 2019 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

By Order of the Board
Vision Fame International Holding Limited
Chau Chit
Co-Chairman and Chief Executive Officer

Hong Kong, 13 May 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chau Chit, Mr. Xie Xiaotao and Mr. Zhu Xiaodong; and three independent non-executive Directors, namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.