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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)

(1) ISSUE OF NEW SHARES TO INDEPENDENT INVESTORS UNDER SPECIFIC MANDATE;

AND

(2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE BOND TO A CONNECTED PERSON

Financial Adviser to the Company


Optima Capital Limited

Reference is made to the MOU Announcement dated 20 October 2015 in relation to the entering into of the MOU between the Company and Mr. Dai in respect of, among other things, possible issue of new Shares to Mr. Dai.

On 16 December 2015 (after trading hours), the Company entered into:

- (i) with Mr. Dai, an Independent Third Party, the Dai Subscription Agreement, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 Subscription Shares at the Subscription Price;
- (ii) with Mega Start, a Substantial Shareholder and a company wholly owned by Mr. Chau (being the Chairman of the Company and an executive Director), (a) the MS Subscription Agreement, pursuant to which, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 Subscription Shares at the Subscription Price; and (b) the MS CB Agreement, pursuant to which, the Company will issue, and Mega Start will subscribe for, the Convertible Bond in a principal amount of HK\$24,000,000; and

(iii) with eight Investors, each of whom is an Independent Third Party and not related to each other, the Investor Subscription Agreements, 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.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the Aggregate Subscription Shares; and (ii) the Conversion Shares to be issued upon full conversion of the Convertible Bond.

USE OF PROCEEDS

If all the Agreements are completed, the maximum gross proceeds and net proceeds (after deducting professional fees and other related expenses) will be raised from both the issue of the Aggregate Subscription Shares (i.e. 900,000,000 Shares, being the maximum number of Subscription Shares) and the issue of the Convertible Bond, amounting to HK\$294 million and approximately HK\$289 million, respectively. In such case, assuming that the professional fees and other related expenses of approximately HK\$5 million are fully allocated to the issue of the Aggregate Subscription Shares, the net Subscription Price per Subscription Share will be approximately HK\$0.294.

If only the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement and such number of the Investor Subscription Agreements for the Minimum Threshold for Investor Subscription Monies (i.e. an aggregate subscription monies of HK\$147 million) are completed, the minimum gross proceeds and net proceeds to be raised from both the issue of such number of the Subscription Shares (i.e. 700,000,000 Shares, being the minimum number of Subscription Shares) and the issue of the Convertible Bond, amount to HK\$234 million, and approximately HK\$229 million, respectively. In such case, assuming that the professional fees and other related expenses of approximately HK\$5 million are fully allocated to the issue of such number of the Subscription Shares, the net Subscription Price per Subscription Share will be approximately HK\$0.293.

The net proceeds from the issue of the Aggregate Subscription Shares will be applied for development of the new graphene production business and the issue of the Convertible Bond will be applied for general working capital of the Group other than for the graphene production business. Details of the intended use of the proceeds from the Share Subscriptions and the issue of the Convertible Bond are set out in the section headed “Use of Proceeds” in this announcement.

LISTING RULES IMPLICATION

The Subscription Shares and the Conversion Shares (upon exercise of the conversion right attached to the Convertible Bond) will be allotted and issued pursuant to the specific mandates to be sought from the Independent Shareholders at the EGM.

Mega Start is held by Mr. Chau, who is the Chairman of the Company and an executive Director, and is a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the date of this announcement. Mega Start is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened to obtain the Independent Shareholders' approval for the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement and each of the Investor Subscription Agreements, and the respective transaction contemplated thereunder (including the Share Subscriptions and the issue of the Conversion Shares upon exercise of the conversion right attached to the Convertible Bond).

By virtue of Mega Start's interest in the MS Subscription Agreement and the MS CB Agreement and that completion of the MS Subscription Agreement and the MS CB Agreement is conditional on, among other things, completion of the Dai Subscription Agreement and completion of such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, Mega Start and its associates will abstain from voting on the resolutions to be proposed at the EGM in relation to the respective Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan, will be established to advise the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Agreements; (ii) the respective advices of the Independent Financial Adviser and the Independent Board Committee; and (iii) the notice of the EGM, is expected to be despatched to the Shareholders on or before Monday, 18 January 2016 as additional time is required to prepare the aforesaid information to be included in the circular.

Reference is made to the MOU Announcement dated 20 October 2015 in relation to the entering into of the MOU between the Company and Mr. Dai in respect of, among other things, possible issue of new Shares to Mr. Dai.

On 16 December 2015 (after trading hours), the Company entered into:

- (i) with Mr. Dai, an Independent Third Party, the Dai Subscription Agreement, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 Subscription Shares at the Subscription Price;
- (ii) with Mega Start, a Substantial Shareholder and a company wholly owned by Mr. Chau (being the Chairman of the Company and an executive Director), (a) the MS Subscription Agreement, pursuant to which the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 Subscription Shares at the Subscription Price; and (b) the MS CB Agreement, pursuant to which the Company will issue, and Mega Start will subscribe for, the Convertible Bond in a principal amount of HK\$24,000,000; and
- (iii) with eight Investors, each of whom is an Independent Third Party and not related to each other, the Investor Subscription Agreements, 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.

Principal terms of each of the Agreements are set out below.

THE DAI SUBSCRIPTION AGREEMENT

Date : 16 December 2015

Parties : (i) the Company; and
(ii) Mr. Dai

Reference is made to the MOU Announcement. The Dai Subscription Agreement shall constitute the formal agreement arising from the MOU.

Background of Mr. Dai is set out in the section headed “Information on each of the Subscribers” below in this announcement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Dai is an Independent Third Party as at the date of this announcement.

Issue of the Subscription Shares to Mr. Dai

Pursuant to the Dai Subscription Agreement, the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 Subscription Shares at the Subscription Price.

The amount of 120,000,000 Subscription Shares represents (i) 40% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.38% of the issued share capital of the Company as enlarged by the issue of the Aggregate Subscription Shares (i.e. 900,000,000 Shares) and the issue of 80,000,000 Conversion Shares upon full conversion of the Convertible Bond. The aggregate nominal value of the Subscription Shares to be issued to Mr. Dai is HK\$1,200,000.

The Subscription Shares to be issued to Mr. Dai pursuant to the Dai Subscription Agreement, when fully paid, will rank *pari passu* in all respects with the Shares in issue as at the date of the Dai Subscription Agreement, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the Dai Subscription Agreement.

The Subscription Price

The Subscription Price (i.e. HK\$0.3 per Subscription Share) represents:

- (i) a premium of approximately 9.17 times over the unaudited net asset value attributable to owners of the Company as at 30 September 2015 of approximately HK\$0.0295 per Share;
- (ii) a discount of approximately 95.71% to the closing price of HK\$7.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 95.71% to the average closing price of approximately HK\$6.99 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 95.71% to the average closing price of approximately HK\$6.99 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

- (v) a discount of approximately 95.70% to the average closing price of approximately HK\$6.98 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (vi) a discount of approximately 95.49% to the average closing price of approximately HK\$6.65 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and Mr. Dai with reference to the financial performance and position of the Group, in particular, the operating loss and consolidated net asset value of the Group, as well as the growth potential that the development of the graphene production business could bring to the Group as detailed in the section headed "Reasons for the Agreements" below in this announcement.

The Subscription Price pursuant to the Dai Subscription Agreement, the MS Subscription Agreement and the Investor Subscription Agreements is the same. The Directors consider that the Subscription Price is fair and reasonable, having taken into account, as a whole, that:

- (i) the Subscription Price represents a premium of approximately 9.17 times when compared to the unaudited net asset value attributable to owners of the Company as at 30 September 2015 of approximately HK\$0.0295 per Share;
- (ii) the Directors do not consider the prevailing market price is reflective of the true fundamentals of the Group in view of the continuing operating loss and the illiquidity of the Shares shown by the thin trading volume (i.e. on average, less than 0.2% of the total issued Shares being traded daily for the past 12 months) such that the prevailing market price may not be sustainable without significant improvements in the prospects and profitability of the Group in the near future;
- (iii) the Company is in need of new funds through the Share Subscriptions for developing the graphene production business that could possibly enhance the overall profitability of the Group;
- (iv) given the disappointing operating record of the Group in recent years (for instance, for the two years ended 31 March 2014 and 2015, the Group recorded loss after taxation of approximately HK\$48.3 million and HK\$117.3 million, and net operating cash outflow of approximately HK\$18.8 million and HK\$88.6 million, respectively) and the relatively not so strong balance sheet, it would be difficult for the Company to raise bank borrowings or third party loans to fund the graphene production business, which is a new start-up business for the Group, and that the Directors believe that funding the business with new equity is in the interest of the Company and the Shareholders;

- (v) Mr. Dai and Mega Start have agreed on a lock-up period of two years for the relevant Subscription Shares to be subscribed by them which in the opinion of the Directors, demonstrates the commitment of Mr. Dai and Mega Start (i.e. Mr. Chau) in long-term investment in the Company and their confidence in the success of the new business development of the Group, and thus, the interest of the existing Shareholders could not be prejudiced in such a way that Mr. Dai and Mega Start might dispose of the Subscription Shares and realise capital gain (if any) right after completion of the relevant subscriptions; and
- (vi) the Investors have subscribed for the Subscription Shares to provide the initial funding for the development of the graphene production business and it is reasonable for them to subscribe for the Subscription Shares at the same Subscription Price as Mr. Dai and Mega Start.

Subscription monies

Based on the Subscription Price and 120,000,000 Subscription Shares to be subscribed by Mr. Dai, the total subscription monies payable by Mr. Dai to the Company pursuant to the Dai Subscription Agreement amount to HK\$36,000,000, which shall be deposited to an escrow account (the “**Escrow Account**”) maintained by an escrow agent appointed by the Company within five Business Days after the date of the Dai Subscription Agreement.

Conditions precedent to the Dai Subscription Agreement

Completion of the Dai Subscription Agreement is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares to be issued pursuant to the Dai Subscription Agreement (and such listing and permission not subsequently revoked prior to completion of the Dai Subscription Agreement);
- (ii) the passing of resolution(s) by the Independent Shareholders at the EGM to approve the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement, and such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, and the respective transactions contemplated thereunder;
- (iii) if applicable, the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Dai Subscription Agreements;

- (iv) the representations and warranties of Mr. Dai being true and accurate and not misleading at all times from the date of the Dai Subscription Agreement up to and including the date of completion of the Dai Subscription Agreement;
- (v) the conditions precedent to the MS Subscription Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to the Dai Subscription Agreement to be fulfilled);
- (vi) the conditions precedent to the MS CB Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to the Dai Subscription Agreement to be fulfilled); and
- (vii) the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million having been fulfilled (save for the condition set out respectively therein that requires the conditions precedent to the Dai Subscription Agreement to be fulfilled).

In the event that the conditions precedent above are not fulfilled by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by Mr. Dai and the Company), the Dai Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other, and the subscription monies deposited by Mr. Dai at the Escrow Account shall be released to Mr. Dai.

Two-year lock-up period

Mr. Dai undertakes to the Company that, from the date of completion of the Dai Subscription Agreement up to and including the date being two years of such completion, he will not, and will procure that none of his nominees and companies controlled by him or trusts associated with him (whether individually or together and whether directly or indirectly) will, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Subscription Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic consequence of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Other terms

As set out in the Dai Subscription Agreement, the Company and Mr. Dai will enter into a consultancy agreement to appoint Mr. Dai as a consultant of the Group for the purpose of assisting the Group to develop the graphene production business. It is agreed that the consultancy agreement will include (i) a non-competition undertaking from Mr. Dai with the Group's business relating to or involving the production of graphene or the sale of graphene from the date of the consultancy agreement to two years after Mr. Dai's ceasing to be the consultant or ceasing to hold any other position with the Group; and (ii) a provision that the Company shall own all of the Intellectual Properties discovered or made by Mr. Dai during his term of being the consultant or holding other position with the Group. Other terms that will be contained in the consultancy agreement include the duties of Mr. Dai as the consultant of the Group, the principal place of work of Mr. Dai (being the PRC and such other places as the Group shall reasonably require from time to time), and the remuneration package for Mr. Dai.

The duties of Mr. Dai as the consultant of the Group include, but not limited to, the following:

- (i) to provide guidance to the Group on mass commercial production of graphene by utilising and applying his expertise and knowledge in graphene production;
- (ii) to assist the Group in research and development of technology and know-how for continuous development of the graphene business;
- (iii) to assist the Group in purchasing instruments for examining, assessing and testing of graphene;
- (iv) to assist the Group in recruiting professional staff for the Quality Testing Centre (as defined below);
- (v) to assist the Group in setting up graphene-focused laboratories with relevant governmental institutes and universities;
- (vi) to assist the Group in setting up the Production Plant (as defined below); and
- (vii) to assist the Group in designing and installing the graphene production lines.

Save for the proposed appointment of Mr. Dai as a consultant of the Group for the graphene production business, as at the date of this announcement, the Company has no intention to appoint Mr. Dai as a Director in longer term.

Representation of Mr. Dai

Pursuant to the Dai Subscription Agreement, Mr. Dai represents and warrants to the Company that he and/or his associates are not existing Shareholders or connected persons of the Company or its associates, and the entering into of the Dai Subscription Agreement and/or the transactions contemplated thereunder shall not constitute a connected transaction as defined in the Listing Rules and that he and/or his associates are and will, immediately after completion of the Dai Subscription Agreement, be independent of and not acting in concert with (as defined in the Takeovers Code), (i) any connected persons of the Company, and/or (ii) Mega Start and the Investors in relation to the control of the Company.

Completion

Completion of the Dai Subscription Agreement shall take place on the third Business Day after the date on which all the relevant conditions precedent to the Dai Subscription Agreement set out above have been fulfilled (or such other date as Mr. Dai and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by Mr. Dai and the Company).

THE MS SUBSCRIPTION AGREEMENT

Date : 16 December 2015

Parties : (i) the Company; and
(ii) Mega Start

Mega Start is wholly owned by Mr. Chau, the Chairman of the Company and an executive Director, and is a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the date of this announcement, and therefore is a connected person of the Company. Further background of Mega Start is set out in the section headed “Information on each of the Subscribers” below in this announcement.

Issue of the Subscription Shares to Mega Start

Pursuant to the MS Subscription Agreement, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 Subscription Shares at the Subscription Price.

The amount of 90,000,000 Subscription Shares represents (i) 30% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.03% of the issued share capital of the Company as enlarged by the issue of the

Aggregate Subscription Shares (i.e. 900,000,000 Shares) and the issue of 80,000,000 Conversion Shares upon full conversion of the Convertible Bond. The aggregate nominal value of the Subscription Shares to be issued to Mega Start is HK\$900,000.

The Subscription Shares to be issued to Mega Start pursuant to the MS Subscription Agreement, when fully paid, will rank *pari passu* in all respects with the Shares in issue as at the date of the MS Subscription Agreement, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the MS Subscription Agreement.

The Subscription Price

The Subscription Price pursuant to the MS Subscription Agreement is the same as that pursuant to the Dai Subscription Agreement, and was arrived at after arm's length negotiations between the Company and Mega Start on the same bases as determining the Subscription Price for the issue of the Subscription Shares to Mr. Dai, details of which are set out in the section headed "The Dai Subscription Agreement" above in this announcement.

Subscription monies

Based on the Subscription Price and 90,000,000 Subscription Shares to be subscribed by Mega Start, the subscription monies payable by Mega Start to the Company pursuant to the MS Subscription Agreement amount to HK\$27,000,000.

Conditions precedent to the MS Subscription Agreement

Completion of the MS Subscription Agreement is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares to be issued pursuant to the MS Subscription Agreement (and such listing and permission not subsequently revoked prior to completion of the MS Subscription Agreement);
- (ii) the passing of resolution(s) by the Independent Shareholders at the EGM to approve the MS Subscription Agreement, the MS CB Agreement, the Dai Subscription Agreement and such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, and the respective transactions contemplated thereunder;
- (iii) if applicable, the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the MS Subscription Agreement;

- (iv) the representations and warranties of Mega Start being true and accurate and not misleading at all times from the date of the MS Subscription Agreement up to and including the date of completion of the MS Subscription Agreement;
- (v) the conditions precedent to the Dai Subscription Agreement having been fulfilled (save for the conditions set out therein that requires the conditions precedent to the MS Subscription Agreement to be fulfilled);
- (vi) the conditions precedent to the MS CB Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to the MS Subscription Agreement to be fulfilled); and
- (vii) the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million having been fulfilled (save for the condition set out respectively therein that requires the conditions precedent to the MS Subscription Agreement to be fulfilled).

In the event that the conditions precedent above are not fulfilled by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by Mega Start and the Company), the MS Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

Two-year lock-up period

Mega Start undertakes to the Company that, from the date of the completion of the MS Subscription Agreement up to and including the date being two years after such date of completion, it will not, and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Subscription Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic consequence of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Representation of Mega Start

Pursuant to the MS Subscription Agreement, Mega Start represents and warrants to the Company that Mega Start, Mr. Chau, and their respective associates are and will, immediately after completion of the MS Subscription Agreement, be independent of and not acting in concert with (as defined in the Takeovers Code) (i) any other connected persons of the Company; and/or (ii) the Investors and Mr. Dai in relation to the control of the Company.

Completion

Completion of the MS Subscription Agreement shall take place on the third Business Day after the date on which all the relevant conditions precedent to the MS Subscription Agreement set out above have been fulfilled (or such other date as Mega Start and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by Mega Start and the Company).

THE MS CB AGREEMENT

Date : 16 December 2015

Parties : (i) the Company; and
(ii) Mega Start

Issue of the Convertible Bond to Mega Start

In order to provide additional general working capital required for the Group (other than the new graphene business), the Company and Mega Start entered into the MS CB Agreement, pursuant to which, the Company will issue, and Mega Start will subscribe for, the Convertible Bond in the principal amount of HK\$24,000,000.

The principal terms of the Convertible Bond are summarised as follows:

- Issue price : 100% of the principal amount of the Convertible Bond of HK\$24,000,000
- Interest : The Convertible Bond shall bear no interest.
- Security : The Convertible Bond shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company.
- Maturity date : The date falling on the fifth anniversary of the issue date of the Convertible Bond or such later date as may be agreed between the holder of the Convertible Bond and the Company
- Transferability : The Convertible Bond is not transferrable.
- Conversion Price : HK\$0.3 per Conversion Share, subject to anti-dilutive adjustments upon the occurrence of certain events, with the exception of the issue of the Aggregate Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bond, including (i) any subdivision or consolidation of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) issue or grant of options, rights, warrants or other securities convertible into or exchangeable for or which carry rights to subscribe for or purchase Shares; or (v) issue of new Shares at less than a certain rate of the then current market price of the Shares or the net asset value of the Company.

The Conversion Price is equal to the Subscription Price, and was arrived at after arm's length negotiations between the Company and Mega Start, on the same bases as determining the Subscription Price for the issue of the Subscription Shares, details of which are set out in the section headed "The Dai Subscription Agreement" above in this announcement.

- Conversion Shares : Upon full conversion of the Conversion Bond subject to satisfaction of the Mandatory Conversion Condition (as defined below), 80,000,000 Conversion Shares shall be allotted and issued to Mega Start, which represents (i) approximately 26.67% of the issued share capital of the Company as at the date of this announcement; and (ii) 6.25% of the issued share capital of the Company as enlarged by the issue of the Aggregate Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond.
- Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued, shall rank, *pari passu* in all respects with the Shares in issue as at the date on which the Conversion Shares are issued to Mega Start (or such other person as Mega Start may direct).
- Mandatory Conversion Condition : The Company shall engage its auditor to issue and deliver to Mega Start a certificate by 30 June 2018 (or such later date as agreed by the holder of the Convertible Bond, i.e. Mega Start) stating with details and breakdown of the aggregate gross profits attributable to the graphene business segment of the Company for the two financial years ending 31 March 2018 in accordance with Hong Kong Financial Reporting Standards (the “**Auditor Certificate**”). If and only if the gross profits of the graphene business segment of the Company for the two financial years ending 31 March 2018 as shown on the Audit Certificate is at least HK\$300,000,000 (the “**Mandatory Conversion Condition**”), the holder of the Convertible Bond shall convert the outstanding principal amount of the Convertible Bond into Conversion Shares in full at the Conversion Price mandatorily within 3 months after its receipt of the Auditor Certificate, provided that no Convertible Bond may be converted to the extent that following such conversion (i) the minimum public float requirement of the Company as required under the Listing Rules cannot be satisfied; or (ii) the holder of the Convertible Bond and parties acting in concert with it, taken together, will be interested in 30% or more of the then issued share capital of the Company (or such other percentage that will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code) or if the holder of the Convertible Bond would otherwise be obliged to make a mandatory general offer under the Takeovers Code, in which case conversion shall take place as soon as practicable when (i) and (ii) above would not be applicable.

- Conversion restriction : Except as set out in the sub-paragraph headed “Mandatory Conversion Condition” above, the Convertible Bond shall not be converted into Shares. Upon conversion of the Convertible Bond, all the rights attached to the Convertible Bond shall lapse.
- Redemption : Unless previously converted, purchased or cancelled as provided herein, the Company shall redeem the Convertible Bond at the principal amount on the maturity date.

The principal amount of the Convertible Bond shall also at the option of the holder of the Convertible Bond become due and payable in cash forthwith on the occurrence of certain events, including, among other things, (i) the Company having not repaid or otherwise redeemed the Convertible Bond on the date upon which such repayment or redemption becomes due; (ii) the Company’s default in the payment of any principal amount or of premium, if any, or interest on any material indebtedness in respect of borrowed money (other than the Convertible Bond); (iii) any action having been taken for the winding up of the Company; (iv) an order having been made for the winding up, or dissolution without winding up, of the Company; (v) an effective resolution having been passed for the winding up of the Company unless the winding up is for the purpose of reconstruction or amalgamation and the scheme of reconstruction or amalgamation with or without modification has the prior consent of the holder of the Convertible Bond; (vi) a controller, receiver or receiver and manager having been appointed or an encumbrancer having taken possession of the undertaking of the Company or any part thereof and such appointment having not been removed within 30 days from the appointment date; or (vii) the Company having been in breach of any other of the conditions of the Convertible Bond and such default having not been remedied within 30 days of notice in writing being given by the holder of the Convertible Bond to the Company.

The holder of the Convertible Bond may also require the Company to immediately redeem the entire principal amount of the Convertible Bond if an event of default occurred and has not been remedied within 60 days after occurrence. Details on the events of default are set out further in the sub-paragraph below.

Event of default : The events of default include, among other things, the Shares having ceased to be listed or admitted to, or having been suspended for a period of more than 30 consecutive trading days (or such longer period as agreed by the holder of the Convertible Bond) from, trading on the Stock Exchange and/or the Shareholders having passed a shareholder resolution to delist the Shares from the Stock Exchange, cross default of other present or future indebtedness of the Group, insolvency of the Company, or filing by or against the Company of a petition in winding up.

If an event of default occurred, the Company shall forthwith inform the holder of the Convertible Bond in writing of such event of default. If the Company fails to inform the holder of the Convertible Bond of the event of default within 10 Business Days after its occurrence, or if the event of default has not been remedied by Company in full to the reasonable satisfaction of the holder of the Convertible Bond within 60 days after the occurrence of such event of default, the holder of the Convertible Bond may require the Company to immediately redeem the entire principal amount of the Convertible Bond. The Company shall also pay to the holder of the Convertible Bond a default interest at the rate of 8% per annum on the principal amount of the Convertible Bond then outstanding as at the date on which such event of default occurs.

Listing : No application will be made by the Company for the listing of the Convertible Bond on the Stock Exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conditions precedent to the MS CB Agreement

Completion of the MS CB Agreement is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares issuable under the Convertible Bond (and such listing and permission not subsequently revoked prior to completion of the MS CB Agreement);
- (ii) the passing of resolution(s) by the Independent Shareholders at the EGM to approve the MS CB Agreement, the MS Subscription Agreement, the Dai Subscription Agreement, and such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, and the respective transactions contemplated thereunder;
- (iii) if applicable, the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the MS CB Agreement;
- (iv) the conditions precedent to the Dai Subscription Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to the MS CB Agreement to be fulfilled);
- (v) the conditions precedent to the MS Subscription Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to the MS CB Agreement to be fulfilled); and
- (vi) the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million having been fulfilled (save for the condition set out respectively therein that requires the conditions precedent to the MS CB Agreement to be fulfilled).

In the event that the conditions precedent above are not fulfilled by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by Mega Start and the Company), the MS CB Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

Completion

Completion of the MS CB Agreement shall take place on the third Business Day after the date on which all the relevant conditions precedent to the MS CB Agreement set out above have been fulfilled (or such other date as Mega Start and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by Mega Start and the Company).

THE INVESTOR SUBSCRIPTION AGREEMENTS

The Company entered into eight Investor Subscription Agreements with each of the eight Investors, respectively, details of which are set out below.

Date : 16 December 2015

Parties : (i) the Company; and
(ii) the respective Investor

Background of each of the Investors is set out in the section headed “Information on each of the Subscribers” below in this announcement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Investor is not related to each other and is an Independent Third Party as at the date of this announcement.

Issue of the Subscription Shares to the Investors and the subscription monies

Pursuant to each of the Investor Subscription Agreements, the Company will allot and issue, and each of the Investors will subscribe for, the number of the Subscription Shares (with the corresponding subscription monies) set out below:

Investors	Number of Subscription Shares	Subscription monies (HK\$)	Percentage of the issued share capital of the Company	as enlarged by the issue of the Aggregate Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond
			as at the date of this announcement	
Investor A	110,000,000	33,000,000	36.67%	8.59%
Investor B	108,000,000	32,400,000	36.00%	8.44%
Investor C	96,000,000	28,800,000	32.00%	7.50%
Investor D	95,000,000	28,500,000	31.67%	7.42%
Investor E	85,000,000	25,500,000	28.33%	6.64%
Investor F	72,000,000	21,600,000	24.00%	5.63%
Investor G	67,000,000	20,100,000	22.33%	5.23%
Investor H	<u>57,000,000</u>	<u>17,100,000</u>	<u>19.00%</u>	<u>4.45%</u>
Total	<u>690,000,000</u>	<u>207,000,000</u>	<u>230.00%</u>	<u>53.90%</u>

As set out in each of the Agreements, the respective Agreement shall become unconditional upon fulfillment of, among other things, such number of the Investor Subscription Agreements for an aggregate subscription monies payable by the Investors of at least HK\$147 million (the “**Minimum Threshold for Investor Subscription Monies**”) having become unconditional. The Minimum Threshold for Investor Subscription Monies was determined based on the required funding for the Group’s commencement of the new graphene production business, details of which is set out in the section headed “Use of Proceeds” below in this announcement.

In this respect, the number of the Subscription Shares to be issued to the Investors (and the aggregate subscription monies therefrom) will range from 490,000,000 Shares and HK\$147 million in subscription monies (assuming that only such number of the Investor Subscription Agreements for the Minimum Threshold for Investor Subscription Monies have become unconditional) to 690,000,000 Shares and HK\$207 million in subscription monies (assuming that all the Investor Subscription Agreements have become unconditional).

Pursuant to the Investor Subscription Agreements, each of the Investors shall deposit the respective subscription monies to the Escrow Account within five Business Days after the date of the respective Investor Subscription Agreement.

The Subscription Shares to be issued to each of the Investors pursuant to the respective Investor Subscription Agreement, when fully paid, will rank *pari passu* in all respects with the Shares in issue as at the date of the respective Investor Subscription Agreement, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the respective Investor Subscription Agreement.

The Subscription Price

The Subscription Price pursuant to each of the Investor Subscription Agreements is HK\$0.3 per Subscription Share, which is equal to that pursuant to the Dai Subscription Agreement and the MS Subscription Agreement, and was arrived at after arm's length negotiations between the Company and each of the Investors on the same bases as determining the Subscription Price for the issue of the Subscription Shares to Mr. Dai and Mega Start, respectively. Details of which are set out in the section headed "The Dai Subscription Agreement" above in this announcement

Conditions precedent to each of the Investor Subscription Agreements

Completion of each of the Investor Subscription Agreements is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares to be issued pursuant to the respective Investor Subscription Agreement (and such listing and permission not subsequently revoked prior to completion of the respective Investor Subscription Agreement);
- (ii) the passing of resolution(s) by the Independent Shareholders at the EGM to approve the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement, and such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, and the respective transactions contemplated thereunder;
- (iii) if applicable, the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the respective Investor Subscription Agreement;

- (iv) the representations and warranties of the respective Investor being true and accurate and not misleading at all times from the date of the respective Investor Subscription Agreement up to and including the date of completion of the respective Investor Subscription Agreement;
- (v) the conditions precedent to the Dai Subscription Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million to be fulfilled);
- (vi) the conditions precedent to the MS Subscription Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million to be fulfilled);
- (vii) the conditions precedent to the MS CB Agreement having been fulfilled (save for the condition set out therein that requires the conditions precedent to such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million to be fulfilled); and
- (viii) the conditions precedent to the other Investor Subscription Agreements with an aggregate subscription monies (together with the subscription monies of the relevant Investor Subscription Agreement) amounts to at least HK\$147 million having been fulfilled (save for the condition set out respectively in the other Investor Subscription Agreements that requires the conditions precedent to the relevant Investor Subscription Agreement to be fulfilled).

In the event that the conditions precedent above are not fulfilled by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by the respective Investor and the Company), the respective Investor Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other, and the subscription monies deposited by each of the Investors at the Escrow Account shall be released to each of them.

Representation of each of the Investors

Pursuant to each of the Investor Subscription Agreements, each of the Investors represents and warrants to the Company that it/she (as the case may be) and (in the case where the relevant Investor is a company) its beneficial owner(s), and/or their/her respective associates are not existing Shareholders or connected persons of the Company or its associates and the issue of the Subscription Shares to the respective Investor shall not constitute a connected transaction as defined in the Listing Rules and that each Investor and (in the case where the relevant Investor is a company) its beneficial owner(s) and/or their respective associates are and will, immediately after

completion of the respective Investor Subscription Agreement, be independent of and not acting in concert with (as defined in the Takeovers Code), (i) any connected persons of the Company, and/or (ii) Mr. Dai, Mega Start and each of the other Investors in relation to the control of the Company.

Completion

Completion of the respective Investor Subscription Agreement shall take place on the third Business Day after the date on which all the relevant conditions precedent to the respective Investor Subscription Agreement set out above have been fulfilled (or such other date as the respective Investor and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by the respective Investor and the Company).

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the Aggregate Subscription Shares; and (ii) the Conversion Shares to be issued upon full conversion of the Convertible Bond.

COMPANY'S UNDERTAKING ON ISSUE OF FURTHER SECURITIES

Pursuant to each of the Dai Subscription Agreement, the MS Subscription Agreement and the Investor Subscription Agreements, the Company undertakes to each of the Subscribers that (except for (i) the Subscription Shares to be allotted and issued by the Company pursuant to the respective Agreements; (ii) the Convertible Bond to be issued pursuant to the MS CB Agreement and the Conversion Shares to be issued by the Company upon conversion of the Convertible Bond; (iii) any share options to be granted by the Company under the Share Option Scheme, and the new Shares to be allotted and issued by the Company upon exercise of the share options granted or to be granted by the Company under the Share Option Scheme; and (iv) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the memorandum and articles of association of the Company or on the exercise of rights existing at the date

of the respective Agreements) from the date of completion of the respective Agreements and on or prior to the date being 180 days after such date of completion, it will not:

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

INFORMATION ON EACH OF THE SUBSCRIBERS

Mr. Dai

Mr. Dai has extensive knowledge in two-dimensional material production technology and has experience in developing relevant equipment. Mr. Dai is an expert in producing artificial mica (a two-dimensional material similar to graphene) and has invented as many as 50 patents relating to artificial mica. He is the Chairman of China Crystal New Material Holdings, Ltd, which, according to news reports available in public domain, is the world's largest synthetic mica manufacturer. Mr. Dai is also an executive director of China Non-Metallic Minerals Industry Association (“CNMIA”) and is the vice president of the Professional Committee of Mica under CNMIA.

Building on his knowledge in two-dimensional material, Mr. Dai has also been studying graphene and conducting researches relating to graphene production method. He invented a total of six patents which have been filed for application to the relevant PRC authority. Each of these patents relates to a particular production methodology for extracting graphene from graphite ores, involving combination of different types of equipment and mechanical technique. It was demonstrated that these methodologies, though not appropriate for mass production, could produce high-quality graphene. With his wealth of experience in laboratory research and numerous trial runs on various graphene production methods, Mr. Dai has identified a clear path to achieving steady production of graphene of stable good quality at low cost. Mr. Dai has already put this idea into production at laboratory setting and accomplished continual production of high-quality graphene.

Mega Start

Mega Start is an investment holding company incorporated in the BVI with limited liability and is legally and beneficially owned by Mr. Chau, the Chairman of the Company and an executive Director, and is a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the date of this announcement, and therefore is a connected person of the Company.

Mr. Chau holds a bachelor's degree in chemistry and an executive master's degree in business administration from Zhejiang University. He has interest in studying new materials and has also been studying graphene as a new material and is familiar with the properties and applicability of graphene. Mr. Chau has extensive experience in operations management. He is also the Chairman of the Hong Kong Jiangyin trade associations and has wide connections with industrialists, governmental institutes, scientific research institutes, etc.

The Investors

Each of the Investors is not related to each other and has entered into the respective Investor Subscription Agreement as a passive investor. As at the date of this announcement, none of the Investors is a Shareholder. Background of each of the Investors is set out below.

Investor A

Investor A, namely Choice Wide Holdings Limited, is a company incorporated in the Republic of Seychelles. Its principal business is investment holding. Investor A is held by three shareholders, namely (i) Earnstar Holding Ltd., a company incorporated in the BVI and wholly owned by Mr. Ma Zeng Lin; (ii) Ms. Chiu Yin; and (iii) Mr. Huang Kan Kai. Both Mr. Ma Zeng Lin and Ms. Chiu Yin are related to the controlling shareholders of Shuangliang Group* (雙良集團). Mr. Huang Kan Kai is the Chairman of Jiangyin Asian International Investment Development Co., Ltd* (江陰亞泰房地產開發有限公司). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor A, its shareholders and the controlling shareholders of Shuangliang Group are Independent Third Parties.

Investor B

Investor B, namely Talent Holdings Limited, is a company incorporated in the Republic of the Marshall Islands. Its principal business is investment holding. Investor B is held by two shareholders, namely (i) Mr. Yu Wu Dan; and (ii) Mr. Xie Xiao Tao. Mr. Yu Wu Dan is the Chairman of Jiangyin City Jin Qiu Electromechanical Knitting Co., Ltd.* (江陰市金秋機電針織有限公司) and Mr. Xie Xiao Tao is the deputy general manager of Jiangyin City Li Shang Transportation Services Co., Ltd.* (江陰市

* For identification purpose only

麗尚運輸服務部), a company held by Mr. Yu Wu Dan. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor B and its shareholders are Independent Third Parties.

Investor C

Investor C, namely Bold Elite Limited, is a company incorporated in the Republic of Seychelles. Its principal business is investment holding. Investor C is held by two shareholders, namely (i) Ms. Yau Xiao Jun; and (ii) Mr. Wang Guo Hua. Both Ms. Yau Xiao Jun and Mr. Wang Guo Hua are related to the founder of Canhigh Construction Group* (坤和建設集團). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor C, its shareholders and the founder of Canhigh Construction Group are Independent Third Parties.

Investor D

Investor D, namely Fount Holdings Limited, is a company incorporated in the BVI. Its principal business is investment holding. Investor D is wholly owned by Mr. Tang Hao, who is a director of Jian ePayment Systems Limited* (華普智通系統有限公司). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor D and its shareholder are Independent Third Parties.

Investor E

Investor E, namely Smart Faith Global Limited, is a company incorporated in the Republic of Seychelles. Its principal business is investment holding. Investor E is wholly owned by Mr. Wang Ning, who is the Chairman of Zhejiang Concord Optic — Electronic Technology Co., Ltd.* (浙江協和光電科技有限公司). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor E and its shareholder are Independent Third Parties.

Investor F

Investor F, namely Ms. Cui Sujuan, is an individual investor. She is the Chairman of Shanghai Yue Li Da Medical Technology Co., Ltd.* (上海越立達醫療科技有限公司). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor F is an Independent Third Party.

* For identification purpose only

Investor G

Investor G, namely Centure Strategies Holdings Limited, is a company incorporated in the BVI. Its principal business is investment holding. Investor G is wholly owned by Madam Chen Hong, who is an experienced investor with investments covering technology and telecommunication sectors and has interest in various PRC-based technology and/or telecommunication related companies. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor G and its shareholder are Independent Third Parties.

Investor H

Investor H, namely Come Fortune International Co., Ltd., is a company incorporated in the Republic of Seychelles. Its principal business is investment holding. Investor H is wholly owned by Mr. Yang Fu Kang, who is the Chairman and executive director of Jiangsu Jonnyma New Materials Co., Ltd.* (江蘇鏘尼瑪新材料有限公司). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Investor H and its shareholder are Independent Third Parties.

All of the Subscribers have confirmed that none of them has entered into any side arrangement or agreement with each other as at the date of this announcement.

REASONS FOR THE AGREEMENTS

Performance of the existing businesses and objective of the Group

The Group is principally engaged in (i) building construction; (ii) property maintenance; (iii) alterations, renovation, upgrading and fitting-out works; (iv) property development and provision of related management and advisory services; and (v) metals and materials trading.

* *For identification purpose only*

The Group's profit generated from its existing businesses has been decreasing since 2012 and subsequently changed to a loss position since 2014. The profit after taxation for the two years ended 31 March 2012 and 2013 was approximately HK\$33.0 million and HK\$25.9 million, respectively. Subsequently, the Group recorded loss after taxation of approximately HK\$48.3 million and HK\$117.3 million for the two years ended 31 March 2014 and 2015, respectively, and continued to record loss after taxation of approximately HK\$15.7 million for the interim period ended 30 September 2015. Due to the continuous decrease in the projects' profit margin and the significant increase in construction costs in recent years, the business environment for the construction and related businesses engaged by the Group has been competitive and has dragged down the financial performance of the Group. The Board has, therefore, been seeking new investment opportunities that could provide promising returns and improve its financial performance in long term for the Group.

Rationale for developing the new graphene production business

Graphene has a molecular structure comprising a single layer of carbon atoms bonded in a hexagonal structure and might be the strongest and thinnest material known to exist in nature. The material is also found to have other properties, including good elasticity, light weight, exceptionally high electronic and thermal conductivities, bacteriostasis, memory function and impermeability. Given the combination of properties of graphene itself, its downstream application is extensive. Examples of the uses of graphene include but not limited to energy storage (e.g. batteries), thermally-conductive lubricants that reduce wear and friction, conductive paints to reduce the use of volatile organic compounds, high-sensitivity biological and chemical sensor. While the material was discovered a decade ago, it started to gain attention in 2010 when two physicists were awarded the Nobel Prize for their experiments with it. More recently, researchers have zeroed in on how to commercially produce graphene. From 2010 to 2014, the number of published patents relating to graphene worldwide displayed a remarkable increase of 802%. Amid the enhancing global sentiment for graphene-related technologies, increasing interest in the field is noted in the PRC with currently almost half of the graphene-related patents having originated from the country.

The PRC government has also shown its commitment and support to the development of the graphene business in the country. In May 2015, the Ministry of Industry and Information Technology of the PRC promulgated the “Instructions on Promoting the Sound Development of the New Material Industry”* (原材料工業司座談石墨烯產業發展思路) that, in respect of the graphene industry, it decided to, among other things, formulate industry development plan, provide guidance on formation of industry alliance, and promote establishment of innovation platforms. Further, the “Made in China 2025” plan promulgated by the PRC government has also listed graphene as one of the new materials to be substantially developed and specifically highlighted that graphene can be used, among others, (i) as the electrode materials for lithium batteries used for automotive; (ii) for anti-corrosion paintings; and (iii) as polymer composites.

The production of high-quality graphene has been an expensive and complex process and the graphene having been produced and sold in the market is generally impure, or in other words, could not fully reflect the inherited features of graphene. The Company takes the view that given the supportive policies by the PRC government and the wide applicability of graphene, the potential of graphene market is huge and there will be an increasing demand for graphene material. At the moment, there has been a lack of mass supply of high-quality graphene at reasonable price for commercial use. With the expertise of Mr. Dai in achieving steady production of high-quality graphene at low cost and the business connection of Mr. Chau with industrialists, governmental institutes, scientific research institutes, etc., coupled with his extensive managerial skills, the Company is well positioned to tap into the business of commercial production of high-quality graphene and thereby establishing a foremost position in the currently fragmented and unfulfilled market.

Although the Group has no prior experience in the graphene production business, the Board considers the development of the graphene production business to be a prime business opportunity, having taken into account (i) the long-term prospects of the graphene industry; (ii) the proven laboratory success of Mr. Dai in producing steady high-quality graphene, thereby the high possibility in achieving mass commercial production; and (iii) the knowledge and interest in scientific fields of Mr. Chau and his wide connection with different industrialists, governmental institutes and scientific research institutes that the Group could capitalise on, the Board is confident on the continual development of the graphene production business by the Group.

* *For identification purpose only*

Due diligence conducted by the Company in respect of the expertise of Mr. Dai

Laboratory inspections have shown that Mr. Dai's laboratory graphene outputs are of better quality, in general, compared to most other graphene currently available for sale in the market. Quality testing has also been done on the laboratory graphene outputs by the State Key Laboratory of Molecular Engineering of Polymers of Fudan University* (復旦大學聚合物分子工程國家重點實驗室) and the results affirmed the fine quality of the graphene outputs.

An independent graphene expert, Mr. Liu Minghua (“**Mr. Liu**”), a director of the National Center for Nanoscience and Technology of China* (“**NCNTC**”) (國家納米科學中心), has also conducted due diligence for the Group on the effectiveness and commercial practicability of Mr. Dai's developed production methodology. NCNTC is a comprehensive state research institute co-founded by Chinese Academy of Sciences and Ministry of Education with primary research directions in broad scope of nanoscience and has a specialised professional team in research on the applicability of graphene. Mr. Liu is a reputable scholar in the relevant research work.

Following several visits to Mr. Dai's graphene production laboratory and inspections on Mr. Dai's laboratory graphene outputs, Mr. Liu and his fellow professional team members have given to the Company their opinion that Mr. Dai's graphene production method has reached an advanced stage in terms of technical competency and there is a high feasibility of mass commercial production using Mr. Dai's graphene production method.

Benefits of entering into the Dai Subscription Agreement to the Group

In light of Mr. Dai's expertise and experience as elaborated in the section headed “Information on each of the Subscribers” above, the Board considers that the Dai Subscription Agreement represents a valuable opportunity for the Group to obtain funding and expertise imperative for the Group's development of the graphene production business.

The Board also considers that pursuant to the Dai Subscription Agreement, the non-competition undertaking stipulated under the consultancy agreement provides protection to the Group such that Mr. Dai could not make use of any of his invented patents on graphene or in fact, in a broader scope, engage in any business competing with the business relating to or involving the production of graphene or the sale of graphene by the Group, and the provision that the Company shall own any and all of the Intellectual Property(ies) discovered or made by Mr. Dai in connection with graphene production during his term of being the consultant or any other position with the Group is in favour of the Group.

* *For identification purpose only*

Moreover, Mr. Dai himself will also subscribe for the Subscription Shares pursuant to the Dai Subscription Agreement and contribute a total amount of HK\$36 million in cash to the Company to demonstrate his commitment in the development of the graphene production business. In light of the alignment of interest between the Company and Mr. Dai, the Group is confident about the long term collaboration with Mr. Dai to develop the graphene production business.

Taking into account the industry outlook as aforesaid, coupled with the expertise possessed by Mr. Dai, the Board considers that the Dai Subscription Agreement represents a prime opportunity for the Group to tap into this new business segment and explore additional revenue source, which, as a whole, is beneficial to the Group in long run.

Benefits of entering into the MS Subscription Agreement and the MS CB Agreement to the Group

Mr. Chau is a Director and a Substantial Shareholder. Having learnt of Mr. Dai's accomplishment in attaining steady production of high-quality graphene at laboratory setting, Mr. Chau initiated discussions between the Group and Mr. Dai on the possibility of cooperation in commercialising the production of graphene. Therefore, the Company entered into the MOU with Mr. Dai to set out the framework for negotiation, and subsequently, paved the way for the entering into of the Agreements.

Mr. Chau will build on his extensive experience in operations management and lead the Group in developing and managing the graphene production business. He will also utilise his business connection and be involved in the sales and marketing of the new business, as well as liaising with suitable parties, including government institutes and scientific research organisations for further strategic partnerships in the benefits of the Group's new business. The strategic partnership may involve establishment of graphene-focused laboratories jointly with governmental institutes and universities to conduct broader and more sophisticated research on the features, application and production methods of graphene.

The Board is of the view that Mr. Chau, through Mega Start, agreed to subscribe for the Subscription Shares, showing his confidence to the development of the new graphene business. By subscribing for the Convertible Bond with the Mandatory Conversion Condition and with proceeds used for general working capital of the Group other than the graphene production business, Mr. Chau has demonstrated his commitment and confidence to the continual success of the Group in long run.

Reasons for the Investor Subscription Agreements

Considering the current financial position of the Group and the financial performance of the existing businesses of the Group, the Group needs to seek additional funding to support the commencement of the graphene production business. Given that the Group has been making loss as discussed above and that graphene production business is a new business, it will be difficult for the Group to obtain sufficient bank borrowings or third party loans for the initial investment amount required. The Group has therefore sought for funding through equity fund raising and, as a result is contemplating the Share Subscriptions.

Following the publication of the MOU Announcement on 20 October 2015, Mr. Chau, on behalf of the Board, made several visits to big cities in the PRC, including Shanghai, Zhejiang and Jiangsu, to solicit potential investors for the necessary capital investment into the development of the new graphene production business of the Group. In his personal capacity serving at different trade associations and riding on his years of business management experience, he has developed extensive business contacts with different entrepreneurs and experienced investors and has therefore managed to arrange separate discussions and meetings with those potential investors.

Learning from Mr. Chau that the Group is planning to develop the graphene production business, several of the potential investors have indicated interest in subscribing for the Shares in anticipation of the growth potential of the graphene production business. After negotiations with each of the potential investors on the subscription terms, the Company has reached the agreement with the Investors.

The Board is of the view that the issue of the Subscription Shares to the Investors represents opportunities for the Group to strengthen its financial positions and provide financial resources for the Group to develop the graphene production business, and at the same time, broaden the Shareholder base of the Company.

Directors' opinions

The Directors consider that the Dai Subscription Agreement and the Investor Subscription Agreements have been entered into on normal commercial terms and the terms thereof are fair and reasonable, and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Directors (other than the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) consider that the MS Subscription Agreement and the MS CB Agreement have been entered into on normal commercial terms and the terms thereof are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

PROPOSED BUSINESS PLAN OF DEVELOPMENT OF THE GRAPHENE PRODUCTION BUSINESS

According to the business plan for the development of the graphene production business, the Group intends to engage Mr. Dai as its consultant for the new business and Mr. Dai will provide technical advice to the Company on mass commercial production of graphene and development of the graphene production business by utilising and applying his expertise and knowledge, including design, modification and assembling of the specialised equipment to be used in the production lines.

The products to be produced are graphene in powder form. Commensurate to the “Made in China 2025” plan promulgated by the PRC government, the Group’s short-term strategy is to supply its graphene outputs to manufacturers of lithium batteries, anti-corrosion coatings, or polymer composites in a form that is readily handled and could be incorporated into these manufacturers’ existing production processes. In addition, given that there has been increasing research interest in graphene, the Group also intends to sell its graphene outputs to universities and scientific research institutes for research studies on the applications of graphene in other industries, including marine, textile and alloy production. Since the publication of the MOU Announcement, the Group has been soliciting certain potential customers in the aforesaid industries, who have indicated interests in purchasing from the Group the graphene outputs.

According to the “Mineral Commodity Summaries 2015” published by the U.S. Geological Survey, the sole science agency for the Department of the Interior of the United States of America, more than half of the world’s graphite reserves lie in the PRC. In view of abundance of graphite reserves in the PRC, local supply of graphite ores is readily available and the Group has already identified certain ore processing factories based in the PRC for the supply to the Group of high-purity graphite ores.

The Group will recruit the Professional Team (as defined below) in related field of graphene extraction and production for the operation of graphene production business. The Group has identified a candidate for the general manager position to oversee the operations of the graphene production business. The Group has also identified candidates for other positions within the Professional Team (as defined below), including, for example, engineers responsible for conducting analytical studies on the graphene outputs, or operating the instruments at the Quality Testing Centre (as defined below). The Group will also be responsible for the sales and marketing of the graphene outputs to potential customers, and plans to file for patents with the relevant authorities in respect of the commercial production method and process following commencement of the Group’s commercial graphene production. It is currently expected that the graphene production business would generate revenue in mid-2016 and profit in the first half of 2017.

As mentioned in the section headed “Information on each of the Subscribers” above, the past production processes of graphene invented by Mr. Dai are not appropriate for mass production. Therefore, the Company will not acquire the patents relating to those production processes and consider that such patents are not relevant for the graphene production business, which the Company intends to embark on, and therefore they are not necessary to be transferred to the Group.

USE OF PROCEEDS

If all the Agreements are completed, the maximum gross proceeds and net proceeds (after deducting professional fees and other related expenses) will be raised from both the issue of the Aggregate Subscription Shares (i.e. 900,000,000 Shares, being the maximum number of Subscription Shares) and the issue of the Convertible Bond, amounting to HK\$294 million and approximately HK\$289 million, respectively. In such case, assuming that the professional fees and other related expenses of approximately HK\$5 million are fully allocated to the issue of the Aggregate Subscription Shares, the net Subscription Price per Subscription Share will be approximately HK\$0.294.

If only the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement and such number of the Investor Subscription Agreements for the Minimum Threshold for Investor Subscription Monies (i.e. an aggregate subscription monies of HK\$147 million) are completed, the minimum gross proceeds and net proceeds to be raised from both the issue of such number of the Subscription Shares (i.e. 700,000,000 Shares, being the minimum number of Subscription Shares) and the issue of the Convertible Bond, amount to HK\$234 million, and approximately HK\$229 million, respectively. In such case, assuming that the professional fees and other related expenses of approximately HK\$5 million are fully allocated to the issue of such number of the Subscription Shares, the net Subscription Price per Subscription Share will be approximately HK\$0.293.

The net proceeds from the issue of the Aggregate Subscription Shares will be applied for development of the new graphene production business and the issue of the Convertible Bond will be applied for general working capital of the Group other than for the graphene production business, which are summarised below:

	Amount to be utilised <i>(HK\$ million)</i>	Percentage of the net proceeds	Estimated key completion date (assuming completion of the Agreements take place in early February 2016)
(i) Setting up of the production plant and ancillary facilities (the “ Production Plant ”) for the new graphene production business	20	6.9%	By end of April 2016
(ii) Installation of production lines	110	38.1%	First production line of annual production capacity of 3.5 tonnes installed by end of April 2016; and an addition of 29 production lines subsequently by end of July 2016 for total annual production capacity of 100 tonnes
(iii) Establishment of the product quality control and testing centre (the “ Quality Testing Centre ”)	60	20.8%	All instruments set up by end of July 2016
(iv) Recruitment of professional staff for the new graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities	20	6.9%	Professional staff commencing duty from April 2016
(v) General working capital for the Group	79	27.3%	First batch of the high-purity graphite ore of approximately 7 tonnes paid and delivered by end of March 2016
Total	289	100%	

Details of the intended application of the net proceeds and the steps to be taken by the Company are set out as follows:

(i) *Setting up of the Production Plant for the new graphene production business*

It is the intention of the Group to lease and refurbish an existing factory complex in Zhutang Town, Jiangyin City, Wuxi Municipality, Jiangsu Province, the PRC, so as to set up the Production Plant for its new graphene production business. The Group has preliminary discussion with the local government of Zhutang Town in

this regard, and in association with the supporting policies of the PRC government on the development of graphene, the local government of Zhutang Town has indicated that it would lease to the Group with a rent-free period of two years a production plant with a gross floor area of 20,000 square meters, subject to the materialisation of the Group's business plan. After the end of the two-year rent-free period, it is expected that the rent for the Production Plant will be negotiated and determined with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity (which rate currently amounts to approximately RMB3 to 4 million annually) which will then be covered by the working capital set aside for it under the business plan, details of which are set out in the sub-paragraph headed "General working capital for the Group" below.

The Group intends to use approximately HK\$20 million, accounting for approximately 6.9% of the net proceeds, for the necessary work to alter and refurbish the existing factory complex to accommodate the production lines of its new graphene production business. Such work includes upgrade of the power facilities that may subsist in the Production Plant, renovation of the office premises and work stations, demolition of any obsolete or redundant parts, and construction of production management facilities, warehouses, logistic facilities and security facilities. The Group has been discussing with certain engineering contractors in relation to such alteration and refurbishment work and understood that the work on properties of such size usually lasts approximately two months to complete. The Group intends that the Production Plant could be ready for production in May 2016.

(ii) *Installation of production lines*

The Group intends to apply approximately HK\$110 million, accounting for approximately 38.1% of the net proceeds, for installation of 30 production lines for producing graphene.

By utilising his expertise, Mr. Dai will help the Company design, assemble and modify the specialised machinery, equipment and/or other components necessary for the production lines. All such specialised machinery, equipment and/or other components will be processed by certain machinery factories and installed as the production line at the Production Plant. The Group has identified and solicited several machinery factories. It is currently planned that each production line will cost approximately HK\$3.7 million and could be able to support an annual production capacity of approximately 3.5 tonnes of graphene. It is expected that the installation and the trial run of the first production line will be done by 30 April 2016. Upon completion of the trial run, the Group will pay for part of the installation fee of approximately HK\$22 million and commence the commercial production of graphene.

As at the date of this announcement, the Group has already solicited a number of potential customers, including research institutes, universities, and manufacturers from across industries. These potential customers have indicated their interests in purchasing the graphene for research and/or commercial uses. Based on the actual output of graphene and utilisation of the first production line, the Group will continue to install additional production lines and it is expected that a total of 30 production lines will be installed by end of July 2016 and the annual production capacity will reach 100 tonnes of graphene. The remaining installation fee is expected to be paid by batch, as to approximately HK\$77 million to be payable in around August 2016 and as to approximately HK\$11 million to be payable in January 2017.

(iii) *Establishment of the Quality Testing Centre*

The Group intends to establish the Quality Testing Centre with an aim to upholding stringent control on the quality of the graphene produced by the Group. The Quality Testing Centre will be situated at the Production Plant. The Group will procure certain instruments including, among others, (a) transmission electron microscopy; (b) field emission microscopy; (c) scanning electron microscopy; (d) atomic force microscopy; (e) X-ray diffraction; (f) raman spectroscopy; (g) infrared spectrometer; and (h) mechanical properties testing equipment. These instruments will be used for, among other purposes, (i) examining and assessing the quality of the graphene outputs in terms of, for example, its thickness and electrical conductivity; and (ii) classifying the graphene outputs based on different quality thresholds for pricing purpose.

The Group has been obtaining quotations from certain independent suppliers. Based on the quotations obtained by the Group, each of the instruments costs from approximately RMB0.3 million (or equivalent to approximately HK\$0.4 million) to more than RMB35 million (or equivalent to approximately HK\$42.7 million). The suppliers also advised that, except for one of the instruments to be shipped from the Netherlands which is expected to take approximately six months for delivery, the other instruments are readily available within one month upon payments.

Based on the quotations obtained and the number of instruments planned to purchase (one for each), the Group has earmarked approximately HK\$60 million, accounting for approximately 20.8% of the net proceeds, for the establishment of the Quality Testing Centre. Should there be remaining proceeds, the Company will use the remaining proceeds to acquire other ancillary instruments which could supplement the product control and/or maintenance of the Quality Testing Centre (e.g. the ventilation systems, safety equipment, etc.).

Save for the MOU, the proposed entering into of the Agreements and the aforesaid plan to purchase the machinery for the production lines and other instruments, the Group does not have any intention to contemplate any acquisition of business entities or assets related to the new graphene production business or otherwise, as at the date of this announcement.

(iv) *Recruitment of professional staff for the new graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities*

The Group intends to apply approximately HK\$20 million, accounting for approximately 6.9% of the net proceeds, for recruiting a team of professional staff (the “**Professional Team**”) for the new graphene production business, and also for establishing scientific laboratories jointly with different governmental institutes and universities.

Contemporaneously with the set-up of the Quality Testing Centre as discussed above, the Group will commence the selection and recruitment of the Professional Team to work at the Quality Testing Centre. The Professional Team will be primarily responsible for (a) operating the instruments at the Quality Testing Centre; (b) studying and monitoring the testing results generated from the Quality Testing Centre; (c) providing guidance and training on the usage and application of graphene to customers who are new to this material; and (d) participating in the sales and marketing efforts for the Group’s new graphene production business. Currently, the Professional Team is planned to comprise at least 40 members, including four members with a doctorate degree and eight members with a master degree in the related field of graphene extraction and production. The Company has already identified and approached certain potential candidates for the Professional Team and has received positive indications from them to join the team. The assigned net proceeds will be used to pay the remuneration of the Professional Team for a 12-month period, which is expected to amount to approximately RMB6.2 million (or equivalent to approximately HK\$7.6 million) based on market salary for professionals of comparable education background.

Since the Company announced its plan to develop graphene production business in the MOU Announcement, several governmental institutes and universities in the PRC have indicated their interests in aligning the Group’s Professional Team in setting up advanced graphene-focused scientific laboratories to conduct broader and more sophisticated research on the features, application and production methods of graphene, e.g. applications in lithium batteries, anti-corrosion coatings, bulletproof fiber composites. The Group considers such proposal appealing, taking into account that (a) cooperation with governmental institutes and universities could earn a quick standing for the Group in the fast-evolving yet competitive graphene field; (b) the Group’s own graphene production could be complemented

by the findings of the joint scientific laboratories; and most importantly (c) it could motivate more scholars or scientists to delve into studies in graphene that could help further unveil the industrial and commercial value of graphene in a wider scope, and subsequently promote the use of graphene among more intermediates, which benefits the industry and also the Group in the long run. The Group plans to commence the preparation of the joint scientific laboratories after the commencement of commercial production of graphene. The Group has earmarked approximately HK\$12.4 million for setting up the scientific laboratories, which amount was estimated based on indications from the government institutes and universities.

(v) *General working capital for the Group*

The Group intends to retain approximately HK\$79 million, approximately 27.3% of the net proceeds, for general working capital for the Group, of which approximately HK\$55 million will be used to cover any other expenditure required for developing the new graphene production business, including but not limited to the staff and labour cost, rental expenses, other administrative expenses, as well as cost for raw materials. The raw material for the graphene production comprises high-purity graphite ore, which is readily available in local market and could be purchased from ore processing factories across the PRC. Each tonne of graphene output requires approximately two tonnes of high-purity graphite ore. Based on market quotations, high-purity graphite ore costs approximately HK\$150,000 per tonne.

The remaining proceeds of approximately HK\$24 million (i.e. being the proceeds raised from the issue of the Convertible Bond) will be used for the general working capital of the Group other than for the graphene production business.

In the event that only minimum net proceeds (i.e. HK\$229 million) are raised, the Company will deploy its internal resources to fund part of the general working capital of the graphene production business and will, instead of outright purchase, lease certain number of instruments for the Quality Testing Centre and the equipment and machinery for the production lines so as to ensure the Group has sufficient funding for the graphene production business.

INTENTION ON THE COMPOSITION OF THE BOARD AND THE MANAGEMENT OF THE COMPANY

As at the date of this announcement, the Company does not have any plan to change the composition of its Board and/or management team either before or after completion of the Share Subscriptions, save and except for the Group's intention to recruit a general manager to oversee the operations of the graphene production business. The Group has identified a suitable candidate for the position who has also indicated his preliminary interest in accepting the job once the graphene production business commences. The candidate holds a doctorate degree in chemical engineering from Zhejiang University, and has years of experience at various managerial positions in several chemical engineering companies in the PRC and also a listed company in Hong Kong.

INTENTION REGARDING THE EXISTING BUSINESSES OF THE GROUP

As at the date of this announcement, the Company intends to continue with its existing businesses, and except for the completed or planned disposals of non-core assets as mentioned below, the Company currently has no intention to dispose of, terminate or scale down of the existing businesses, operations or assets. The Company, Mega Start, Mr. Chau, Mr. Dai and each of the Investors have also confirmed that there are currently no agreements, negotiations or intentions (concluded or not) about any disposal, termination or scaling-down of the Company's existing businesses, operations or assets between them. Besides the development of the graphene production business, the Company has no other plan to develop other new business and does not contemplate any other change of business.

Subsequent to the lapse of the proposed disposal of its existing construction-related business of the Group in September 2015, the Board conducted a review of the operations of the Group in order to formulate a long-term strategy for the Group, and continues to hold a view that it remains very challenging to turn around the overall loss-making situation of the existing businesses of the Group within a short period of time. With the absence of the cash exit opportunity following lapse of the proposed disposal, the Group has to shift its focus on seeking other new business opportunities while adopting the following measures, hoping to ease its operating loss from the existing businesses, in particular, the construction-related business:

- (a) disposing of non-core assets which are not expected to generate returns in short term so as to improve the cash position of the Group and help ease the funding pressure incurred by the Group from its existing businesses, which disposals include a disposal of the property under development in Australia in October 2015 at a cash consideration of Australia Dollars (“AUD”) of approximately AUD4.3 million (equivalent to approximately HK\$23.4 million, based on an indicative

exchange rate of AUD1 equals to HK\$5.43); and a proposed disposal of an office premise in Hong Kong at a cash consideration of HK\$29.8 million which is expected to be completed in January 2016;

- (b) adopting more proactive customer reach approach by increasing direct communications with customers to timely remind them of their needs for maintenance;
- (c) adopting a prudent approach when submitting new tenders by lowering the proportion of long-term projects which is subject to higher risk of fluctuations in construction costs; and
- (d) contemplating possible ways to reduce the potential loss of the construction-related business, e.g. additional outsourcing to subcontractors to share the risk of cost overrun.

WORKING CAPITAL SUFFICIENCY

According to the current business plan of the Group for the graphene production business, the maximum net proceeds of approximately HK\$265 million from the Share Subscriptions would cover in full the total estimated expenditure for the commencement of the new business that is expected to be deployed in the 12-month period after receipt of all subscription monies (the “**12-month Period**”) with the expectations that revenue could start to be generated five months thereafter and that the production volume could gradually increase and reach full capacity at the end of the 12-month Period. The expenditure that is expected to be deployed during the 12-month Period includes but not limited to (i) the cost for the construction work required to set up the Production Plant and the cost of the necessary equipment and raw material; (ii) the Group’s funding contribution for the establishment of the joint laboratories; (iii) the salary of the professional staff to be recruited for the graphene production business; (iv) the selling expenses, deposits for utilities, daily working capital for operating a factory and other administrative expenses; and (v) the legal fee to be incurred for filing the patent application in respect of the graphene production.

As at 30 September 2015, the Group had cash balance, representing the sum of the bank balances and cash and the pledged bank deposits in the current assets, of approximately HK\$111,219,000. The amount of cash balance has been deployed as working capital for the operations of existing businesses and is supported by an unsecured, interest-free loan in sum of HK\$110,260,000 (the “**Short-term Loan**”) advanced by Mr. Wong Law Fai (“**Mr. Wong**”), a director of certain subsidiaries of the Company and a former Director. The Group has projects in progress with total contract sum of approximately HK\$4,009 million. Having considered the timing of the projects, as well as the aging of the account receivables and account payables of the existing businesses, the Group has maintained the cash balance of approximately HK\$111 million which was essentially the Short-term Loan advanced by Mr. Wong for satisfying the working capital of the existing businesses of the Group. The Short-term Loan is repayable on demand by Mr. Wong and has been accounted for on the balance sheet of the Group as current liabilities. The Group will repay the portion of such Short-term Loan to the extent that the operations do not require.

Taking into account the net proceeds from the Share Subscriptions, the net proceeds from the issue of the Convertible Bond, internal resources of the Group and the Short-term Loan, the Board considers that the working capital available to the Group is sufficient for the Group’s requirements for the next 12 months (including the existing businesses and the new graphene production business), and confirms that the Company currently has no intention to conduct fund raising activities, other than the Share Subscriptions and the issue of the Convertible Bond.

EFFECT ON THE SHAREHOLDING STRUCTURE

The respective effects of the Share Subscriptions and the issue of the Conversion Shares upon full conversion of the Convertible Bond on the shareholding structure of the Company are, for illustrative purpose only and assuming no further issue of new Shares or repurchase of Shares by the Company from the date of this announcement up to the dates of the relevant events, set out as follows:

Scenario I: Assuming all the Agreements have been completed

	As at the date of this announcement		Immediately upon issue of the Aggregate Subscription Shares		Immediately upon issue of the Aggregate Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bond	
	<i>Number of Shares</i>	<i>Appr. %</i>	<i>Number of Shares</i>	<i>Appr. %</i>	<i>Number of Shares</i>	<i>Appr. %</i>
Grand Silver Group Limited (<i>Note 1</i>)	112,500,000	37.50%	112,500,000	9.38%	112,500,000	8.79%
Full Fortune International Co. Ltd (<i>Note 2</i>)	15,000,000	5.00%	15,000,000	1.25%	15,000,000	1.17%
Mega Start (<i>Note 3</i>)	30,000,000	10.00%	120,000,000	10.00%	200,000,000	15.63%
Mr. Dai	—	—	120,000,000	10.00%	120,000,000	9.38%
Investor A	—	—	110,000,000	9.17%	110,000,000	8.59%
Investor B	—	—	108,000,000	9.00%	108,000,000	8.44%
Investor C	—	—	96,000,000	8.00%	96,000,000	7.50%
Investor D	—	—	95,000,000	7.92%	95,000,000	7.42%
Investor E	—	—	85,000,000	7.08%	85,000,000	6.64%
Investor F	—	—	72,000,000	6.00%	72,000,000	5.63%
Investor G	—	—	67,000,000	5.58%	67,000,000	5.23%
Investor H	—	—	57,000,000	4.75%	57,000,000	4.45%
Other Shareholders	142,500,000	47.50%	142,500,000	11.87%	142,500,000	11.13%
Total	300,000,000	100.00%	1,200,000,000	100.00%	1,280,000,000	100.00%
Total public Shareholders (<i>Note 4</i>)	142,500,000	47.50%	945,000,000	78.75%	1,065,000,000	83.20%

Notes:

- (1) These Shares are held by Grand Silver Group Limited, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Wang Zhijun.
- (2) These Shares are held by Full Fortune International Co. Ltd, a company incorporated in the Republic of Seychelles and the entire issued share capital of which is legally and beneficially owned by Mr. Chen Guobao, a non-executive Director.
- (3) These Shares are held by Mega Start, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Chau, the Chairman of the Company and an executive Director.
- (4) For illustrative purpose only, in this shareholding table, total public Shareholders include each of the Investors, other Shareholders, and in the circumstances where his/its shareholding is below 10%, Grand Silver Group Limited and/or Mr. Dai.

Scenario II: Assuming both the Dai Subscription Agreement and the MS Subscription Agreement have been completed, and only such number of the Investor Subscription Agreements have been completed for fulfillment of the minimum Threshold for Investor Subscription Monies

	As at the date of this announcement		Immediately upon issue of the minimum number of 700,000,000 Subscription Shares		Immediately upon issue of the minimum number of 700,000,000 Subscription Shares and issue of the Conversion Shares upon full conversion of the Convertible Bond	
	Number of Shares	Appr. %	Number of Shares	Appr. %	Number of Shares	Appr. %
Grand Silver Group Limited (<i>Note 1</i>)	112,500,000	37.50%	112,500,000	11.25%	112,500,000	10.42%
Full Fortune International Co. Ltd (<i>Note 2</i>)	15,000,000	5.00%	15,000,000	1.50%	15,000,000	1.39%
Mega Start (<i>Note 3</i>)	30,000,000	10.00%	120,000,000	12.00%	200,000,000	18.52%
Mr. Dai	—	—	120,000,000	12.00%	120,000,000	11.11%
Other Investors (<i>Note 4</i>)	—	—	490,000,000	49.00%	490,000,000	45.37%
Other Shareholders	<u>142,500,000</u>	<u>47.50%</u>	<u>142,500,000</u>	<u>14.25%</u>	<u>142,500,000</u>	<u>13.19%</u>
Total	<u>300,000,000</u>	<u>100.00%</u>	<u>1,000,000,000</u>	<u>100.00%</u>	<u>1,080,000,000</u>	<u>100.00%</u>
Total public Shareholders (<i>Note 5</i>)	<u>142,500,000</u>	<u>47.50%</u>	<u>632,500,000</u>	<u>63.25%</u>	<u>632,500,000</u>	<u>58.56%</u>

Notes:

- (1) These Shares are held by Grand Silver Group Limited, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Wang Zhijun.
- (2) These Shares are held by Full Fortune International Co. Ltd, a company incorporated in the Republic of Seychelles and the entire issued share capital of which is legally and beneficially owned by Mr. Chen Guobao, a non-executive Director.
- (3) These Shares are held by Mega Start, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Chau, the Chairman of the Company and an executive Director.
- (4) Other Investors represent those Investors who have in aggregate subscribed for such number of the Subscription Shares for the Minimum Threshold for Investor Subscription Monies (i.e. an aggregate subscription monies of HK\$147 million) and thereby a minimum number of 490,000,000 Subscription Shares. With reference to the respective number of the Subscription Shares pursuant to the respective Investor Subscription Agreement, save for Investor A and Investor B, each of whom will be interested in 10% or above of the issued share capital of the Company (should each of them has subscribed for the Subscription Shares), no other Investors will be interested in 10% or above of the issued share capital of the Company, in the events (i) immediately upon issue of the minimum number of 700,000,000 Subscription Shares (including the minimum number of 490,000,000 Subscription Shares issued to such Investors and the Subscription Shares issued to Mr. Dai and Mega Start); and (ii) immediately upon issue of such minimum number of 700,000,000 Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond.
- (5) For illustrative purpose only, in this shareholding table, total public Shareholders include other Investors (assuming all such Investors are not interested in 10% or above of the issued share capital of the Company) and other Shareholders. Based on the respective number of the Subscription Shares, if both Investor A and Investor B have subscribed for the Subscription Shares and are included as other Investors, the shareholding of the total public Shareholders will be reduced to (i) approximately 41.45% in the event immediately upon issue of the minimum number of 700,000,000 Subscription Shares; and (ii) approximately 38.38% in the event immediately upon issue of the minimum number of 700,000,000 Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activity in the past 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATION

The Subscription Shares and the Conversion Shares (upon exercise of the conversion right attached to the Convertible Bond) will be allotted and issued pursuant to the specific mandates to be sought from the Independent Shareholders at the EGM.

Mega Start is held by Mr. Chau, who is the Chairman of the Company and an executive Director, and is a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the date of this announcement. Mega Start is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened to obtain the Independent Shareholders' approval for the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement and each of the Investor Subscription Agreements, and the respective transaction contemplated thereunder (including the Share Subscriptions and the issue of the Conversion Shares upon exercise of the conversion right attached to the Convertible Bond).

By virtue of Mega Start's interest in the MS Subscription Agreement and the MS CB Agreement and that completion of the MS Subscription Agreement and the MS CB Agreement is conditional on, among other things, completion of the Dai Subscription Agreement and completion of such number of the Investor Subscription Agreements with an aggregate subscription monies amounting to at least HK\$147 million, Mega Start and its associates will abstain from voting on the resolutions to be proposed at the EGM in relation to the respective Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan, will be established to advise the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Agreements; (ii) the respective advices of the Independent Financial Adviser and the Independent Board Committee; and (iii) the notice of the EGM, is expected to be despatched to the Shareholders on or before Monday, 18 January 2016 as additional time is required to prepare the aforesaid information to be included in the circular.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Aggregate Subscription Shares”	a maximum of 900,000,000 new Shares to be allotted and issued to the Subscribers pursuant to the Dai Subscription Agreement, the MS Subscription Agreement and the Investor Subscription Agreements (assuming all of them having been completed)
“Agreements”	the Dai Subscription Agreement, the MS Subscription Agreement, the MS CB Agreement and the Investor Subscription Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Sunday) on which banks generally are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Vision Fame International Holding Limited (stock code: 1315), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bond”	the convertible bond in the principal amount of HK\$24,000,000 to be issued to Mega Start pursuant to the MS CB Agreement
“Conversion Price”	HK\$0.3 per Conversion Share
“Conversion Shares”	the 80,000,000 new Shares to be issued to Mega Start upon full conversion of the Convertible Bond
“Dai Subscription Agreement”	the conditional agreement dated 16 December 2015 entered into between the Company and Mr. Dai in relation to the issue of 120,000,000 Subscription Shares to Mr. Dai

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving by the Independent Shareholders the respective Agreement, and the issue of the Subscription Shares and/or the issue of the Convertible Bond (as the case may be) contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board to be formed to make recommendation to the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement, and the transactions contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Independent Board Committee to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement, and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mega Start and its associates and those (if any) who are required under the Listing Rules to abstain from voting at the EGM for the resolutions approving the relevant Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company and its connected persons

“Intellectual Property”	all intellectual and industrial property and all rights therein including, without limiting the generality of the foregoing, all inventions (whether patentable or not, and whether or not patent protection has been applied for or granted), improvements, developments, discoveries, proprietary information, trademarks, trade names, websites, Internet domain names, logos, art work, slogans, know-how, technical information, trade secrets, processes, designs (whether or not registrable and whether or not design rights subsist in them), utility models, works in which copyright may subsist (including computer software and preparatory and design materials therefor), and all works protected by rights or forms of protection of a similar nature or having equivalent effect anywhere in the world
“Investor A”	Choice Wide Holdings Limited
“Investor B”	Talent Holdings Limited
“Investor C”	Bold Elite Limited
“Investor D”	Fount Holdings Limited
“Investor E”	Smart Faith Global Limited
“Investor F”	Ms. Cui Sujuan
“Investor G”	Centure Strategies Holdings Limited
“Investor H”	Come Fortune International Co., Ltd.
“Investor Subscription Agreements”	the respective conditional agreements dated 16 December 2015 entered into between the Company and each of the Investors in relation to the issue of the Subscription Shares to the respective Investor, each an Investor Subscription Agreement

“Investors”	collectively, Investor A, Investor B, Investor C, Investor D, Investor E, Investor F, Investor G and Investor H, each an Investor
“Last Trading Date”	15 December 2015, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of the Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2016
“Mega Start”	Mega Start Limited, a company incorporated in the BVI with limited liability, which is legally and beneficially owned by Mr. Chau, and a Substantial Shareholder
“MOU”	the memorandum of understanding dated 20 October 2015 entered into between the Company and Mr. Dai in relation to, among other things, the potential investment opportunities regarding the commercialization of graphene production
“MOU Announcement”	the announcement of the Company dated 20 October 2015 in relation to, among other things, the entering into of the MOU
“Mr. Chau”	Mr. Chau Chit, the Chairman of the Company and an executive Director
“Mr. Dai”	Mr. Dai Jia Long
“MS CB Agreement”	the conditional agreement dated 16 December 2015 entered into between the Company and Mega Start in relation to the issue of the Convertible Bond to Mega Start
“MS Subscription Agreement”	the conditional agreement dated 16 December 2015 entered into between the Company and Mega Start in relation to the issue of 90,000,000 Subscription Shares to Mega Start

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Subscriptions”	the proposed issue of the Subscription Shares to each of the Subscribers
“Share Option Scheme”	the share option scheme adopted by the Company on 19 December 2011
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Mr. Dai, Mega Start, and each of the Investors
“Subscription Price”	the subscription price of HK\$0.3 per Subscription Share
“Subscription Shares”	the new Shares to be allotted and issued to each of the Subscribers pursuant to the Dai Subscription Agreement, the MS Subscription Agreement and the Investor Subscription Agreements, respectively
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference and unless otherwise specified in this announcement, sums in HK\$ and RMB in this announcement are translated at the rate RMB1 = HK\$1.22. This does not necessarily imply that HK\$ could be converted into RMB, or vice versa, at such exchange rate.

By order of the Board
Vision Fame International Holding Limited
Chau Chit
Chairman

Hong Kong, 16 December 2015

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Chau Chit, Mr. Hu Baoyue, and Mr. Kwan Ngai Kit; one non-executive Director, namely Mr. Chen Guobao; and three independent non-executive Directors, namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.