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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 INTERNAL CONTROL REVIEW**

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, (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 the Target Company by the Group to an independent third party, (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 (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 (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.

### **INTERNAL CONTROL REVIEW AND REMEDIAL ACTIONS**

The Board wishes to supplement information relating to the internal control review conducted by the Internal Control Consultant covering the period from 1 January 2019 to 30 April 2019.

The table below summarises the Investigation findings identified in the forensic review report, the material findings or deficiencies identified by the Internal Control Consultant at the entity level in the internal control report and the remedial actions taken or to be taken by the Company based on the recommendation of the Internal Control Consultant when the Company published the Key Findings Announcement.

Investigation findings in the forensic review report	Material findings or deficiencies identified by the Internal Control Consultant	Remedial actions taken or to be taken by the Company when the Company published the Key Findings Announcement
/	A well-defined entity-wide risk management process was not established and applied.	An entity-wide risk management policy to identify relevant risks at both the entity level and the process activity level, perform risk assessment and provide a basis for managing the relevant risks has been prepared and is under review.
/	Comprehensive and consistent corporate governance policies and procedures applicable to Hong Kong, Singapore and Mainland China operations were not established for employees to follow.	Comprehensive corporate governance policies and procedures to be made available to all employees have been prepared and are under review.
The daily operations of Wuxi Taike appeared to have been dominated by Mr. Dai, the then executive director of the Company. The way that the business of Wuxi Taike was managed appeared to give rise to an inherent conflict of interest and management override and also limit the Company's access to critical information such as relevant individuals' computers and relevant individuals who were involved in running the Company's daily operations.	Comprehensive policies and procedures on preventing and detecting management overriding established controls were not in place.	The risk management policy to address the areas mentioned is under review.

<b>Investigation findings in the forensic review report</b>	<b>Material findings or deficiencies identified by the Internal Control Consultant</b>	<b>Remedial actions taken or to be taken by the Company when the Company published the Key Findings Announcement</b>
<p>The management of the Company was not aware of the existence of the deposit pledge contracts entered into by Wuxi Taike prior to their execution nor had they ever approved the contracts when the transactions took place.</p>	<p>Monitoring activities of subsidiaries or business units with documentation needed to be enhanced.</p> <p>A compliance officer was not appointed and policies and procedures on compliance function were not documented.</p>	<p>The Company further defined the roles of responsible parties within the structure to help monitoring activities of subsidiaries or business.</p> <p>The management team has decided to take further action according to the Board's suggestion, such as hiring or outsourcing a compliance officer.</p>
<p>/</p>	<p>Documentation was not available to define the role of responsible parties within the structure of the entity and their procedures facilitate the flow of information to the right level of people at the right time.</p>	<p>A standalone comprehensive code of conduct for employees to address the areas mentioned has been prepared and is under review.</p>
<p>A number of potential related party transactions were identified during the forensic review.</p>	<p>Policies and procedures on anti-fraud, anti-money laundering, anti-corruption mechanism, including whistleblower program, were not documented.</p>	<p>A standalone comprehensive code of conduct for employees to address the areas mentioned has been prepared and is under review.</p>
<p></p>	<p>Policies and procedures to identify and report connected persons and connected transactions were not documented. Documentation for declaration of connected persons was not available. A summary of connected persons was not distributed to relevant heads of business units to identify connected transactions and continuing connected transactions.</p>	<p>The connected transaction policies have been prepared and are under review. A summary of connected persons would be distributed to relevant heads of business units as soon as possible.</p>
<p>The Forensic Team recommended the Company should consider undergoing a structural change to have a complete separation of Wuxi Taike's business/ operations from any other companies, such as by assigning dedicated employees and computers to Wuxi Taike.</p>	<p>A person in charge of human resources was not designated for Wuxi Taike.</p> <p>Certain employees' employment was on a part-time basis. The terms on time and effort devoting to the company as well as the segregation of duties to avoid conflict of interest and to protect the company's interest were not documented and approved.</p>	<p>The areas mentioned have been addressed in the human resources policies and procedures which are under review and will be applied to all subsidiaries (to the extent applicable).</p>

<b>Investigation findings in the forensic review report</b>	<b>Material findings or deficiencies identified by the Internal Control Consultant</b>	<b>Remedial actions taken or to be taken by the Company when the Company published the Key Findings Announcement</b>
/	For Wuxi Taike, the number of employees on the payroll list was not consistent with the number of employees on the employee list, and amounts paid for social security benefit and housing provident fund were not reconciled with the amounts on the payroll list.	The areas mentioned have been addressed in the human resources policies and procedures which are under review and will be applied to all subsidiaries (to the extent applicable).
Mr. Dai intentionally put Wuxi Taiyaoyi as an intermediary in the procurement contracts for equipment so as to maintain the confidentiality of the key technologies from the personnel of Wuxi Taike and Wuxi Meiji.	Part of Wuxi Taike's technical know-how in connection with research, development, application and production of graphene was not documented, possessed or controlled by the Company.	The Company will ensure that technical know-how of existing businesses or any new business is documented, possessed or controlled by the Company.
Wuxi Taike did not have a computer server for hosting company emails. Instead, it has applied for free corporate email accounts provided by Aliyun.com for certain employees.	Policies and procedures on information technology governance were not documented in writing.	Policies and procedures on information technology governance will be updated to address the areas mentioned. Such policies and procedures will be implemented by an in-house information technology specialist or an external service provider depending on the complexity of the task.

The table below summarises the Investigation findings identified in the forensic review report, the material findings or deficiencies identified by the Internal Control Consultant at the process level of Wuxi Taike in the internal control report and the recommendation of the Internal Control Consultant.

<b>Investigation findings in the forensic review report</b>	<b>Material findings or deficiencies identified by the Internal Control Consultant</b>	<b>Key recommendations of the Internal Control Consultant</b>
/	Accounts receivable aging of Wuxi Taike was not prepared and allowance for expected credit loss was not assessed and provided for. Wuxi Taike also failed to document the policies and procedures on collection of receivable.	Accounts receivable aging should be prepared and allowance for expected credit loss should be assessed and provided for.  Policies and procedures on collection of receivable should be documented.
Certain payments to vendors of Wuxi Taike were made by Jiangyin Youjia on behalf of Wuxi Taike as instructed by Mr. Dai and the repayments by Wuxi Taike were made to the personal account of the Finance Manager of Wuxi Taike who then repaid Jiangyin Youjia.	Certain payments were not paid by Wuxi Taike directly to a supplier or persons on the payroll list, instead they were paid by Jiangyin Youjia on behalf of Wuxi Taike.  Wuxi Taike did not establish policies and procedures to safeguard cash.	Cash payments should be paid by the Wuxi Taike directly to suppliers or employees, Wuxi Taike should avoid using another party to pay suppliers or employees.  Policies and procedures to safeguard cash, including preventing unauthorised persons from accessing bank accounts, forging the entity's chops, and obtaining bank documents or information in connection with the entity should be established.
	Wuxi Taike received certain cash receipts directly from individuals, or from a local government body with a note relating to another organisation. The reasons and purposes were not documented to support the transactions.	Cash receipts should be received directly from customers or organisations rather than individuals, transaction purpose should be documented and approved with supporting documents.
	Wuxi Taike did not establish policies and procedures on authorisation of petty cash, cheques, wire-transfer and online banking. Only one layer of online processing was required for payments by Wuxi Taike through online banking.	Policies and procedures on authorisation of petty cash, cheques, wire-transfer and online banking should be established. For all payments through online banking, three layers of online processing (i.e. preparation, review and approval) should be required to be performed by three separate personnel with authorisation.

<b>Investigation findings in the forensic review report</b>	<b>Material findings or deficiencies identified by the Internal Control Consultant</b>	<b>Key recommendations of the Internal Control Consultant</b>
All four deposit pledge contracts entered into between Wuxi Taike and the Second Pledgee Bank had the official chops of Wuxi Taike and signatures/chops of Mr. Hu Jinqing.	Accounting chop, company chop and legal representative chop of Wuxi Taike were not properly kept by separate authorised persons at all times.	Accounting chop, company chop and legal representative chop should be kept by different individuals for segregation purpose.
Mr. Hu Jinqing, the former legal representative of Wuxi Taike, had signed the deposit pledge contracts with Pledgee Bank and Second Pledgee Bank on behalf of Wuxi Taike.	Wuxi Taike did not establish policies and procedures on bank borrowings, pledges and guarantees.	Policies and procedures on bank borrowings, pledges, and guarantees should be established in writing.
There was no identification information marked on the equipment kept by Wuxi Taike as a result of instruction from Mr. Dai in order to maintain confidentiality.	Fixed assets register matching with entitled and possessed physical assets was not documented. Not all equipment or machinery was labelled or tagged and tied to the fixed assets register.	Fixed assets register matching with entitled and possessed physical assets should be documented. All equipment or machinery should be labelled or tagged and tied to the fixed assets register.
Wuxi Taike's office is located in a building where the personnel of Jiangyin Youjia worked in.	The premises where Wuxi Taike operated were not leased with lease payments fully settled or owned by the Company, so the assets in the premises were not safeguarded.	The lease contract of the premises where Wuxi Taike operates should be entered into by Wuxi Taike with lease payments fully settled with the landlord.
Wuxi Taike did not have any dedicated finance/accounting employees prior to December 2018. Instead, Wuxi Taike shared a finance manager and two accountants (who were employed and paid by Jiangyin Youjia) with Jiangyin Youjia.	The only accountant of Wuxi Taike was not under the employment of Wuxi Taike.  Only one finance manager was employed by Wuxi Taike to perform accounting and financial reporting duties.	All employees working for the company should enter into employment contracts with the company to protect the company's interest.  Adequate resources should be deployed to maintain proper segregation of duties for accounting and financial reporting.
The Vendor and the Customer appeared to be related to Wuxi Taike and Jiangyin Youjia.	Wuxi Taike did not document formal credit policy in writing.	Comprehensive credit policy should be established, documented and consistently applied, including independence of customers and customer financial background assessment.

<b>Investigation findings in the forensic review report</b>	<b>Material findings or deficiencies identified by the Internal Control Consultant</b>	<b>Key recommendations of the Internal Control Consultant</b>
The Forensic Team did not note any internal control policies and procedures of Wuxi Taike during the forensic review in connection with trading contracts.	Wuxi Taike did not document formal policies and procedures on bidding process.  Wuxi Taike did not document formal policies and procedures on bidding process.	Policies and procedures on bidding process and selection of suppliers should be established, including invitation to certified or qualified and independent suppliers for bids.  Policies and procedures on bidding process and selection of suppliers should be established, including invitation to certified or qualified and independent suppliers for bids.
Visited the Customer’s “office” and found the “office” was empty.	Wuxi Taike did not establish policies and procedures on determination, amendment and consistent application of sales price.  Wuxi Taike did not document formal credit policy in writing.	Policies and procedures on sales price determination, amendments and consistent application should be established.  Comprehensive credit policy should be established, documented and consistently applied, including independence of customers and customer financial background assessment.

As announced by the Company on 20 and 22 January 2020, Wuxi Taike was disposed of to an independent third party which, together with its ultimate beneficial owners, have no business relationship or otherwise with Mr. Dai. Accordingly, the Company will not request Wuxi Taike to implement the recommendation of the Internal Control Consultant but the Company will implement the remedial actions for the existing members of the Group or the potential new business segment where appropriate.

The Internal Control Consultant is conducting the follow-up internal control review. The Company expects that the follow-up internal control review will be completed by early May 2020. An announcement will be issued to update the Shareholders the status of the implementation of the internal control measures as and when appropriate.

## **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, 20 April 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.*