

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 REPORT 2019



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chau Chit (*Chairman*)
Xie Xiaotao
Zhu Xiaodong (appointed on 2 September 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan

COMPANY SECRETARY

Cheung Yiu Kuen

AUDIT COMMITTEE

Tam Tak Kei Raymond (*Chairman*)
Wong Kai Tung Simon
Wong Wai Kwan

REMUNERATION COMMITTEE

Wong Kai Tung Simon (*Chairman*)
Chau Chit
Tam Tak Kei Raymond
Wong Wai Kwan
Xie Xiaotao

NOMINATION COMMITTEE

Chau Chit (*Chairman*)
Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan
Xie Xiaotao

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001&10, 20/F, No.118 Connaught Road West,
Hong Kong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Chong Hing Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
(Previously known as "Estera Trust (Cayman) Limited")
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F., Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

COMPANY WEBSITE

www.visionfame.com

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 construction projects 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) REVIEW OF OPERATIONS (Continued)

(ii) Property Maintenance (Continued)

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\$3,851,000).

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) REVIEW OF OPERATIONS (Continued)

(iv) Trading of materials and Graphene Production (Continued)

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 a third party (together, the "Prior Announcements"). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) PROSPECTS (Continued)

Trading of material business and Graphene production (Continued)

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 strives 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 interim report.

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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(5) LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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

Details of the Group's assets that are pledged to secure banking borrowings and performance bonds facilities granted to the Group, are set out in note 19 to the condensed consolidated financial statements.

(8) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's significant capital commitments and contingent liabilities as at 30 September 2019 are set out in note 18 and note 20 to the condensed consolidated financial statements respectively.

(9) EVENT AFTER THE REPORTING PERIOD

Details of important event of the Group after reporting period are set out in note 24 of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(10) MOVEMENT OF INCOMPLETE CONTRACTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Building Construction segment

Contracts secured for the six months ended 30 September 2019

Contracts	Commencement date	Contract value HK\$'000
N/A	N/A	N/A

Property Maintenance segment

Contracts secured for the six months ended 30 September 2019

Contract	Commencement date	Contract value HK\$'000
Subdividing works and mechanical, electrical and plumbing upgrading works at Marina Bay Sands, Singapore	September 2019	418
Total		418

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(10) MOVEMENT OF INCOMPLETE CONTRACTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts secured for the six months ended 30 September 2019

Contracts	Commencement date	Contract value HK\$'000
Construction of new storage buildings at Tseung Kwan O Store and Shek Wu Hui Depot, CLP Hong Kong Limited, Hong Kong	August 2019	14,745
Tuen Mun building and bus depot toilets refurbishment for MTR Corporation Limited, Hong Kong	June 2019	9,990
Renovation, alterations and additions works for Belt & Road Resources Centre for Li Po Chun United World College, Hong Kong	June 2019	18,223
Improvement of lecture theatres at Tai Po campus for The Education University of Hong Kong	August 2019	19,127
Improvement works to lecture theatres at The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong	June 2019	22,390
Renovation for office at Hong Kong International School at Red Hill Road, Tai Tam, Hong Kong	June 2019	12,309
Fitting-out works for modern office of Contract Advisory Unit at EMSD Headquarter, Hong Kong	June 2019	4,700
Renovation of meeting rooms, To Yuen Building for City University of Hong Kong	August 2019	2,980
Renovation of Lee On Shopping Centre, New Territories, Hong Kong	August 2019	5,290
Replacement of solar water heaters for Tung Chung Municipal Services Building of EMSD, Hong Kong	August 2019	1,840
Repartitioning and fitting-out term contract for City University of Hong Kong	August 2019	16,500
Renovation of DTD Office of EMSD Hong Kong	September 2019	2,428
Total		130,522

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(10) MOVEMENT OF INCOMPLETE CONTRACTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 (Continued)

Building Construction segment

Contract completed for the six months ended 30 September 2019

Contract	Commencement date	Completion date	Contract value HK\$'000
Main contract works at nos. 600–626, Shanghai Street, Mongkok, Kowloon, Hong Kong	May 2017	May 2019	155,800
Total			155,800

Property Maintenance segment

Contracts completed for the six months ended 30 September 2019

Contracts	Commencement date	Completion date	Contract value HK\$'000
Alterations and addition works security outdoor canopy at Marina Bay Sands, Singapore	April 2018	April 2019	2,699
Renovation of the shop houses from unit 227 to 231 South Bridge Road, Singapore	May 2018	April 2019	2,930
Supply and installation of turnstiles at casino entrance at Marina Bay Sands, Singapore	January 2019	June 2019	905
Supply and installation of safety enhancement works at Marina Bay Sands, Singapore	January 2019	May 2019	595
Total			7,129

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(10) MOVEMENT OF INCOMPLETE CONTRACTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts completed for the six months ended 30 September 2019

Contracts	Commencement date	Completion date	Contract value HK\$'000
Main contract for addition and alteration works to conversion of services apartment to office, Harbour City, Kowloon, Hong Kong	March 2018	April 2019	261,929
Design and build contract for renovation works at Academic Exchange Building of Institute for Advanced Study, Hong Kong	April 2018	August 2019	26,451
Renovation works of Endoscopy Unit at OPD Block, Our Lady of Maryknoll Hospital, Hong Kong	August 2018	July 2019	8,925
Structural repair works on damaged lamp posts for Yau Yat Chuen Tennis Court, Hong Kong	February 2019	April 2019	1,769
Total			299,074

(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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
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	4	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	5	(6,662)	(6,142)
PROFIT/(LOSS) BEFORE TAX	6	926	(105,800)
Income tax expense	7	(5,999)	(3,192)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(5,073)	(108,992)
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		(11,276)	(23,034)
		(11,276)	(23,930)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(11,276)	(23,930)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(11,276)	(23,930)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(16,349)	(132,922)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic and diluted (HK cents)		(0.09)	(1.82)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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	14	22,721	—
Equity investments at fair value through other comprehensive income	10	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	11	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	10	14,347	14,922
Tax recoverable		1,546	291
Pledged bank deposits and restricted cash	12	63,713	174,934
Cash and cash equivalents	12	65,699	83,537
Total current assets		658,129	669,060
CURRENT LIABILITIES			
Trade payables	13	135,197	164,178
Other payables and accruals		160,686	143,428
Lease liabilities	14	11,219	—
Amounts due to related parties	21(b)	11,786	7,069
A loan from a related party	21(b)	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2019

		30 September 2019	31 March 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities	14	11,868	—
Convertible bond	15	20,041	18,739
Loans from a related party	21(b)	243,009	243,009
Other payables and accruals		487	487
Total non-current liabilities		275,405	262,235
Net assets		134,934	151,283
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	12,000	12,000
Equity component of convertible bond	15	11,746	11,746
Other reserves		111,188	127,537
Total equity		134,934	151,283

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Issued capital	Share premium account	Equity component of convertible bonds	Exchange reserve	Capital reserve	Legal reserve	Other reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	12,000	300,824	11,746	18,805	3,642	12	22,000	(53,162)	315,867
Loss for the period	—	—	—	—	—	—	—	(108,992)	(108,992)
Other comprehensive loss for the period:									
Reclassification adjustments for foreign operations deregistered during the year	—	—	—	(896)	—	—	—	—	(896)
Exchange differences related to foreign operations	—	—	—	(23,034)	—	—	—	—	(23,034)
Total comprehensive loss for the period	—	—	—	(23,930)	—	—	—	(108,992)	(132,922)
At 30 September 2018	12,000	300,824*	11,746	(5,125)*	3,642*	12*	22,000*	(162,154)*	182,945
At 1 April 2019	12,000	300,824	11,746	(328)	3,642	12	22,000	(198,613)	151,283
Loss for the period	—	—	—	—	—	—	—	(5,073)	(5,073)
Other comprehensive loss for the period:									
Exchange differences related to foreign operations	—	—	—	(11,276)	—	—	—	—	(11,276)
Total comprehensive loss for the period	—	—	—	(11,276)	—	—	—	(5,073)	(16,349)
At 30 September 2019	12,000	300,824*	11,746	(11,604)*	3,642*	12*	22,000*	(203,686)*	134,934

* These reserve accounts comprise the consolidated other reserves of HK\$111,188,000 (30 September 2018: HK\$159,199,000) in the condensed consolidated statement of financial position as at 30 September 2019.

Notes:

- (i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2019

- (ii) Capital reserve comprises the following:
- Wan Chung Construction Company Limited ("Wan Chung Construction") acquired the entire equity interest in Wan Chung Property Company Limited from its then shareholder at a discount of approximately HK\$2,776,000 which was deemed to be capital contribution from owners of the Company.
 - Wan Chung Construction recovered indemnified taxation of approximately HK\$866,000 from its former shareholder pursuant to the deed of indemnity which was deemed to be capital contribution from owners of the Company.
- (iii) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders. No transfer was made in current and prior periods as the subsidiary incurred a loss for both periods.
- (iv) Other reserve represents the difference between the nominal value of the issued share capital of the subsidiaries acquired and the consideration paid pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in January 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(116,391)	(2,143)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,769)	(31,715)
Interest received	1,930	871
Decrease/(increase) in pledged bank deposits	103,971	(110,905)
Decrease in non-pledged time deposits with original maturity of over three months when acquired	—	137,112
Proceeds from disposal of property, plant and equipment	50	—
Proceeds from disposal of subsidiaries	—	32
Net cash from/(used in) investing activities	104,182	(4,605)
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in balances with related parties	(9)	(18,009)
Repayment of bank and other borrowings	(91)	(9,482)
Capital element of finance lease rental payments	(7,374)	—
Interest paid	(20)	(39)
Net cash used in financing activities	(7,494)	(27,530)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,703)	(34,278)
Cash and cash equivalents at beginning of the period	83,537	102,276
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,865	(8,333)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	65,699	59,665
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents stated in condensed consolidated statement of financial position	65,699	59,319
Restricted cash with original maturity of less than three months when acquired, restricted for banking facilities	—	346
Cash and cash equivalents as stated in condensed consolidated statement of cash flows	65,699	59,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. CORPORATE AND GROUP INFORMATION

Vision Fame International Holding Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the period, the Group was involved in the following principal activities:

- Provision of building construction services, property maintenance services, alterations, renovation, upgrading works and fitting-out works services; and
- Graphene production and trading of materials.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 March 2019, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9
HKFRS 16
Amendments to HKFRS 19
Amendments to HKAS 28
HK(IFRIC)-Int 23
Annual Improvements 2015–2017 Cycle

Prepayment Features with Negative Compensation
Leases
Plan Amendment, Curtailment or Settlement
Long-term Interests in Associates and Joint Ventures
Uncertainty over Income Tax Treatments
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the changes are described below:

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's condensed interim consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the comparative information as at 31 March 2019 and for the six months ended 30 September 2018 was not restated and continues to be reported under HKAS 17.

(i) New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

(ii) As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Leases (Continued)

(ii) As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Leases (Continued)

(ii) As a lessee — Leases previously classified as operating leases (Continued) *Impacts on transition (Continued)*

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

	HK\$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	37,650
Weighted average incremental borrowing rate as at 1 April 2019	4.54%
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	(575)
Lease liabilities as at 1 April 2019	30,512

(iii) Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 *Leases* (Continued)

(iii) Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

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:

- (a) building construction and other construction related business;
- (b) alterations, renovation, upgrading and fitting-out works;
- (c) property maintenance; and
- (d) graphene production and trading of materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that certain other income and gain/loss, finance costs, and gain on deregistration of subsidiaries as well as head office and corporate expenses are excluded from such measurement.

There were no intersegment sales or transfers during the period (2018: Nil).

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	Trading of materials HK\$'000	Total HK\$'000
Six months ended 30 September 2019					
Segment revenue					
— external customers	79,746	138,669	311,414	561,390	1,091,219
Segment results	6,998	7,599	11,787	10,582	36,966
Unallocated other income and gain					5,992
Administrative expenses					(35,370)
Finance costs					(6,662)
Profit before tax					926

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Graphene production and trading of materials HK\$'000	Total HK\$'000
Six months ended 30 September 2018					
Segment revenue					
— external customers	128,744	222,473	250,861	48	602,126
Segment results	11,155	3,851	21,669	(100,935)	(64,260)
Unallocated other income and gain					3,858
Administrative expenses					(39,256)
Finance costs					(6,142)
Loss before tax					(105,800)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

4. OTHER INCOME AND GAINS

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Other income:		
Interest income from sub-contractors	3,819	4,160
Bank interest income	1,930	871
Government grants	143	1,285
Management fee	—	118
Others	519	238
	6,411	6,672
Gains:		
Gain on disposals of subsidiaries	—	2,057
Gain on deregistration of subsidiaries	—	35
Fair value gains, net:		
Financial asset at fair value through profit or loss	178	540
	6,589	9,304

5. 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 (Note 21(a))	4,726	4,813
	6,662	6,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

6. PROFIT/(LOSS) BEFORE TAX

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

	<i>Notes</i>	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	13	9,713	—
Research and development costs		999	5,863
Lease payments not included in the measurement of lease liabilities	13	109	1,447
Bank interest income		(1,930)	(871)
Interest income from sub-contractors		(3,819)	(4,160)
Gain on disposal of subsidiaries	23	—	(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 [#]		—	62,478

* 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"

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

8. 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 30 September 2019 HK\$'000	Six months ended 30 September 2018 HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent	(5,073)	(108,992)

	Number of shares Six months ended 30 September 2019	Six months ended 30 September 2018
Shares		
Weighted average number of ordinary shares in issue during the period	6,000,000,000	6,000,000,000

9. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

10. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS THROUGH PROFIT OR LOSS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value Jiangsu Fraternity Investment Limited	6,000	6,000
Financial assets at fair value through profit or loss		
Listed equity investment, at fair value HLH Group Limited	2,201	2,942
Listed debt investment, at fair value DBS High Notes NCPS 4.7%	294	305
Unlisted investment, at fair value HSBC Keyman Insurance Scheme	11,852	11,675
	14,347	14,922

11. TRADE RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	159,737	167,214
Impairment	(73,478)	(73,478)
	86,259	93,736

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

11. TRADE RECEIVABLES (Continued)

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

12. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Cash and bank balances	65,699	36,137
Time deposits at banks	63,713	222,334
	129,412	258,471
Less: Pledged deposits (<i>note</i>)	(63,713)	(174,934)
Cash and cash equivalents	65,699	83,537

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$14,706,000 (2019: approximately HK\$113,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between fourteen days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

12. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH (Continued)

Note: Included in the pledged deposits were bank deposits of HK\$116,960,000 of Wuxi Taike Nano New Material Co., Ltd ("Wuxi Taike"), a subsidiary of the Company, which were pledged under deposit pledge contracts ("Deposit Pledge Contracts") entered into on 23 August 2018 to guarantee the indebtedness of a company that is established in the PRC and in which Mr. Dai Jialong, a then executive director and substantial shareholder of the Group, was the legal representative, for the period from 17 August 2018 to 17 August 2019. The board of directors did not approve or was not informed of the Deposit Pledge Contracts entered into by Wuxi Taike. Further details of the Deposit Pledge Contracts were set out in the Company's announcement dated 16 November 2018. On 23 August 2019, the Deposit Pledge Contracts expired and the sum of RMB100 million (equivalent to HK\$117.23 million) were released on the same day.

13. TRADE PAYABLES

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

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

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

14. LEASES

The Group as a lessee

The Group has lease contracts for offices used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

14. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office HK\$'000 (Unaudited)
As at 1 April 2019	33,144
Additions	574
Depreciation charge	(9,713)
Exchange realignments	(1,284)
As at 30 September 2019	22,721

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease HK\$'000 (Unaudited)	2018 Finance lease HK\$'000 (Unaudited)
Carrying amount at 1 April	30,512	—
New leases	574	—
Accretion of interest recognized during the year	614	—
Payments	(7,374)	—
Exchange realignments	(1,239)	—
Carrying amount at 30 September 2019	23,087	—
Analysed into:		
Current portion	11,219	—
Non-current portion	11,868	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	HK\$'000 (Unaudited)
Interest on lease liabilities	614
Depreciation charge of right-of-use assets	9,713
Expense relating to leases of low-value assets (included in administrative expenses)	109
Carrying amount at 31 March 2019	10,436

15. 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 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	24,000	24,000
Liability component At 1 April	18,739	16,383
Interest expense	1,302	2,356
At period/year end	20,041	18,739
Equity component At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	11,746	11,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

16. SHARE CAPITAL

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.002 each (31 March 2019: 10,000,000,000 ordinary shares of HK\$0.002 each)	20,000	20,000
Issued and fully paid: 6,000,000,000 ordinary shares of HK\$0.002 each (31 March 2019: 6,000,000,000 ordinary shares of HK\$0.002 each)	12,000	12,000

17. OPERATING LEASE COMMITMENTS AS AT 31 MARCH 2019

As lessee

The Group leases certain of its office properties, machineries and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2019 HK\$'000
Within one year	2,937
In the second to fifth years, inclusive	3,354
	6,291

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	23,925	11,781

19. 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 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (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

20. CONTINGENT LIABILITIES

Performance bonds amounting to approximately HK\$109,226,000 (31 March 2019: approximately HK\$121,258,000) were given by banks or insurance companies in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the construction contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks or insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks or insurance companies accordingly. The performance bonds will be released upon completion of the contract works for the relevant customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

20. CONTINGENT LIABILITIES (Continued)

In addition, certain subsidiaries of the Company are defendants in numbers of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote, after due consideration of each case and with reference to legal advice.

21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<i>Note</i>	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Interest expense paid to a director of certain subsidiaries of the Company	<i>(i)</i>	4,726	4,813

Note:

- (i) The interest expense was loan interest charged on loans from Mr. Wong Law Fai, a director of certain subsidiaries of the Company, pursuant to a loan agreement dated 1 December 2013. The amounts due to and loans from a related party are detailed in note 21(b) below.

(b) Outstanding balances with related parties:

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 2020); and (ii) loan of approximately HK\$5,033,000 (31 March 2019: HK\$20,559,000) which is unsecured, bears interest at 3.8% and is repayable on demand.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

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

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	7,924	8,317
Contributions to retirement benefits scheme	110	130
	8,034	8,447

- (d) The Company and Mega Start Limited entered into a subscription agreement on 16 December 2015 in relation to subscription for 90,000,000 shares and an agreement on 16 December 2015 in relation to subscription of a convertible bond in a principal amount of HK\$24,000,000. Details are stated in the Company's Circular dated 15 January 2016. Details of the convertible bond are included in note 15 to the condensed financial statements.
- (e) Performance bond of approximately HK\$24,257,000 (2018: HK\$47,619,000) was guaranteed by Mr. Wong Law Fai, a director of certain subsidiaries of the Company.

The related party transactions in respect of items (a) and (e) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2019 HK\$'000	31 March 2019 HK\$'000	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	6,000	6,000	6,000	6,000
Financial assets at fair value through profit or loss	14,347	14,922	14,347	14,922
Financial liabilities				
Convertible bond	20,347	18,739	20,347	19,770
Non-current portion of other payables and accruals	487	487	487	487
Non-current portion of loans from a related party	243,009	243,009	243,009	243,009

Management has assessed that the fair values of cash and cash equivalents, pledged deposits and restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, certain bank and other borrowings and balances with a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of other payables and accruals, loans from a related party have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of equity investments designated at fair value through other comprehensive income are based on the recent transactions of the investment and the fair value of financial asset at fair value through profit or loss are based on quoted market prices or surrender value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
30 September 2019 (unaudited)				
Equity investments designated at fair value through other comprehensive income	—	—	6,000	6,000
Financial assets at fair value through profit or loss	2,495	11,852	—	14,347
	2,495	11,852	6,000	20,347
31 March 2019 (audited)				
Equity investments designated at fair value through other comprehensive income	—	—	6,000	6,000
Financial assets at fair value through profit or loss	3,247	11,675	—	14,022
	3,247	11,675	6,000	20,622

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2019: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 September 2019 and 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair value are disclosed:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
30 September 2019				
Convertible bond	—	—	20,347	20,347
Non-current portion of other payables and accruals	—	—	487	487
Non-current portion of loans from a related party	—	—	243,009	243,009
	—	—	263,843	263,843
31 March 2019				
Convertible bond	—	—	19,770	19,770
Non-current portion of other payables and accruals	—	—	487	487
Non-current portion of loans from a related party	—	—	243,009	243,009
	—	—	263,266	263,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

23. GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2018, the Group disposed Prosperous Star Limited and Smart Sky Hong Limited, wholly-owned subsidiaries of the Group. The transaction was completed in September 2018.

The net assets disposed of in the above transaction are as follows:

	<i>Note</i>	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Net assets disposed of:		
Property, plant and equipment		24,922
Cash and bank balances		12
Prepayments and other receivables		23
Accruals and other payables		(31)
		24,926
Gain on disposal of subsidiaries	6	2,057
		26,983
Satisfied by:		
Cash		26,983
Cash consideration		26,983
Cash and bank balances disposed of		(12)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		26,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

24. EVENTS AFTER THE REPORTING PERIOD

- (a) 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.
- (b) 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.
- (c) An outbreak of the coronavirus disease 2019 ("COVID-19") pandemic may impact the Group in the coming year. The Group will continue to monitor the development of COVID-19 situation closely and assess its impact on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress.

25. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 13 May 2020.

OTHER INFORMATION

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).

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name of Directors	Capacity	Number of shares held <i>(note 1)</i>	Percentage of the issued share capital of the Company <i>(note 1)</i>
Mr. Chau Chit <i>(note 2)</i>	Interest of Controlled Corporation	600,000,000 (L)	10.00%
Mr. Xie Xiaotao	Beneficial owner	50,000,000 (L)	0.83%
Mr. Wong Wai Kwan	Beneficial owner	5,000,000 (L)	0.08%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 30 September 2018 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 30 September 2018.
2. Mr. Chau Chit, the executive Director, is the ultimate beneficial owner of Mega Start Limited ("Mega Start"). By virtue of the SFO, Mr. Chau Chit is deemed to be interested in the 600,000,000 Shares held by Mega Start.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 September 2019 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of Shareholders	Capacity	Number of Shares held <i>(note 1)</i>	Percentage of the issued share capital of the Company <i>(note 1)</i>
Million Creation Holdings Limited <i>(note 2)</i>	Beneficial owner	710,000,000 (L)	11.83%
SWH Investments Inc. <i>(note 2)</i>	Interest of controlled corporation	710,000,000 (L)	11.83%
Horizon Holding Inc <i>(note 2)</i>	Interest of controlled corporation	710,000,000 (L)	11.83%
William Sun <i>(note 2)</i>	Beneficial owner and Interest of controlled corporation	715,274,000 (L)	11.92%
Mega Start Limited	Beneficial owner	600,000,000 (L)	10.00%
Fount Holdings Limited	Beneficial owner	475,000,000 (L)	7.92%
Mr. Tang Hao <i>(note 3)</i>	Interest of controlled corporation	475,000,000 (L)	7.92%
Earnstar Holding Limited	Beneficial owner	350,000,000 (L)	5.83%
Dungbao Limited <i>(note 4)</i>	Interest of controlled corporation	350,000,000 (L)	5.83%
Mr. Ma Zenglin <i>(note 5)</i>	Interest of controlled corporation	350,000,000 (L)	5.83%
Zhongtai Financial Investment Limited <i>(note 6)</i>	Person having a security interest in shares <i>(note 2)</i>	300,000,000 (L)	5.00%
Zhongtai Financial International Limited <i>(note 6)</i>	Interest of corporation controlled by you	300,000,000 (L)	5.00%
Zhongtai Securities Company Limited <i>(note 6)</i>	Interest of corporation controlled by you	300,000,000 (L)	5.00%

OTHER INFORMATION (CONTINUED)

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2018 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2018.
2. Mr. William Sun owns the entire issued share capital of Horizon Holding Inc., which wholly owned SVWH Investments Inc., which owned Million Creation Holdings Limited. By virtue of the SFO, Mr. William Sun, Horizon Holding Inc. and SVWH Investments Inc. are deemed to be interested in the 710,000,000 Shares held by Million Creation Holdings Limited. In addition, Mr. Willion Sun directly holds 5,274,000 Shares.
3. Mr. Tang Hao owns the entire issued share capital of Fount Holdings Limited. By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 475,000,000 Shares held by Fount Holdings Limited.
4. Dungbao Limited owns the entire issued share capital of Earnstar Holding Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.
5. Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.
6. Based on the information available to the Company, Zhongtai Financial Investment Limited has a security interest in 300,000,000 shares and is directly wholly owned by Zhongtai Financial International Limited, which is wholly owned by Zhongtai Securities Company Limited. Zhongtai Financial International Limited and Zhongtai Securities Company Limited are therefore deemed to be interested in all the shares in which Zhongtai Financial Investment Limited is interested under the SFO.

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures of the Company 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 were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the sole Shareholder by way of written resolution on 19 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons with additional incentives to improve the Company's performance.

There is no option outstanding, granted, exercised, cancelled or lapsed during the Period.

OTHER INFORMATION (CONTINUED)

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.

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.

OTHER INFORMATION (CONTINUED)

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 according to 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.

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.

OTHER INFORMATION (CONTINUED)

CHAIRMAN'S APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their total dedication, efforts and contribution during such challenging period. I should also thank all of our Shareholders for their support and confidence in us.

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

Hong Kong, 13 May 2020

As at the date of this report, 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.