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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

AUDITED ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Vision Fame International Holding Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	2	**1,237,444**	1,209,103
Cost of sales		**(1,179,735)**	(1,140,357)
Gross profit		**57,709**	68,746
Other income and gains, net	2	**16,249**	10,268
Administrative expenses		**(79,966)**	(64,569)
Research and development costs		**(10,547)**	(9,109)
Other operating expenses		**(113,525)**	(15,756)
Finance costs	4	**(12,140)**	(8,340)
LOSS BEFORE TAX	5	**(142,220)**	(18,760)
Income tax expense	6	**(3,231)**	(3,612)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(145,451)**	(22,372)

	Notes	2019 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**—**	(2,098)
Reclassification adjustment for losses included in the consolidated statement of profit or loss and other comprehensive income:			
— impairment losses		**—**	91
		—	(2,007)
Exchange differences:			
Exchange differences on translation of foreign operations		**(18,244)**	33,764
Reclassification adjustment for deregistration of foreign operations during the year		**(889)**	—
		(19,133)	33,764
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(19,133)**	31,757
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(19,133)**	31,757
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(164,584)**	9,385
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**(HK2.42 cents)**	(HK0.37 cent)
Diluted		**(HK2.42 cents)**	(HK0.37 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**57,611**	100,401
Equity investments at fair value through other comprehensive income		**6,000**	—
Available-for-sale investments		**—**	3,530
Prepayments, deposits and other receivables		**555**	14,842
Total non-current assets		**64,166**	118,773
CURRENT ASSETS			
Inventories		**355**	345
Gross amount due from contract customers		**—**	9,741
Trade receivables	9	**93,736**	295,413
Contract assets		**232,542**	—
Prepayments, deposits and other receivables		**68,743**	89,955
Financial assets at fair value through profit or loss		**14,922**	—
Available-for-sale investments		**—**	20,033
Tax recoverable		**291**	125
Pledged bank deposits and restricted cash		**174,934**	57,651
Cash and cash equivalents		**83,537**	245,619
Total current assets		**669,060**	718,882
CURRENT LIABILITIES			
Gross amount due to contract customers		**—**	12,267
Trade payables	10	**164,178**	195,676
Other payables and accruals		**143,428**	22,512
Amounts due to related parties	11	**7,069**	39
Loan from a related party	11	**5,033**	20,559
Tax payable		**—**	2,917
Interest-bearing bank and other borrowings		**—**	9,759
Total current liabilities		**319,708**	263,729
NET CURRENT ASSETS		**349,352**	455,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**413,518**	573,926

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible bond	*12*	**18,739**	16,383
Loans from a related party	*11*	**243,009**	243,009
Other payables and accruals		**487**	487
Total non-current liabilities		**262,235**	259,879
Net assets		**151,283**	314,047
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**12,000**	12,000
Equity component of a convertible bond	*12*	**11,746**	11,746
Other reserves		**127,537**	290,301
Total equity		**151,283**	314,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* which would be explained in the 2019 annual report of the Company, the adoption of the above new and revised HKFRSs has had no significant financial effect of these financial statements.

2. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue from building construction; alterations, renovation, upgrading and fitting-out works; property maintenance; and graphene production and trading of materials during the year.

An analysis of revenue, other income and gains is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	**1,237,444**	—
Building construction	**—**	284,789
Alterations, renovation, upgrading and fitting-out works	**—**	244,794
Property maintenance	**—**	432,988
Graphene production and trading of materials	**—**	246,532
	1,237,444	1,209,103

(a) Disaggregated revenue information

For the year ended 31 March 2019

Segments

	Building construction	Alterations, renovation, upgrading and fitting-out works	Property maintenance	Graphene production and trading of materials	Total
Type of services					
Sale of goods	**—**	**—**	**—**	**66**	**66**
Construction services	**277,616**	**421,667**	**—**	**—**	**699,283**
Maintenance services	**—**	**—**	**538,095**	**—**	**538,095**
Total revenue from contracts with customers	**277,616**	**421,667**	**538,095**	**66**	**1,237,444**
Geographical markets					
Hong Kong	**117,042**	**414,934**	**538,095**	**—**	**1,070,071**
Mainland China	**—**	**—**	**—**	**66**	**66**
Singapore	**160,574**	**6,733**	**—**	**—**	**167,307**
Total revenue from contracts with customers	**277,616**	**421,667**	**538,095**	**66**	**1,237,444**
Timing of revenue recognition					
Goods transferred at a point of time	**—**	**—**	**—**	**66**	**66**
Services transferred over time	**277,616**	**421,667**	**538,095**	**—**	**1,237,378**
Total revenue from contracts with customers	**277,616**	**421,667**	**538,095**	**66**	**1,237,444**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Construction services	1,186

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Sale of materials

The performance obligation is satisfied upon delivery of the materials and payment is generally due on delivery, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 are as follows:

	HK$'000
Within one year	780,192
More than one year	801,867
	1,582,059

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income from sub-contractors	**6,552**	4,591
Interest income from debt investment at fair value through other comprehensive income	**242**	—
Bank interest income	**3,696**	3,380
Investment income from available-for-sale investments	**—**	266
Government grants	**1,285**	—
Others	**697**	2,031
	12,472	10,268
Gains, net		
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	**1,685**	—
	3,777	—
Total other income and gains	**16,249**	10,268

3. OPERATING 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 resource 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 bank interest income, finance costs, investment income, an impairment loss of available-for-sale investments, and gain on disposal and deregistration of subsidiaries as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable, equity and debt investments through profit or loss, available-for-sale investments, certain property, plant and equipment, certain other receivables, pledged bank deposits and restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude tax payable, amounts due to related parties, loans from a related party, and certain other payables and accruals, as these liabilities are managed on a group basis.

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

Year ended 31 March 2019

	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*
Segment revenue:					
Revenue from external customers	**277,616**	**421,667**	**538,095**	**66**	**1,237,444**
Segment results:	**25,795**	**7,140**	**31,261**	**(140,935)**	**(76,739)**
Reconciliation:					
Unallocated other income					**8,243**
Administrative expenses					**(61,584)**
Finance costs					**(12,140)**
Loss before tax					**(142,220)**
Segment assets:	**64,139**	**107,029**	**160,503**	**74,492**	**406,163**
Reconciliation:					
Corporate and other unallocated assets					**327,063**
Total assets					**733,226**
Segment liabilities:	**56,267**	**101,009**	**115,961**	**25,419**	**298,656**
Reconciliation:					
Corporate and other unallocated liabilities					**283,287**
Total liabilities					**581,943**
Other segment information:					
Depreciation	**3,464**	**—**	**506**	**3,929**	**7,899**
Capital expenditure	**1,112**	**—**	**486**	**49,218**	**50,816**
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**49,915**	**49,915**
Impairment loss on trade receivables	**—**	**—**	**—**	**62,478**	**62,478**
Impairment loss on other receivables	**—**	**—**	**—**	**961**	**961**

Year ended 31 March 2018

	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*
Segment revenue:					
Revenue from external customers	284,789	244,794	432,988	246,532	1,209,103
Segment results:	28,701	13,307	29,748	(19,222)	52,534
Reconciliation:					
Unallocated other income					5,089
Administrative expenses					(64,569)
Finance costs					(8,340)
Impairment loss on available-for-sale investments					(3,474)
Loss before tax					(18,760)
Segment assets:	61,507	57,001	156,592	191,803	466,903
Reconciliation:					
Corporate and other unallocated assets					370,752
Total assets					837,655
Segment liabilities:	69,805	45,984	101,757	1,178	218,724
Reconciliation:					
Corporate and other unallocated liabilities					304,884
Total liabilities					523,608
Other segment information:					
Depreciation	1,937	—	83	5,943	7,963
Capital expenditure	1,498	—	252	32,673	34,423
Impairment loss on trade receivables	—	—	—	11,000	11,000

Geographical information

(a) *Revenue from external customers*

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,070,071**	811,265
Singapore	**167,307**	151,306
Mainland China	**66**	246,532
	1,237,444	1,209,103

The revenue information above is based on the locations of the operations.

(b) *Non-current assets*

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**3,473**	30,280
Singapore	**4,124**	4,677
Mainland China	**50,569**	80,286
Total non-current assets	**58,166**	115,243

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**634,113**	469,565
Customer B[2]	**285,188**	N/A[#]
Customer C[3]	**N/A[#]**	235,377

1 Revenue from building construction and property maintenance.

2 Revenue from alterations, renovation, upgrading and fitting-out works.

3 Revenue from graphene production and trading of materials.

Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 March 2019 and 2018.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on loans from a related party	**9,513**	5,961
Interest on obligations under finance leases	**65**	79
Interest on bank loans and other loans (including a convertible bond)	**2,562**	2,300
	12,140	8,340

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Cost of services provided	**1,179,735**	894,712
Cost of inventories sold	**—**	245,645
Depreciation**	**7,899**	10,812
Research and development cost	**10,547**	9,109
Minimum lease payments under operating leases on land and buildings	**11,962**	3,547
Loss on disposal of items of property, plant and equipment#	**169**	728
Auditor's remuneration	**1,908**	1,400
Employee benefit expense (excluding directors' remuneration *(note 8)*):		
Wages and salaries	**86,657**	83,039
Pension scheme contributions*	**3,318**	3,470
	89,975	86,509
Foreign exchange differences, net#	**2**	554
Impairment loss on prepayments	**961**	—
Impairment loss on property, plant and equipment#	**49,915**	—
Impairment loss on trade receivables#	**62,478**	11,000
Impairment loss on available-for-sale investments#	**—**	3,474

* At 31 March 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2018: Nil).

** Amount of approximately HK$1,266,000 (2018: approximately HK$1,204,000) and approximately HK$599,000 (2018: approximately HK$592,000) were included in "research and development costs" and "cost of sales", respectively.

Included in "other operating expenses".

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**3,484**	5,222
Overprovision in prior years	**(253)**	(115)
Current — Elsewhere		
Overprovision in prior years	**—**	(1,495)
Total tax charge for the year	**3,231**	3,612

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

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

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on a convertible bond, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(145,451)**	(22,372)
Interest on a convertible bond	**—**	2,060
Loss attributable to ordinary equity holders of the Company before interest on a convertible bond	**(145,451)**	(20,312)*

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**6,000,000,000**	6,000,000,000
Effect of dilution — A convertible bond	**—**	400,000,000
	6,000,000,000	6,400,000,000*

* No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year. During the year ended 31 March 2018, because the diluted loss per share amount was decreased when taking a convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount for the year period ended 31 March 2018 was based on the loss for the year, and the weighted average number of ordinary shares of 6,000,000,000 in issue during that year.

8. DIVIDEND

The board does not recommend payment of any dividend for the year ended 31 March 2019 (2018: Nil).

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**167,214**	253,676
Impairment	**(73,478)**	(11,000)
	93,736	242,676
Retention monies receivables *(note)*	**—**	52,737
	93,736	295,413

Note: The amount represented retentions held by customers for contract works, of which approximately HK$23,109,000 was expected to be recovered or settled in more than twelve months from the end of 31 March 2018. The retention monies receivables were reclassified to contract assets on 1 April 2018.

In the prior year, including in retention monies receivables is an amount of approximately HK$10,283,000 that was pledged to secure bank facilities granted to the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**86,966**	199,470
1 to 3 months	**6,011**	1,711
Over 3 months	**759**	41,495
	93,736	242,676

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**11,000**	—
Impairment losses recognised *(note 6)*	**62,478**	11,000
At end of year	**73,478**	11,000

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0%	0%	0%	98.98%	43.94%
Gross carrying amount (HK$'000)	86,583	4,466	1,928	74,237	167,214
Expected credit losses (HK$'000)	—	—	—	73,478	73,478

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired trade receivables of approximately HK$11,000,000 with a carrying amount before provision of approximately HK$85,086,000. The individually impaired trade receivables as at 31 March 2018 under HKAS 39 related to a customer that was in financial difficulties and only a portion of the receivables was expected to be recovered.

The ageing analysis of the trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired is as follows:

	2018
	HK$'000
Neither past due nor impaired	161,920
Less than 3 months past due	5,964
More than 3 months past due	706
	168,590

Receivables that were neither past due nor impaired related to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

10. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**105,957**	129,409
Retention monies payables	**58,221**	66,267
	164,178	195,676

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**101,122**	121,026
1 month to 3 months	**1,825**	2,859
Over 3 months	**3,010**	5,524
	105,957	129,409

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 (2018: loans of approximately HK$243,009,000 were unsecured and bore interest at 3.8% per annum and were repayable in June 2019); and (ii) a loan of approximately HK$5,033,000 (2018: HK$20,559,000) which is unsecured, bears interest at 3.8% per annum and is repayable on demand.

The amounts due to related parties of approximately HK$7,069,000 (2018: approximately HK$39,000) were advanced by Mr. Wong Law Fai, directors of certain subsidiaries of the Company. They are unsecured, interest-free and repayable on demand.

12. A 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 bears no interest and the outstanding principal amount of the convertible bond shall be converted into ordinary shares of the Company in full mandatorily at the initial conversion price of HK$0.3 per conversion share (which was revised to HK$0.06 per conversion share after the share subdivision on 3 May 2016), if and only if, the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 exceed HK$300 million in aggregate. Unless the conversion conditions are met and converted, the convertible bond shall be redeemed at the principal amount on the maturity date, which is 5 years after the date of issue.

At 31 March 2018, the conversion condition was not satisfied as the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 did not exceed HK$300 million in aggregate and the mandatory conversion should not take place. The convertible bond should be redeemed in full upon 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 had been split into the liability and equity components as follows:

	2019	2018
	HK$'000	*HK$'000*
Nominal value		
At 31 March 2018, 1 April 2018 and 31 March 2019	**24,000**	24,000
Liability component		
At beginning of year	**16,383**	14,323
Interest expense	**2,356**	2,060
At 31 March	**18,739**	16,383
Equity component		
At 31 March 2018, 1 April 2018 and 31 March 2019	**11,746**	11,746

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group

The Group recorded total turnover of approximately HK$1,237 million for the financial year ended 31 March 2019 ("Fy2019"), compared to turnover of approximately HK$1,209 million for the financial year ended 31 March 2018 ("Fy2018"). The Group recorded an decrease in gross profit, from approximately HK$68.7 million in Fy2018 to approximately HK$57.7 million in Fy2019, which is mainly attributable to the decrease in gross profit margin contributed by the building construction segment for the year.

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

The loss attributable to shareholders of the Company for Fy2019 is approximately HK$145.5 million (Fy2018: approximately HK$22.4 million). The significant deterioration in the result for the year was mainly attributable to the following factors:

(i) The increase in impairment losses on property, plant and equipment and trade receivables of approximately HK$112.4 million;

(ii) Increase in administrative expenses of approximately HK$15.4 million mainly due to increased rental expenses and staff costs; and

(iii) decrease in gross profit of approximately HK$11 million.

Basic loss per share for Fy2019 is approximately HK2.42 cent (Fy2018: approximately HK0.37 cent). The Board does not recommend any payment of dividends for Fy2019 (Fy2018: Nil).

Results of Operations

(i) *Building Construction*

Building construction segment recorded revenue of approximately HK$278 million (Fy2018: approximately HK$285 million) for Fy2019. Segment profit decreased from approximately HK$28.7 million in Fy2018 to approximately HK$25.8 million in Fy2019.

The decrease in the segment revenue and segment profit were mainly attributable to the recovery of considerable amounts of variation orders from a large scale building construction project in Fy2018 and a full swing operation of a large scale building construction project in Singapore in Fy2018 that had also contributed more segment revenue and segment profit in Fy2018.

(ii) ***Alterations, Renovation, Upgrading and Fitting-out ("A&A") Works***

Revenue for the A&A works segment for Fy2019 was approximately HK$422 million (Fy2018: approximately HK$245 million) and segment profit was approximately HK$7.1 million (Fy2018: approximately HK$13.3 million).

The increase in segment revenue was mainly attributable to the recognition of more revenue from a large scale project secured in early 2018 in Hong Kong which was in full swing operation in Fy2019. This large scale project had contributed approximately 67% of segment revenue during Fy2019.

On the contrary, decline in segment profit was mainly attributable to additional construction costs for completion of a large scale project in Fy2019.

(iii) ***Property Maintenance***

Revenue for the property maintenance segment increased from approximately HK$433 million in Fy2018 to approximately HK$538 million in Fy2019 and segment profit increased from approximately HK$29.7 million in Fy2018 to approximately HK$31.3 million in Fy2019.

The property maintenance projects mainly included maintenance works for public sectors. The increase in segment revenue was in line with the increase in number of property maintenance projects in progress during the Period. The average contract sum of property maintenance projects in progress for the Period was amounted to approximately HK$2,097 million (Prior Interim Period: approximately HK$1,991 million).

The increase in segment revenue was partly attributable to the expiration of two large scale long term property maintenance contracts in March 2017 which had contributed less segment revenue in Fy2018. The increase in segment revenue was also attributable to the full swing operations of two large scale long term property maintenance projects in Hong Kong in Fy2019.

The increase in segment profit was mainly attributable to the full swing operations of one of the abovementioned large scale long term property maintenance project in Fy2019 with contract value of approximately HK$780 million secured in first quarter of Fy2017.

(iv) ***Graphene Production and Trading of Materials***

Revenue for this segment for Fy2019 included sales of graphene of approximately HK$66,000 (Fy2018: approximately HK$0.5 million) and sales of materials of approximately HK$NIL (Fy2018: approximately HK$246.0 million).

The sales of graphene for Fy2019 and Fy2018 mainly represented sales to research institutes and manufacturers in the nanometer-scaled/metals material industry for application test purposes. For trading of materials business, the Group mainly sells titanium dioxide, which was widely used in pigment, sunscreen, food coloring.

Segment loss was approximately HK$140.9 million (Fy2018: approximately HK$19.2 million), which was mainly attributable to the recognition of impairment losses of property, plant and equipment of approximately HK$49.9 million and trade receivable of approximately HK$62.5 million respectively, and the recognition of administrative expenses and research and development costs totaling approximately HK$28.9 million.

BUSINESS OVERVIEW AND PROSPECT

Construction related businesses

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.

Graphene production and trading of material business

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"). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

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.

Liquidity and Financial Resources

The Group maintained a strong and healthy financial position. As at 31 March 2019, the current assets and current liabilities were stated at approximately HK$669.1 million (as at 31 March 2018: approximately HK$718.9 million) and approximately HK$319.7 million (as at 31 March 2018: approximately HK$263.7 million), respectively. The current ratio maintained at 2.09 times as at 31 March 2019 (as at 31 March 2018: 2.73 times). The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period. As at 31 March 2019, the Group had total cash and bank deposits of approximately HK$258.5 million (as at 31 March 2018: approximately HK$303.3 million).

As at 31 March 2019, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK$248.0 million (as at 31 March 2018: approximately HK$273.3 million) and approximately HK$18.7 million (as at 31 March 2018: approximately HK$16.4 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings in current portion) has decreased from approximately HK$273.0 million as at 31 March 2018 to approximately HK$253.4 million as at 31 March 2019.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 31 March 2019, the Group had obtained credit facilities from various banks up to a maximum amount of approximately HK$200.0 million (as at 31 March 2018: approximately HK$162.0 million) and approximately HK$24.7 million (as at 31 March 2018: approximately HK$34.8 million) of the credit facilities has been utilized.

As at 31 March 2019, the gearing ratio of the Group was approximately 33.8% (as at 31 March 2018: approximately 32.6%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%. With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

Pledge of Assets

At the end of the reporting period, the Group had pledged the following assets to banks and insurance companies to secure the banking facilities and performance bonds granted to the Group, as well as to secure the bank facilities of a relate party:

	31 March 2019 *HK$'000*	31 March 2018 *HK$'000*
Pledged for securing the Group's banking facilities and performance bond		
Property, plant and equipment	**—**	24,790
Trade receivables	**—**	10,283
Other receivables	**6,277**	21,793
Available-for-sale investments	**—**	20,033
Financial assets at fair value through profit or loss	**11,675**	—
Bank deposits	**57,974**	57,305
Cash at bank	**—**	346
	75,926	134,550
Pledged for securing the banking facilities of a related party		
Bank deposits	**116,960**	—
Total	**192,886**	134,550

Material Acquisitions and Disposals 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 "Business overview and prospect" above.

Except for the above disclosed, there was no material acquisition or disposal of subsidiaries or associated companies by the Group in Fy2019.

Use of Proceeds From Issue of Shares and a Convertible Bond

On 16 December 2015, the Company entered into:

(i) a subscription agreement with Mr. Dai Jialong ("Mr. Dai"), an independent third party at that time, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 subscription shares* at the subscription price of approximately HK$0.3 per share (the "Subscription Price");

(ii) a subscription agreement with Mega Start Limited ("Mega Start"), a substantial shareholder and a company wholly owned by Mr. Chau Chit ("Mr. Chau") (being the Co-Chairman of the Company and an executive Director), pursuant to which, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 subscription shares* at the Subscription Price;

(iii) a convertible bond agreement with Mega Start, pursuant to which, the Company will issue, and Mega Start will subscribe for, a convertible bond in a principal amount of approximately HK$24,000,000 (the "Convertible Bond"); and

(iv) subscription agreements with eight investors (the "Investors"), each of whom is an independent third party and not related to each other, respectively, pursuant to which, the Company will allot and issue, and the Investors will subscribe for, a maximum of 690,000,000 subscription shares* at the Subscription Price (collectively, the "Shares and Convertible Bond Subscriptions").

On 3 February 2016, the Company completed the Shares and Convertible Bond Subscriptions. As a result, a total of 900,000,000 subscription shares* with aggregate nominal value of HK$9,000,000 have been subscribed for cash and duly allotted and issued to the subscribers, included Mr. Dai, Mega Start and the Investors, and the Convertible Bond in the principal amount of HK$24,000,000 has been subscribed for cash and duly issued to Mega Start. The aggregate net proceeds from the Shares and Convertible Bond Subscriptions are approximately HK$289,000,000 after deducting relevant expenses raised. Details of the Shares and Convertible Bond Subscriptions and the intended uses of the net proceeds therefrom are set out in the Company's announcements dated 16 December 2015 and 3 February 2016 and the Company's circular dated 15 January 2016.

* The number of subscription shares represented the ordinary shares of the Company of HK$0.01 each to be issued before the share subdivision as set out below. As set out in note 12, the conversion condition of the convertible bond was not satisfied that the mandatory conversion of the convertible bond shall not take place. The convertible bond shall be redeemed in full on the maturity date.

As of 31 March 2019, the net proceeds received were utilised as follows:

Intended application of the net proceeds	**Amount to be utilised** *(HK$ million)*	**Amount utilised at 31 March** *(HK$ million)*	**Unutilised as at 31 March** *(HK$ million)*
Setting up of the production plant and ancillary facilities for the new graphene production business	20	(17)	3
Installation of production lines	110	(48)	62
Establishment of the product quality control and testing centre	60	(19)	41
Recruitment of professional staff for the graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities	20	(9)	11
General working capital for the Group	79	(79)	—
Total	289	(172)	117

As mentioned in "Events After the Reporting Period" below, 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. In view of the current business operation and funding needs of the Company, the net proceeds unutilized of approximately HKD117 million had been reallocated and fully utilized as working capital of the Group.

Share Subdivision

By an ordinary resolution passed at the extraordinary general meeting on 29 April 2016, each of the existing issued and unissued ordinary shares of approximately HK$0.01 each in the share capital of the Company was subdivided into five ordinary shares of approximately HK$0.002 each (the "Subdivided Shares") (the "Share Subdivision"). Upon the Share Subdivision having became effective on 3 May 2016 and at the date of this announcement, the Company's authorised share capital was approximately HK$20,000,000 divided into 10,000,000,000 ordinary shares of approximately HK$0.002 each, of which 6,000,000,000 ordinary shares were in issue and fully paid. Details of the Share Subdivision are set out in the Company's announcements dated 23 March 2016 and 29 April 2016 and the Company's circular dated 13 April 2016.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks relating to constructions related segments

(i) The Group's construction works are labour-intensive in nature. In the event that there is a significant increase in the costs and demand of labour, the Group's staff cost and/or subcontracting cost will increase and thus lower its profitability. On the other hand, if the Group or its subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.

(ii) The Group needs to estimate the time and costs involved in projects in order to determine the fee. There is no guarantee that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the jobs may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

(iii) The projects undertaken by the Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. The Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

Risks relating to graphene production segment

(i) 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 "Business overview and prospect" above.

Financial Risk

(i) 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 risks continuously and considers hedging any excessive risk when necessary.

(ii) As at 31 March 2019, bank deposit in the sum of HK$116,960,000 had been pledged to guarantee the indebtedness of a company that is established in PRC and owned by a related party for a period from 17 August 2018 to 17 August 2019. The pledge of deposit was subsequently released on 23 August 2019.

Contingent Liabilities and Capital Commitments

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

	31 March 2019 *HK$'000*	31 March 2018 *HK$'000*
Guarantees in respect of performance bonds in favor of its clients	**121,258**	116,298

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

	31 March 2019 *HK$'000*	31 March 2018 *HK$'000*
Contracted, but not provided for:		
Land and buildings	**—**	—
Plant and machinery	**11,781**	34,649
	11,781	34,649

Movement of Incomplete Contracts for the year ended 31 March 2019

	31 March 2018 *HK$'000*	Contracts Secured *HK$'000*	Contracts Completed *HK$'000*	31 March 2019 *HK$'000*
Building Construction	920,264	392,741	(308,847)	1,004,158
Property Maintenance	2,139,873	923,625	(1,008,852)	2,054,646
Alteration, Renovation, Upgrading and Fitting-Out Works	585,895	142,682	(308,214)	420,363
	3,646,032	1,459,048	(1,625,913)	3,479,167

Employees and Remuneration Policies

As at 31 March 2019, the Group employed a total of 261 staff (as at 31 March 2018: 248 staff) which included Hong Kong, Macau, Singapore and Mainland China employees. The total remuneration for staff was approximately HK$90 million for Fy2019 (Fy2018: approximately HK$87 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 consist 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.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 March 2019 (2018: Nil). No interim dividend was declared for the six months ended 30 September 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. During the year ended 31 March 2019, the Board had adopted the principles and the code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

Save as disclosed below, during the year ended 31 March 2019, the Company had complied with the CG Code as set out in Appendix 14 to the Listing Rules.

Roles of the chairman and the chief executive

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. During the period from 1 April 2018 to 6 September 2018, Mr. Chau Chit was the co-chairman of the Board of Directors of the Company and the chief-executive officer of the Company.

The Co-Chairmen were the positions in the Board to execute the administrative functions designated to the Co-Chairmen by the Board from time to time. As decided by the Board, Mr. Chau and Mr. Dai would take up the administrative functions of the Board in ensuring that the Board works effectively and performs its responsibilities. They acted together to carry out and shared the responsibilities of the role of the chairman of the Board. When a Co-Chairman proposed any matters to be considered in a Board meeting, the other Co-Chairman shall be responsible for, amongst other things, drawing up and approving the agenda for such Board meeting, presiding the Board meeting and encouraging all directors to make a full and active contributions to the Board's affairs to ensure that Board decisions fairly reflected Board consensus and the Board acted in the best interests of the Group. In respect of other duties and responsibilities of the chairman of the Board contemplated under the articles of association of the Company, A.2 of the CG Code and the Listing Rules (including Rule B.8 of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules), these would be taken up by Mr. Chau.

Besides, Mr. Dai (resigned on 7 September 2018), the other co-chairman, was primarily responsible for providing overall strategic plan in the development of the graphene business of the Group and Mr. Chau, who is the chief executive officer of the Company, carries out executive functions including day-to-day business and operations management of the Group.

Part A.2 of the CG Code set out the principle and code provision of the chairman and chief executive. It stipulated that there should be a clear division of the two key aspects of management, the management of the Board and the day-to-day management of business.

Based on this principle, the Company adopted the above corporate governance measures to ensure a balance of power and authority, so that power was not concentrated in any one individual. The Board believes that the Co-Chairmen each acted as a check and balance on each other and that there is a clear understanding and expectation of the Board and within the Company as to the separation of roles and responsibilities of Mr. Chau and Mr. Dai. The Board also considered the composition of the Board and senior management of the Company, which comprises experienced and high calibre individuals. In view of the above, the Board believes that the balance of power and authority was adequately maintained to ensure that the overall interests of the Company and its shareholders were protected.

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 (re-designated as Chairman on 7 September 2018) during the period from 7 September 2018 to 31 March 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 (《開立銀行承兑匯票合同》) (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 as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2019.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the interim financial information for the six months ended 30 September 2018 and the consolidated financial statements and annual results for the year ended 31 March 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditors report on the consolidated financial statements of the Group for the year ended 31 March 2019.

We do not express an opinion on the accompanying consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

As set out in note 39 to the consolidated financial statements, Wuxi Taike Nano New Material Company Limited ("Wuxi Taike") was a major wholly-owned subsidiary of the Company as at 31 March 2019 which contributed net assets of RMB124,035,000 (equivalent to HK$145,070,000) and a loss for the year of RMB118,354,000 (equivalent to HK$138,746,000) to the Group's total net assets of HK$151,283,000 as at 31 March 2019 and total loss of HK$145,451,000 for the year then ended, respectively. The statement of profit or loss and statement of financial position of Wuxi Taike are set out in note 39. During the course of our audit of Wuxi Taike for the year ended 31 March 2019, we encountered certain scope limitations in our audit of various account balances and transactions of Wuxi Taike as set out below.

1. Potential related party transactions of Wuxi Taike

We noted the following transactions between Wuxi Taike and certain companies which appeared unusual in the circumstances and may indicate the existence of a relationship with Wuxi Taike. However, the transactions between Wuxi Taike and these companies were not considered by the Group as related party transactions.

1.1 *Transfer of funds to Jiangyin Youjia*

During the year ended 31 March 2019 and subsequent to 31 March 2019, Wuxi Taike conducted various transactions with Jiangyin Youjia Pearlescent Mica Co., Ltd ("Jiangyin Youjia"), whose legal representative was Mr. Dai Jialong, a former director and substantial shareholder of the Company. As set out in note 38 to the consolidated financial statements, the directors of the Company regarded Jiangyin Youjia as a related party up to 31 December 2018 and only the related transactions with Jiangyin Youjia for that period have been disclosed as related party transactions.

1.1.1 *Transfer to Jiangyin Youjia of a purchase deposit returned from Jiangyin Xinchaoshun Mica Productions Co., Ltd ("Xinchaoshun")*

As further mentioned in section 1.3 below, as at 31 March 2019, Wuxi Taike had a purchase deposit of RMB7,020,000 (equivalent to HK$8,210,000) due from Xinchaoshun in relation to the purchase of inventories. Subsequent to 31 March 2019, Xinchaoshun returned the purchase deposit of RMB7,020,000 to Wuxi Taike. However, the same amount was then transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

According to the State Administration for Market Regulation (the "SAMR") website, Xinchaoshun had the same contact phone number as Wuxi Taike and an identical email address as Jiangyin Ruijia Mica Technologies Co., Ltd ("Jiangyin Ruijia"), the holding company of Jiangyin Youjia. Management was not able to provide us with a satisfactory explanation of the reason for the above return of deposits from Xinchaoshun and the transfer of such purchase deposits returned to Jiangyin Youjia. We were unable to determine whether the amount of RMB7,020,000 stated as a purchase deposit for inventories as at 31 March 2019 had been properly classified and disclosed in the consolidated financial statements for the year ended 31 March 2019.

1.1.2. *Transfer to Jiangyin Youjia of proceeds receivable from disposal of a motor vehicle*

During the year ended 31 March 2019, Wuxi Taike disposed of a motor vehicle with a net book value of RMB5,576,000 (equivalent to HK$6,522,000) for RMB6,300,000 (equivalent to HK$7,368,000), including value-added tax ("VAT") of RMB869,000 (equivalent to HK$1,016,000). Management of Wuxi Taike represented that the sale was made to a third party, through a company ("Co A") and a sales person of Wuxi Taike. Wuxi Taike recorded other receivables from Co A and the sales person for the amounts of RMB1,800,000 (equivalent to HK$2,105,000) and RMB4,500,000 (equivalent to HK$5,263,000), respectively as at 31 March 2019. Management further represented that neither Co A nor the sales person was the ultimate buyer and the disposal arrangement was instructed by the former management of Wuxi Taike.

Wuxi Taike did not receive any proceeds from this disposal. Subsequent to 31 March 2019, the total outstanding receivables of RMB6,300,000 were transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

We were unable to obtain sufficient and adequate documentary evidence for the disposal of the motor vehicle. As a result, we were unable to confirm whether the disposal had been properly conducted and accounted for and whether the sale of the motor vehicle by Wuxi Taike with a net book value of RMB5,576,000, the consideration for the sale of RMB5,431,000 (equivalent to HK$6,352,000), net of VAT, and the loss on disposal of RMB145,000 (equivalent to HK$169,000) had been properly measured and presented in the Group's consolidated financial statements for the year ended 31 March 2019. We were unable to obtain a satisfactory explanation of the reason for the transfer of the other receivables to Jiangyin Youjia subsequent to 31 March 2019. We were also unable to determine whether the amount of RMB6,300,000 stated as other receivables from the respective parties as at 31 March 2019 had been properly classified and disclosed, or whether the receivables and the disposal transaction should be disclosed as an amount due from Jiangyin Youjia and a related party transaction, respectively, in the consolidated financial statements for the year ended 31 March 2019.

1.2 *Acquisition of equipment from Wuxi Taiaoyi Trading Co., Ltd ("Wuxi Taiaoyi")*

Wuxi Taike procured equipment from Wuxi Taiaoyi totaling RMB29,490,000 (equivalent to HK$34,492,000), and made payments of RMB15,590,000 (equivalent to HK$18,234,000) and RMB11,100,000 (equivalent to HK$13,871,000) to Wuxi Taiaoyi during the years ended 31 March 2019 and 2018, respectively. According to the SAMR website, Wuxi Taiaoyi had the same phone number as Jiangyin Youjia and the same email address as Jiangyin Ruijia, the holding company of Jiangyin Youjia.

Moreover, as detailed in the Company's announcement dated 13 March 2020, based on the representations made by the then finance manager of Wuxi Taike (the "Finance Manager"), Wuxi Taiaoyi was previously managed by Mr. Dai Jialong and was then managed by Mr. Dai Jialong's daughter, and the payment amount and payment method made by Wuxi Taike to Wuxi Taiaoyi were decided by Mr. Dai Jialong and executed by the Finance Manager.

As we were unable to obtain satisfactory explanation of the reason for the above relationship between Wuxi Taiaoyi and Wuxi Taike or its related party, we were unable to determine whether the above acquisition of equipment from Wuxi Taiaoyi should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019.

1.3 *Purchases of raw materials from and deposits paid to Jiangyin Xinchaoshun Mica Productions Co., Ltd ("Xinchaoshun")*

Xinchaoshun was one of the major vendors of Wuxi Taike. Wuxi Taike made purchases of RMB11,638,000 (equivalent to HK$13,643,000) (2018: RMB116,475,000 (equivalent to HK$136,431,000) from Xinchaoshun for the year ended 31 March 2019. As at 31 March 2019, a deposit paid to Xinchaoshun amounting to RMB7,020,000 (equivalent to HK$8,210,000) for raw materials had not been utilised and was recorded as a purchase deposit in the consolidated statement of financial position. As mentioned in section 1.1.1 above, according to the SAMR website, Xinchaoshun had the same phone number as Wuxi Taike and the same email address as Jiangyin Ruijia.

We were unable to obtain satisfactory explanation of the reason for the above relationship between Xinchaoshun and Wuxi Taike or its related party. In addition, we were unable to determine whether the above purchases from Xinchaoshun should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019 and whether the purchase deposit receivable from Xinchaoshun should be disclosed as an amount due from a related party.

1.4 ***Receivable from Wuxi Qikai Mica Material Co., Ltd ("Wuxi Qikai")***

Wuxi Qikai was a major customer of Wuxi Taike. The gross balance of trade receivables due from Wuxi Qikai as at 31 March 2019 was RMB62,141,000 (equivalent to HK$73,478,000) (2018: RMB68,158,000 (equivalent to HK$85,174,000)), before provision for impairment. During the year, due to a significant delay in settlement by Wuxi Qikai, Wuxi Taike recorded a further impairment of HK$62,478,000 (2018: HK$11,000,000).

According to the SAMR website, the former contact phone number of Wuxi Qikai belonged to the Finance Manager until 2016. The contact phone number of Wuxi Qikai was changed in 2016.

We were unable to obtain a satisfactory explanation as to the relationship between Wuxi Qikai and Wuxi Taike or its related party, and in particular, we were unable to obtain sufficient explanation of the reasons for the arrangement of allowing excessive credit to Wuxi Qikai during the year which was different from the prior years. As a result, we were unable to determine whether the above receivable from Wuxi Qikai should be disclosed as an amount due from a related party in the consolidated financial statements for the year ended 31 March 2019.

Although management represented to us that the transactions with Jiangyin Youjia as set out in 1.1 above are not related party transactions as Jiangyin Youjia was no longer a related party subsequent to 31 December 2018 and that the entities in 1.2 to 1.4 above were not related to the Group; due to the reasons set out in the preceding paragraphs above, we were not able to ascertain whether the companies mentioned above were related parties and whether the transactions with the above entities should be disclosed as related party transactions in the consolidated financial statements pursuant to Hong Kong Accounting Standard 24 *Related Party Disclosures* ("HKAS 24").

In view of the identification of various potential related parties which were not identified as related parties by the management, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements, and whether there were any further related party transactions that would require disclosure. As a result, in light of the significance of the above transactions conducted by Wuxi Taike which constituted a significant part of the Group's consolidated net assets and loss for the year, we were unable to satisfy ourselves as to: (i) the completeness and adequacy of the disclosures of the Group's related party transactions under HKAS 24 in the current and prior years; and (ii) whether the impact of any unidentified related party transactions have been properly accounted for in the assets and liabilities of Wuxi Taike, and the resulting impact on the loss for the year of Wuxi Taike.

2. Impairment of property, plant and equipment

As at 31 March 2019, the carrying value of property, plant and equipment of Wuxi Taike amounted to HK$50,014,000, after a provision for impairment of HK$49,915,000. During the year, the management of the Company considered that the recoverable amount of the property, plant and equipment of Wuxi Taike was less than the carrying amount and recorded a provision for impairment of HK$49,915,000 based on a valuation determined by a valuer appointed by the Company. In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets*, an asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal. According to the valuation report prepared by the valuer, the replacement cost model was adopted for the estimation of the fair value less costs of disposal of the property, plant and equipment as the value in use of the property, plant and equipment was not applicable. However, due to the specialised nature of the property, plant and equipment of Wuxi Taike, and the absence of additional audit evidences, we were unable to determine whether it is appropriate to use the valuation determined by the valuer using the replacement cost model as the recoverable amount of the property, plant and equipment of Wuxi Taike. Accordingly, we were unable to determine whether the fair value less costs of disposal of the property, plant and equipment of Wuxi Taike had been properly measured and whether the resulting provision for impairment loss of HK$49,915,000 had been properly measured and recorded in the consolidated financial statements.

3. Pledge of prior year's time deposits

As detailed in note 21 to the consolidated financial statements and the Company's announcement dated 13 March 2020, Wuxi Taike entered into four deposit pledge contracts (the "Pledged Contracts") with a bank in the People's Republic of China in the prior years to guarantee the indebtedness of Jianyin Youjia without evidence of approval by the Company's board of directors. Two of such contracts dated August 2016 totalling RMB107 million had expired in August 2017 and two others dated August 2017 totalling RMB105.4 million had expired in August 2018. The management of the Company, based on legal advice, was of the opinion that the Pledged Contracts were not legally enforceable and could be revoked should Wuxi Taike take legal action against any claims under the Pledged Contracts, and accordingly, had recorded the time deposits of RMB105.4 million (equivalent to HK$126.8 million) as cash and cash equivalents instead of as pledged deposits in the consolidated statement of financial position as at 31 March 2018. However, we were not able to ascertain the legal enforceability of the Pledged Contracts, and accordingly, we were unable to determine whether the time deposits had been properly classified in the consolidated statement of financial position as at 31 March 2018 or whether proper disclosures had been included in the consolidated financial statements as at 31 March 2018.

THE BOARD'S RESPONSE TO THE AUDITOR'S OPINION

In regard to the matters described in the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report, the Board would like to take this opportunity to provide the Board's response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

The Board's response to the delay in publication of the annual results for the year ended 31 march 2019 and the Board response to the basis for disclaimer of opinion

As disclosed in the Company's previous announcements in relation to, among other things, suspension of trading in the Company's Shares and update of the development in relation thereto, the Board had been actively working with the auditor in relation to the preparation of the Company's consolidated annual results for the year ended 31 March 2019.

1. In November 2018, shortly after the Board became aware of the Deposit Pledge Contracts, the audit committee of the Company, consisting of three independent non-executive Directors, has appointed an independent forensic accounting expert, PricewaterhouseCoopers Management Consulting (Shanghai) Limited (the "Forensic Team"), to conduct the forensic review with objectives to identify how the Deposit Pledge Contracts were entered into, who was involved and/or has knowledge of the matter; to verify the status of Wuxi Taike's other major assets, including machinery and trade receivables; and where possible, to identify any potential unrecorded contingent liabilities and/or undisclosed related party transactions.

   As disclosed in the Company's announcement dated 13 March 2020 (the "Key Findings Announcement"), the Forensic Team has completed the procedure for the forensic review. The Company published the Key Findings Announcement which discloses the key findings of the forensic review. The audit committee has reviewed the findings of the Forensic Team and provided its view on the adequacy of the forensic review, key findings of the forensic review and integrity of the Directors as disclosed in the Company's announcement dated 12 May 2020.

2. In May 2019, the Company engaged an internal control consultant (the "Internal Control Consultant") to conduct an internal control review on the Company's risk management process; the entity level control environment; resources, qualification, and experience of staff of accounting, internal audit and financial reporting functions; and Wuxi Taike's sales process, procurement process, cash management process, bank borrowing management process and property, plant and equipment management process from 1 January 2019 to 30 April 2019. The material findings or deficiencies identified by the Internal Control Consultant and the remedial actions taken or to be taken by the Company based on the recommendations of the Internal Control Consultant to address the internal control concerns revealed from the forensic review are set out in the announcements of the Company dated 13 March and 20 April 2020.

The Company has instructed the Internal Control Consultant to conduct a follow-up internal control review (the "Follow-up Review") on the status of the implementation of the remedial actions taken by the Group, which was completed in the first half of May 2020. Based on the Follow-up Review, the Company has adopted and implemented the remedial measures recommended by the Internal Control Consultant at the entity level (in particular, the internal control to detect and manage related party transactions/connected transactions), save that the continuing improvement on the documentation of risk monitoring activities and reporting of risk management actions being undertaken and the communication of corporate governance policies to employees are in progress. The Follow-up Review did not cover the implementation of remedial actions in connection with the internal control weaknesses identified for Wuxi Taike because Wuxi Taike has been disposed of by the Group.

3. The Company has negotiated with the Pledgee Bank in respect of the release of the deposit pledge under the Deposit Pledge Contracts after the Board was aware of the Deposit Pledge Contracts. The deposit pledge in the sum of RMB100 million under the Deposit Pledge Contracts were released on 23 August 2019.

4. Since the Board was informed of the Deposit Pledge Contracts, the Company has engaged its PRC counsel to advise on the appropriate legal actions to be taken by the Group in respect of the Deposit Pledge Contracts and instructed the PRC counsel to gather information in order to prepare the necessary documents for commencing legal proceedings against Jiangyin Youjia and the relevant parties. In view of the release of the deposit pledge under the Deposit Pledge Contracts in August 2019, the Company decided not to proceed further to commence legal proceedings against Jiangyin Youjia and the relevant parties in respect of the recovery of the Secured Deposits.

5. Subsequent to the uncovering of the unauthorised deposit pledge contracts (the "Former Deposit Pledge Contracts") entered into between Wuxi Taike and another bank (the "Second Pledgee Bank") in August 2016 and August 2017 by the Forensic Team as disclosed in the Key Findings Announcement, the Company has engaged a PRC counsel to advise on the legal effect of these contracts. Having considered the facts surrounding the entering into of the Former Deposit Pledge Contracts, the Company's PRC Counsel is of the view that there were uncertainties as to the authenticity of the Former Deposit Pledge Contracts, and based on the precedent cases, the Former Deposit Pledge Contracts had no legal effect and could be declared void by the PRC court.

6. As disclosed in the Company's announcements dated 3 September 2019, 20 January 2020 and 13 March 2020, the Group has commenced legal proceedings against one of the customers of Wuxi Taike (the "Customer") for payment of the trade receivables payable by the Customer to Wuxi Taike. Following the commencement of the legal proceedings at the Jiangyin City People's Court (江陰市人民法院) (the "Court") on 27 August 2019, the Customer did not attend the court hearing or defend the legal proceedings. On 21 February 2020, a judgment was handed down by the Court which was received by the Company on 6 March 2020 (the "Judgment"). Pursuant to the Judgment, Wuxi Taike succeeded in its claim and it was held that the Customer is ordered to

pay the trade receivables of RMB62.1 million together with interests to Wuxi Taike within 10 days of the date of the Judgment. As at the date of this announcement, Wuxi Taike has not received any payment from the Customer.

7. Mr. Dai, the then executive Director of the Company who was in charge of the operation of Wuxi Taike, has resigned as a director of the Company with effect from 7 September 2018 (which was before the Board was informed about the deposit pledge) and passed away. After the Board was aware of the incident of the deposit pledge, the Board assigned the deputy finance controller of the Group to take charge of the finance department of Wuxi Taike in November 2018, and replaced Wuxi Taike's then executive director and legal representative by the chief operating officer of the Group in late December 2018.

8. As disclosed in the announcements of the Company dated 20 and 22 January 2020, the Company entered into a sale and purchase agreement with an independent third party on 20 January 2020 in relation to the disposal of the entire issued share capital of the indirect holding company of Wuxi Taike (the "Disposal"). Completion of the Disposal had already taken place on 28 February 2020.

9. Additionally, the Board has set up a risk management committee (the "Risk Management Committee") which comprises two executive Directors, namely Mr. Chau Chit and Mr. Zhu Xiaodong, and one independent non-executive Director, namely Mr. Wong Wai Kwan, on 20 April 2020 to assist the Board to oversee the design, implementation and review of the risk management policies and procedures of the Group. On the same date, Dr. Zhang Wan, the Company's investment manager, has been appointed as the compliance officer of the Company (the "Compliance Officer") to advise on and assist the Board in overseeing the compliance of laws and regulations by the Group.

10. Based on the findings of the Forensic Team, the Board assessed and analysed the transactions taken by Wuxi Taike to consider whether such transactions constitute notifiable transactions and/or connected transactions for the Company. The Company published a discloseable and continuing connected transaction announcement dated 24 March 2020 in relation to the provision of the deposit pledge. Please refer to the Company's announcement dated 24 March 2020 for more details.

The management of the Company had made their efforts to provide all necessary information and documents to the auditor and assisted the auditor to complete the audit procedures of the annual results for the year ended 31 March 2019.

The Directors have discussed with the auditor in relation to the audit qualifications, and the Directors understand that the audit qualifications are unavoidable due to the limitations encountered by the Forensic Team and the auditor. The view of the Audit Committee on the adequacy of the forensic review is set out in the Company's announcement dated 12 May 2020.

As stated above, the deposit pledge under the Deposit Pledge Contracts was released on 23 August 2019 and Wuxi Taike was disposed of to an independent third party on 28 February 2020. Mr. Dai and the then management of Wuxi Taike have left the Group in 2018. As such, the major audit issues surrounding Wuxi Taike, including the incident relating to the Deposit Pledge Contracts and various transactions with the potential related parties, do not have impact on the Group since the disposal of Wuxi Taike and accordingly, the impact of Wuxi Taike's business and operations is no longer of concern to the Company.

The Company has also completed the internal control review and implemented enhanced internal control measures based on the recommendations of the Internal Control Consultant to improve the Company's controls surrounding the audit issues in the disclaimer of opinion, including the adoption of corporate governance code and connected transactions policy, establishment of the Risk Management Committee and the appointment of the Compliance Officer in April 2020.

Based on the above, the Board is of the view that the audit issues underlying the basis of the disclaimer of opinion have been addressed and resolved.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.visionfame.com) and the Stock Exchange's website (http://www.hkex.com.hk). The 2019 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

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.

CONTINUED SUSPENSION OF TRADING

All dealing in the Shares has been suspended since 3 December 2018. Trading in the Shares will remain suspended until further notice pending fulfilment of the conditions stated in the resumption guidance and such other further conditions that may be imposed by the Stock Exchange. The Company will keep the Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

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 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.