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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1315)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
KEY FINDINGS OF THE FORENSIC REVIEW
AND
INTEGRITY OF THE DIRECTORS**

Reference is made 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 (the “**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 in 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;
- (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of Wuxi Taike by the Group to an independent third party (the “**Disposal Announcements**”);
- (vi) the announcement of the Company dated 13 March 2020 in relation to the key findings of the forensic review and internal control review (the “**Key Findings Announcement**”) and the supplemental announcement of the Company dated 20 April 2020 in relation to internal control review (the “**Internal Control Review Supplemental Announcement**”);
- (vii) the announcement of the Company dated 24 March 2020 in relation to the discloseable and continuing connected transaction regarding the provision of the deposit pledge; and

(viii) the announcement of the Company dated 28 April 2020 in relation to the establishment of risk management committee and appointment of compliance officer.

((i) to (viii) together, the “**Prior Announcements**”)

Capitalised terms used herein shall have the same meanings as those defined in the Prior Announcements unless the context requires otherwise.

BACKGROUND

As disclosed in the Company’s announcement dated 30 November 2018, the audit committee of the Company (the “**Audit Committee**”) has appointed 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 (the “**Concerned Matters**”).

The Forensic Team has completed the procedure for the Forensic Review and the key findings of the Forensic Review are set out in the Key Findings Announcement.

ADEQUACY OF THE FORENSIC REVIEW

References are made to the sub-section headed “KEY FINDINGS OF THE FORENSIC REVIEW — 7. Limitations of the Forensic Review” in the Key Findings Announcement in relation to matters considered by the Forensic Team as limitations to the Forensic Review.

Despite the limitations of the Forensic Review, with respect to the objectives, scope and procedures of the Forensic Review, the Audit Committee considers that they were properly formulated in response to the discovery of the Deposit Pledge Contracts entered into with the Pledgee Bank and the findings in the report of the Forensic Review are sufficient to enable the Company to address the Concerned Matters.

The Audit Committee is of the view that the Forensic Team is an independent forensic expert which is properly qualified and has the relevant credentials and expertise in conducting investigations or forensic reviews that are similar to the Forensic Review and has taken proper, responsive and reasonable actions with a view to ensuring the integrity and reliability of the findings of the Forensic Review within their expertise. Such actions included obtaining information/documents from the parties involved or third party(ies) and conducting interviews with individuals and representatives of the banks, the Group’s employees/management and third parties involved.

The Audit Committee acknowledges that the Forensic Review is subject to certain limitations as set out in the Key Findings Announcement arising from, among other things, (i) the death of Mr. Dai Jialong (“**Mr. Dai**”), the then director of the Company who was in charge of Wuxi Taike, (ii) the reluctance of the former legal representative of Wuxi Taike and the relevant personnel of Jiangyin Youjia to cooperate and assist in the Forensic Review and (iii) the unavailability of sufficient and credible

corroborating and supporting evidence to understand the inconsistencies in the Credit Commercial Report and the existence of any relationship between Wuxi Taike and its various counterparties. Regarding the refusal of several parties to attend interviews with the Forensic Team, the Audit Committee noted that neither the Group nor the Forensic Team was in a position to pressurize or influence any third party to attend the interviews as none of such third parties had the obligation, legal, moral or otherwise, to be so interviewed by the Forensic Team.

In the circumstances, the Audit Committee is of the view that the Forensic Team had exhausted all necessary procedures which were reasonably practicable in the circumstances to investigate into the Concerned Matters and does not expect any further investigation could provide any additional material findings on the Concerned Matters.

For the reasons above, the Audit Committee is satisfied that the findings of the Forensic Review have reflected the state of affairs of Wuxi Taike in fulfilment of the objectives of the Forensic Review to the extent reasonably practicable.

VIEW OF THE AUDIT COMMITTEE ON THE KEY FINDINGS OF THE FORENSIC REVIEW

Having considered the key findings of the Forensic Team and making necessary enquiries and discussions with the management of the Company and the Forensic Team, the Audit Committee wishes to provide its view on the key findings as follows:

1. Relationship between Wuxi Taike and Jiangyin Youjia

Mr. Dai was, prior to joining the Company and at all material times, a director and the legal representative of Jiangyin Youjia. Although Wuxi Taike's office was situated in the same building where Jiangyin Youjia was located, the showroom and production area of Wuxi Taike were located in rooms and/or floors separate from the operations of Jiangyin Youjia. The Audit Committee considered this arrangement to be reasonable as it enabled Mr. Dai, as the then person in charge of both Wuxi Taike and Jiangyin Youjia, to oversee the operations of Wuxi Taike in a more efficient and effective manner.

The sharing of personnel and resources between Wuxi Taike and Jiangyin Youjia was mainly because of the small scale of operation of Wuxi Taike, as prior to the discovery of the Deposit Pledge Contracts, Wuxi Taike had not yet commenced mass production.

As disclosed in the Disposal Announcements, the Company has already disposed of Wuxi Taike. The Audit Committee is therefore of the view that the impact of Wuxi Taike's relationship with Jiangyin Youjia on Wuxi Taike's business and operations is no longer of concern to the Company.

However, the Audit Committee considers that the findings did expose the inadequacy of the Group's internal control which might give rise to issues of related party transactions and conflict of interests. At the recommendation of the Internal Control Consultant, the Company has, among other things, prepared and adopted the code of conduct, code of ethics, management override

policy, whistle blowing policy, connected transaction policy, circulated a summary of connected persons at the Company level to relevant heads of business units, established a risk management committee and appointed a compliance officer.

2. Deposit pledges

The Audit Committee noted the Forensic Team’s finding that the Commercial Credit Report obtained by the Forensic Team from the PBOC did not contain any record of the former deposit pledge contracts (the “**Former Deposit Pledge Contracts**”) entered into with the Second Pledge Bank in August 2016 and August 2017, which cast doubt over the completeness of the information contained in the Commercial Credit Report.

As explained in the section headed “ADEQUACY OF THE FORENSIC REVIEW” in this announcement, the Audit Committee considers that the Forensic Team had taken all reasonably practicable steps in reconciling the inconsistencies and addressing the limitations of the Forensic Review.

The Audit Committee also acknowledges the legal opinion advised by the Company’s PRC counsel that, taking into account the facts surrounding the entering into of the Former Deposit Pledge Contracts, 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.

Moreover, at the material times, Wuxi Taike’s major assets were bank deposit, tailor-made machinery and trade receivables. Given that most of the bank deposit of Wuxi Taike had been pledged (or allegedly pledged) under the deposit pledge contracts, and having considered the representation from the management of the Company that according to the usual bank practice in the PRC, unlike real properties, it is very difficult for Wuxi Taike to pledge its tailor-made machinery and trade receivables with banks for any third party’s benefit, the Audit Committee believes that the chance of Wuxi Taike undertaking other unauthorised pledges is low.

3. Other major assets — Machinery

Having considered the concerns of the Forensic Team over the validity of the procurement contracts in light of the limitations set out in the Key Findings Announcement, the Audit Committee is of the view that:

- (i) due to the innovative nature of the technology introduced by Mr. Dai to Wuxi Taike for its graphene production, the Audit Committee was given to understand that Mr. Dai was very concerned to preserve the secrecy of the technology and the related equipment, and that the equipment had to be tailor-made to cater the specific production needs of Wuxi Taike. The Audit Committee therefore considers that the use of Wuxi Taiayoi as an intermediary in the procurement process of the relevant equipment and the absence of identification information on the equipment could be reasonably justified by the need to preserve secrecy of the underlying technology and the tailor-made nature of the equipment; and

- (ii) in view of the existence of the procurement contracts entered into between Wuxi Taike and Wuxi Taiaoyi, the payment made by Wuxi Taike for the equipment and the actual receipt by Wuxi Taike of the 70 sets of equipment, the Audit Committee believes that the procurement contracts had been performed and Wuxi Taike possessed the equipment.

Based on the information available in the public domain, no shareholding relationships between Wuxi Taiaoyi/Wuxi Meiji and Mr. Dai were identified. The findings of the Forensic Team also did not reveal evidence showing that Wuxi Taiaoyi and Wuxi Meiji were connected persons of the Company.

4. Other major assets — Trade payables and receivables

Despite the findings of the Forensic Team in relation to Wuxi Taike's previous transactions with the Vendor and the Customer during the review period from 1 April 2018 to 30 November 2018, the Audit Committee is of the view that such findings did not give rise to concerns over the validity and genuineness of Wuxi Taike's sales and purchases for the following reasons:

- (i) during the course of the Forensic Review, the Forensic Team interviewed the legal representative of the Customer, who provided information on the history and development of the Customer's business relationship with Wuxi Taike;
- (ii) the Forensic Team obtained a confirmation letter from the Customer containing the transaction values and the balance of payables to Wuxi Taike for the review period, which are consistent with Wuxi Taike's books and records;
- (iii) as disclosed in the Key Findings Announcement, Wuxi Taike filed a lawsuit against the Customer for the outstanding trade receivables at Jiangyin City People's Court in August 2019 and subsequently obtained a default judgment in February 2020 in the sum of RMB62.1 million together with interest thereon. The Audit Committee is of the view that the judgment in favour of Wuxi Taike supported the validity and genuineness of the sales of Wuxi Taike as Wuxi Taike produced sufficient and credible documentary evidence to the satisfaction of the court in order to substantiate of its claim against the Customer and obtained the judgment in its favour; and
- (iv) the actual receipt of payment from the Customer and the actual payment to the Vendor in respect of Wuxi Taike's previous trade receivables and payables also supported that the sales to the Customer and purchases from the Vendor were valid and genuine.

5. Rental agreements

The Audit Committee noted that the findings of the Forensic Team in relation to the rental agreements might give rise to concerns over related party transactions. Based on the findings of the Forensic Team and the information available in the public domain, there was no evidence to show any shareholding relationship between Jiangyin Zhutang/Jiangyin Youjiu and Mr. Dai.

However, the Audit Committee considers that the findings demonstrated that the Company had not put in place sufficient internal controls to detect and manage related party transactions/connected transactions.

As disclosed in the Key Findings Announcement and the Internal Control Review Supplemental Announcement, the Company has adopted connected transaction policies to enhance the internal control in this respect at the recommendation of the Internal Control Consultant.

INTEGRITY OF THE DIRECTORS

At the time when the Deposit Pledge Contracts were entered into in August 2018, the then Board comprised three executive directors, namely Mr. Dai, Mr. Chau Chit (“**Mr. Chau**”) and Mr. Xie Xiaotao (“**Mr. Xie**”); and three independent non-executive directors (who are the only members of the Audit Committee), namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.

The findings of the Forensic Review suggested that Mr. Dai and Jiangyin Youjia, which was indirectly controlled by Mr. Dai at the material times, were central to the entering into of the unauthorised deposit pledge contracts with the Pledgee Bank and the Second Pledgee Bank and the other transactions with parties who were potentially related to Mr. Dai as identified in the report of the Forensic Review. The Audit Committee accepts the findings of the Forensic Team and considers that such findings gave rise to concerns of integrity and improper conduct of Mr. Dai as a director of the Company. Taking into account that Mr. Dai had resigned from the Board prior to the discovery of the Deposit Pledge Contracts, Mr. Dai has passed away and the Company has already disposed of Wuxi Taike, the Audit Committee considers that the impact of Mr. Dai to the Group should be minimal going forward.

Regarding Mr. Chau and Mr. Xie, there has been no evidence to date implicating that any of them had knowledge of or was involved in the entering into of the Deposit Pledge Contracts by Wuxi Taike before such was brought to the attention of the Board (except for Mr. Dai) following the failure of the Auditor to obtain a confirmation from the Pledgee Bank with which Wuxi Taike maintains its account in November 2018.

Moreover, having reviewed the evidence in the report of the Forensic Review, including the travel records of Mr. Chau for the relevant period issued by the competent authority, the Audit Committee is of the view that Mr. Chau’s account of events is consistent with and supported by credible evidence, and the assertions of the Finance Manager and the officer of the Second Pledgee Bank that they had observed Mr. Chau signing off a letter at Wuxi to authorise the Finance Manager to handle the relevant procedures relating to the Former Deposit Pledge Contracts with the Second Pledgee Bank appear to be questionable. To the best of the knowledge and information of the Audit Committee, there was no evidence implicating that Mr. Chau was involved in the entering into of the unauthorised Former Deposit Pledge Contracts.

The independent non-executive directors of the Company were never involved in the decision-making, execution or management of the relevant transactions or Wuxi Taike.

Accordingly, the Audit Committee is of the view that the issues relating to the deposit pledge contracts and the operations of Wuxi Taike did not involve any act of intentional misconduct, dishonesty, fraudulence or issue of integrity or management ability on the part of the then directors of the Company (except for Mr. Dai), and therefore should not affect the integrity of the then directors of the Company (except for Mr. Dai) to fulfil or continue to fulfil their duties as directors of the Company.

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, 12 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.