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If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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;
(2) CONNECTED TRANSACTION IN RELATION TO
ISSUE OF NEW SHARES AND CONVERTIBLE BOND
TO A CONNECTED PERSON;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company


Optima Capital Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**


Halcyon Capital Limited

Capitalised terms used on this cover shall have the same meanings as those defined in this circular unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 50 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 51 to 52 of this circular. A letter from Halcyon Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 53 to 88 of this circular.

A notice convening the EGM to be held at 2/F, Alliance Building, 130-136 Connaught Road Central, Hong Kong on Tuesday, 2 February 2016 at 10:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-9 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

15 January 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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 Saturdays) 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”	the conversion price of HK\$0.3 per Conversion Share
“Conversion Shares”	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 the Agreements, the issue of the Subscription Shares, the issue of the Convertible Bond, the issue of the Conversion Shares and the transactions contemplated under the Agreements by the Independent Shareholders
“Group”	the Company and its subsidiaries

DEFINITIONS

“Halcyon Capital” or “Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser 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
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board 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 Shareholders”	Shareholders other than Mega Start and its associates and other Shareholders (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

DEFINITIONS

“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 relevant 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
“Latest Practicable Date”	13 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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

DEFINITIONS

“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 circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“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 Share(s)
“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”	the Code on Takeovers and Mergers issued by the SFC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For ease of reference and unless otherwise specified in this circular, sums in HK\$, RMB and US\$ in this circular are translated at the rates RMB1 = HK\$1.22 and US\$1 = HK\$7.75. This does not necessarily imply that HK\$ could be converted into RMB or US\$, or vice versa, at such exchange rates.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Chau Chit (*Chairman*)

Mr. Hu Baoyue (*Acting Chief Executive Officer*)

Mr. Kwan Ngai Kit

Non-executive Director:

Mr. Chen Guobao

Registered office:

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Tam Tak Kei Raymond

Mr. Wong Kai Tung Simon

Mr. Wong Wai Kwan

*Principal place of business
in Hong Kong:*

Room 2002, 20/F

118 Connaught Road West
Hong Kong

15 January 2016

To the Shareholders

Dear Sir or Madam,

**(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**

INTRODUCTION

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 and the announcement of the Company dated 16 December 2015 in relation to the entering into of the Agreements between the Company and the Subscribers, respectively.

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

LETTER FROM THE BOARD

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, 690,000,000 Subscription Shares at the Subscription Price.

The purpose of this circular is to provide you with, among other things, further information on (i) the principal terms of the Agreements and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement, and the transactions contemplated thereunder; (iii) the letter of advice from Halcyon Capital 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; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

THE DAI SUBSCRIPTION AGREEMENT

Date : 16 December 2015

Parties : (i) the Company; and

(ii) Mr. Dai

The Dai Subscription Agreement constitutes the formal agreement arising from the MOU as referred to in the MOU Announcement.

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

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 Latest Practicable Date; 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.

LETTER FROM THE BOARD

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;
- (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; and
- (vii) a discount of approximately 96.10% to the closing price of HK\$7.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 circular.

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

LETTER FROM THE BOARD

Shares being traded daily for the 12 months preceding the date of the Agreements) 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 interests of the Company and the Shareholders as a whole;
- (v) Mr. Dai and Mega Start have agreed to 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 would 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 Share 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.

The Directors believe that the Share Subscriptions represent a prime opportunity for the Group to raise funds to develop the graphene production business. Although the Subscription Price represents a substantial discount to the prevailing market prices of the Shares and there will be potential dilutive effect to the existing Shareholders, the Directors consider that the development of the new business could create long-term value to the Group based on the reasons as detailed in the paragraph headed “Rationale for developing the new graphene production business” under the section headed “Reasons for the Agreements” in this circular and thus the Share Subscriptions are in the interests of the Company and the Shareholders as a whole.

The Directors had also considered obtaining bank facilities for developing the graphene production business before entering into the Agreements. However, given that the Group has been loss-making in recent years and the graphene production business is a new business to the Group, it will be difficult for the Group to obtain sufficient bank borrowings or third-party loans for the initial investment amount required. On the other hand, the entering into of the Dai Subscription Agreement not only provides funding for the development of the graphene production business, but also leads to a strategic cooperation between the Group and Mr. Dai so that the Group can utilise the knowledge and expertise of Mr. Dai in the commercial production of graphene. Furthermore, the Investors had indicated interest

LETTER FROM THE BOARD

in subscribing for the Shares in anticipation of the growth potential of the graphene production business and therefore agreed to enter into the respective Investor Subscription Agreements to provide immediate funding for the Group to develop the new business. To this end, the Group decided to seek funding through equity fund raising and, as a result, contemplated the Share Subscriptions. In view of the loss-making results in recent years and the substantially reduced net asset value of the Group, the Subscription Price is the maximum price at which the Subscribers are prepared to pay for the Subscription Shares. With a view to capturing the opportunity for developing the graphene production business and establishing a foremost position in this promising industry, the Directors have agreed on the Subscription Price.

In order to safeguard the interests of the existing Shareholders and to obtain the commitment of the Subscribers to develop the graphene production business of the Group, the Company has negotiated with the Subscribers and imposed certain clauses or provisions in the Agreements (as the case may be), including but not limited to, (i) the two-year lock-up period in relation to the Share Subscriptions under the Dai Subscription Agreement and the MS Subscription Agreement; (ii) the condition precedent under each of the Agreements to raise the required funding for the Group's commencement of the new graphene production business; (iii) the proposed entering into of a consultancy agreement between the Group and Mr. Dai as well as the non-competition clause and the provision of ownership of the Intellectual Properties stipulated thereunder; and (iv) the Mandatory Conversion Condition (as defined below) stipulated under the MS CB Agreement, further details of which have been set out in the respective sections in this circular. The Directors consider that they have strived for the best available terms in favour of the Company and the Shareholders as a whole for the transactions contemplated under the Agreements.

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 has been 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;

LETTER FROM THE BOARD

- (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).

Pursuant to the Dai Subscription Agreement, none of the conditions precedent above can be waived. 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.

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

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.

LETTER FROM THE BOARD

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 a 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 a 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 a 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 with a monthly fee of HK\$50,000 for Mr. Dai.

The consultancy agreement will be entered into on the date of completion of the Dai Subscription Agreement. Mr. Dai will provide consultancy service to the Group commencing on the date of the consultancy agreement until terminated by Mr. Dai on a prior notice in writing to the Company of not less than 12 months (or such shorter notice period as may be agreed by the Company), or by the Company on a prior notice to Mr. Dai in writing of not less than three months. The duties of Mr. Dai as a 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.

The Directors consider that the terms of the consultancy agreement are on normal commercial terms and fair and reasonable. Save for the proposed appointment of Mr. Dai as a consultant of the Group for the graphene production business, as at the Latest Practicable Date, the Company had no intention to appoint Mr. Dai as a Director in the longer term.

LETTER FROM THE BOARD

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 was a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the Latest Practicable Date, and therefore was 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 circular.

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 Latest Practicable Date; 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.

LETTER FROM THE BOARD

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 circular.

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

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- (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).

Pursuant to the MS Subscription Agreement, none of the conditions precedent above can be waived. 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.

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

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).

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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 production 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 as mentioned below save and except for the issue of the Aggregate Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bond.

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 circular.

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- Conversion Shares : Upon full conversion of the Convertible 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 Latest Practicable Date; 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.

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Adjustments to the Conversion Price : The Conversion Price shall from time to time be adjusted upon occurrence after issuance of the Convertible Bond of any of the following events:

- (a) If and whenever the Share by reason of any consolidation, subdivision or conversion shall have a different par value, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior thereto by the revised par value and dividing the result by the former par value.
- (b) If and whenever the Company shall make any issue of the Shares to Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), then the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior thereto by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;
and

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund).

- (c) If and whenever the Company shall make a capital distribution to the Shareholders, whether on reduction of capital or otherwise, then the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior thereto by the following fraction:

$$\frac{C - D}{C}$$

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where:

C = the market capitalisation of the Company, based on the weighted average closing price of the Shares over the five dealing days immediately prior to the announcement of such event or the suspension of trading of the Shares pending the issue of the relevant announcement, whichever is the earlier; and

D = the fair market value of the assets that are the subject of the capital distribution, such valuation to be determined on bases set by the Board and the holder of the Convertible Bond.

- (d) If and whenever the Company shall make any offer or invitation to Shareholders under which they may acquire or subscribe for Shares by way of rights, then the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior thereto by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the Current Market Price (as defined below) of each Share on the market day immediately preceding the date on which the offer or invitation is publicly announced; and

F = the rights attributable to one Share, which shall be calculated in accordance with the formula:

$$\frac{E - G}{H + 1}$$

where:

G = the subscription price for one additional Share under the offer or invitation to acquire or subscribe for Shares under the terms of such offer or invitation; and

H = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share under the terms of such offer or invitation.

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Current Market Price in relation to each Share for any relevant day shall be the average of the last dealt prices for each Share on the Stock Exchange for the five consecutive market days before the date of the announcement or agreement involving the proposed transaction, whichever is earlier for one or more board lots of Shares on the Stock Exchange.

(e) If and whenever the Company shall make any issue of Shares to Shareholders at a price per Share which is less than 80% of the higher of:

(i) the last dealt price of the date of the relevant agreement involving the proposed issue of Shares; and

(ii) the then Current Market Price,

then the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{I + J}{I + K}$$

where:

I = the number of Shares in issue immediately before the date of the announcement of such issue or the suspension of trading of the Shares pending the issue of the relevant announcement, whichever is the earlier;

J = the number of Shares which the aggregate amount payable for such issue would purchase at the Current Market Price; and

K = the number of Shares to be issued pursuant to such issue.

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- (f) The Conversion Price shall be adjusted on a fair and reasonable basis in accordance with a formula agreed to between the Company and the holder of the Convertible Bond in any other event of a similar nature to the events set forth in these adjustment events, and failing agreement within 30 days of discussion the formula shall be decided by a reputable bank or merchant bank as selected by the Company and approved by the holder of the Convertible Bond.

Any adjustment to the Conversion Price will be rounded upwards to the nearest HK\$0.01, and in no event shall any adjustment (otherwise than as provided in the terms and conditions of the Convertible Bond or upon the consolidation of the Shares into shares of a larger par value) involve an increase in the Conversion Price. No adjustment to the Conversion Price shall be made unless it has been certified to be in accordance with the terms and conditions of the Convertible Bond by the auditor engaged by the Company.

Redemption : Unless previously converted, purchased or cancelled in accordance with the terms of the Convertible Bond, 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), or in the performance of or compliance with any term of any evidence of such material indebtedness of or any mortgage, indenture, or other agreement relating to such indebtedness, and the holder of the obligation has exercised its right to accelerate the indebtedness; (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.

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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 has been 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);

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- (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).

Pursuant to the MS CB Agreement, none of the conditions precedent above can be waived. 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.

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

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).

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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) an Investor

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

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 at the Subscription Price (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 at the Latest Practicable Date	as enlarged by the issue of the Aggregate Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond
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	57,000,000	17,100,000	19.00%	4.45%
Total	690,000,000	207,000,000	230.00%	53.90%

As set out in each of the Agreements, the respective Agreements 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

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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 circular.

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 with aggregate nominal value of HK\$4,900,000 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 with aggregate nominal value of HK\$6,900,000 and HK\$207 million in subscription monies (assuming that all the Investor Subscription Agreements have become unconditional).

Pursuant to the Investor Subscription Agreements, the Investors have deposited their respective subscription monies to the Escrow Account within five Business Days after the date of the respective Investor Subscription Agreements.

The Subscription Shares to be issued to the Investors pursuant to the respective Investor Subscription Agreements, when fully paid, will rank *pari passu* in all respects with the Shares in issue as at the date of the respective Investor Subscription Agreements, 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 Agreements.

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 circular.

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 relevant Investor Subscription Agreement (and such listing and permission not subsequently revoked prior to completion of the relevant 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;

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- (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 Agreements;
- (iv) the representations and warranties of the respective Investors being true and accurate and not misleading at all times from the date of the respective Investor Subscription Agreements up to and including the date of completion of the respective Investor Subscription Agreements;
- (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).

Pursuant to each of the Investor Subscription Agreements, none of the conditions precedent above can be waived. 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 relevant Investor and the Company), the relevant 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 the relevant Investor at the Escrow Account shall be released to it/her (as the case may be).

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

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 Investors 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/her respective associates are and will, immediately after completion of the respective Investor

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Subscription Agreements, 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 each of the Investor Subscription Agreements shall take place on the third Business Day after the date on which all the relevant conditions precedent to the relevant Investor Subscription Agreement set out above have been fulfilled (or such other date as the relevant 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 relevant Investor and the Company).

APPLICATION FOR LISTING

Application has been 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:

- (a) 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;
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

The Directors consider that the funds to be raised from the Share Subscriptions will be sufficient for the Group to develop the graphene production business and, upon completion of the Share Subscriptions, it is expected that no other fund raising activity will be required in a short term. In light

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of the business plan of the new business, it would not be necessary to have further potential dilution impact to the Subscribers and other Shareholders shortly after the Share Subscriptions. Accordingly, the Directors consider that it is fair and reasonable for the Company to undertake for a 180-day restriction on further issue of securities, and that the restriction is in the interests of the Company and the Shareholders as a whole.

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. These six methodologies refer to graphene production by using (i) a swing type exfoliation equipment; (ii) a grinding equipment; (iii) a vortexing type exfoliation equipment; (iv) an exfoliation device operating with high pressure water flow; (v) an exfoliation pot; and (vi) a gaseous exfoliation equipment, respectively. It was demonstrated that these methodologies could produce high-quality graphene in one or few layers in laboratory scale. However, due to lack of available equipment for industrial use for applying these methodologies (as the case may be) or that the efficiency of using these methodologies (as the case may be) in producing graphene is too low, these six methodologies are not appropriate for mass commercial production. With his wealth of experience in laboratory research and numerous trial runs on various graphene production methods, Mr. Dai has identified another methodology that can achieve 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. Having taken into account the cost, availability of equipment and efficiency, this is a methodology feasible for mass commercial production in large scale.

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 was a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the Latest Practicable Date, and therefore was 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 the study of new materials. He has been studying graphene as a new material and is familiar with the properties and applicability of graphene.

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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 they have entered into the respective Investor Subscription Agreements as passive investors. As at the Latest Practicable Date, none of the Investors was 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 Zenglin; (ii) Ms. Chiu Yin; and (iii) Mr. Huang Kankai. Both Mr. Ma Zenglin and Ms. Chiu Yin are related to the controlling shareholders of Shuangliang Group* (雙良集團). Mr. Huang Kankai 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 Wudan; and (ii) Mr. Xie Xiaotao. Mr. Yu Wudan 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 Xiaotao is the deputy general manager of Jiangyin City Li Shang Transportation Services Co., Ltd.* (江陰市麗尚運輸服務部), a company held by Mr. Yu Wudan. 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. Yao Xiaojun; and (ii) Mr. Wang Guohua. Both Ms. Yao Xiaojun and Mr. Wang Guohua 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.

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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.

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 Fukang, 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 had confirmed that:

- (i) the acquisition of the Shares by each of them will not be financed, directly or indirectly, by any connected persons of the Company, and/or each of the other Subscribers;

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- (ii) each of them is not accustomed to take instructions from any connected persons of the Company, and/or each of the other Subscribers in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name (as the case may be) or otherwise held by him/her/it (as the case may be), if any; and
- (iii) none of them has entered into, or contemplated to enter into, any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with each other in connection with, incidental to or as a result of entering into the respective Agreements or transactions contemplated thereunder.

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.

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%. The number of graphene patent applications submitted, on an annual basis, has also surged from 479 in 2010 to more than 5,000 in 2014. According to the report titled "Global and China Graphene Industry Report, 2015–2018" (the "**2015 RIC Report**") published in November 2015 by ResearchInChina, an independent

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organisation that provides PRC business intelligence and information, a total of 13,688 graphene-related patent applications had been filed around the world by end of March 2015. Amid the enhancing global sentiment for graphene-related technologies, the PRC has also developed fast in graphene research. The PRC currently leads the world in terms of the volume of graphene publications and patents. By end of March 2015, researchers in the PRC had already applied for an aggregate of 7,900 patents, accounting for more than half of the world's total.

Nevertheless, the market is yet to witness mass production of graphene on a global scale, primarily due to unavailability of suitable ways and means of large-scale production, and thus, the cost of graphene has been high. In 2014, the global graphene market size was merely approximately US\$17.4 million (equivalent to approximately HK\$134.9 million), whereas the PRC market contributed approximately RMB69 million (equivalent to approximately HK\$84.2 million). While the graphene industry is still in its fledging stage, the outlook for the industry has been positive, particularly in the PRC. In accordance with the 2015 RIC Report, the PRC is rich in graphite resources with majority of the world's graphite reserves being situated in the country. This provides the PRC with good advantages in graphene research.

The PRC government has been showing its commitment and support to the development of the graphene business in the country. A number of supportive policies have been implemented in favour of the development of the graphene industry in the PRC. For example, in May 2015, the Ministry of Industry and Information Technology of the PRC (the “MIIT”) 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. The ten-year national plan promulgated by the State Council of the PRC, dubbed “Made in China 2025”, has 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. More recently, in November 2015, the MIIT, the National Development and Reform Commission and the Ministry of Science and Technology of the PRC jointly issued a policy document titled “Certain Opinions regarding the Accelerating the Innovative Development of the Graphene Industry”* (關於加快石墨烯產業創新發展的若干意見) (the “November 2015 Opinions”). As illustrated in the November 2015 Opinions, graphene is reiterated as a new material with considerable potential for applications in various areas, including energy storage and marine equipment, to name but a few. Certain key targets for the industry development have been set, including (i) the formation of a fundamental industrial chain from graphene production to downstream application with product standards and technical specifications in place by 2018; and (ii) establishment of a systematic industry model for graphene production business by 2020 with certain core application techniques having been developed.

Driven by the favorable policies and optimism to the prospects of the graphene industry, it is noted that manufacturers in the PRC are speeding up their presence in the industry. As analysed in the 2015 RIC Report, some large PRC domestic enterprises have started to engage in the graphene sector by acquisition, equity investment, etc., and participated in graphene research, development and production through the introduction of graphene technology, cooperation with scientific research institutions, establishment of industrial technology investment funds or construction of industry chain. There are currently over 100 graphene enterprises in the PRC. Some graphene companies have been able to

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produce graphene powder. However, there is still no graphene product which can be manufactured on a large scale. The demand for graphene has remained to be primarily from major universities and research institutes. Nevertheless, given that graphene could be applied extensively in numerous sectors and the downstream markets for graphene have remained largely undeveloped, the growth potential for graphene market is enormous. It is exemplified in the 2015 RIC Report that graphene could be used as the anode materials of lithium batteries and could greatly enhance the capacity and performance of the batteries. Graphene is also very suitable for being used as transparent electrode due to its exceptional combination of properties (and in fact more suitable than indium tin oxide, which is used traditionally but is brittle, not as flexible and more expensive). With the acceleration of graphene industrialisation, it is expected that graphene could replace the traditional materials for these products in the future. Riding on the successive support from the government, continuing research achievements and progressing industrial advancements, it is predicted that the graphene market in the PRC could start to take shape in 2018.

In light of the supportive policies by the PRC government and the wide applicability of graphene, the Company agrees with the view in the 2015 RIC Report that the growth potential of graphene market is huge and there will be an increasing demand for graphene material in the near future. The Board considers that, through cooperation with Mr. Dai, the Group could establish a foremost position in this market of great potential.

While an increasing number of companies have started to develop the graphene production business, supply of high-quality graphene at reasonable price for commercial use has remained scarce. The graphene currently available in the market in general has thickness ranging from 10 to 90 nanometres (nm) with a proportion of raw two-dimensional graphene structure ranging from 10 to 80% and varies in existence of structural defect. On the contrary, the laboratory graphene output using Mr. Dai's methodology has thickness of less than 10 nm with a proportion of raw two-dimensional structure of above 90% and is observed to have no material structural defect. As researched by the Company, downstream customers will be interested in purchasing graphene with the quality standard comparable to Mr. Dai's laboratory graphene output at a price of RMB3 to RMB5 (equivalent to approximately HK\$3.7 to approximately HK\$6.1) per gram. While the market prices of the currently available graphene in the market range from RMB3.2 to RMB800 (equivalent to approximately HK\$3.9 to approximately HK\$976.0) per gram, none of such graphene can attain the same standard of quality as Mr. Dai's laboratory graphene output. Therefore, the Directors are of the view that the market for high-quality graphene is unfulfilled.

Further, 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 high-purity graphite ores is readily available. The Company has approached certain ore processing factories based in the PRC and understood that the market price of graphite is approximately RMB0.15 per gram. Having considered Mr. Dai's accomplishment of continual production of high-quality graphene at low cost and that it is a methodology feasible for mass commercial production in large scale, as well as the potential and high profit margin that may be achieved in this business, the Directors are confident that the graphene production business could provide promising returns and enhance the overall profitability of the Group. Furthermore, Mr. Chau has wide business connection with industrialists, governmental institutes, scientific research institutes, etc., so that he can keep updated with the latest trend of the market as well as government policies and directions and can facilitate potential cooperation opportunities between the

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Group and other industry players. Accordingly, the Company believes that it is well positioned to tap into the business of commercial production of high-quality graphene and it would be able to establish 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 having considered the due diligence results (to be discussed below); 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.

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

As informed by Mr. Dai and as researched by the Company, currently there is no international standard for the graphene output, while the PRC government has been working with graphene experts, universities, scientific research institutes and other market players on establishing a standard for the graphene output in the PRC and such standard is expected to be available in 2018. At present, quality and purity of graphene can be tested in laboratories which have applicable testing instruments. The quality and purity of the graphene output are usually assessed based on measurement of, among other things, (i) its thickness; (ii) the proportion of raw two-dimensional graphene structure contained in it; and (iii) existence of structural defect. As graphene in its purest form is in a two-dimensional single sheet of carbon atom in hexagon lattice, the output is considered purer and to be of higher quality if it is thinner and contains more raw two-dimensional defect-free graphene structure. 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 Mr. Dai's 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.

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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 during the continuance of the consultancy agreement and the period of two years after Mr. Dai's ceasing to be a consultant or ceasing to hold any other position with 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 a consultant or holding any other position with the Group is in favour of the Group.

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 the 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 governmental 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.

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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 the 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 loss-making 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 (including the independent non-executive Directors after taking into account the 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.

LETTER FROM THE BOARD

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. Upon setting up the Production Plant (as defined below) and the installation of the first production line by end of April 2016 (further details of which have been set out in the section headed “Use of proceeds” below), commercial production of graphene can be commenced. The Company does not consider it necessary to deploy further investment for additional research on Mr. Dai’s graphene production method before commencement of commercial production.

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 five companies in the aforesaid industry, two universities and a scientific research centre as potential customers, who have indicated interests in purchasing from the Group the graphene outputs.

In relation to the local supply of graphite ores, the Group has already identified two 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 and/or other forms of intellectual property protection 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.

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RISK ASSOCIATED WITH THE GRAPHENE PRODUCTION BUSINESS

The existing management of the Group does not have prior experience in operating and managing graphene production business

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. In order to develop and operate the new graphene business, the Company will appoint Mr. Dai as a consultant of the Group for the purpose of assisting the Group to develop the graphene production business, and Mr. Chau will build on his knowledge and interest in scientific fields and extensive experience in operations management and lead the Group in developing and managing the graphene production business. However, save for Mr. Dai and Mr. Chau, the other existing management of the Company has no prior knowledge or experience in this new business. The Group intends to recruit a general manager who has expertise in this industry to oversee the operations of the graphene production business and the Professional Team (as defined below) in related field of graphene extraction and production for the operation of graphene production business. The development and operation as well as future success of the graphene production business of the Group rely significantly on the capability and experience of the management and their response to risks and uncertainties that the Group may face. If the existing management of the Group is not able to manage the related operational risks of the graphene production business, or if the Group is not able to recruit the general manager and establish the Professional Team (as defined below), the graphene production business may not be carried out as planned by the Company and the prospects, operations and performance of graphene production business of the Group may be adversely affected.

Lack of operating history and track record of the graphene production business may not provide adequate basis for evaluating its future performance and there is no assurance for success on the continued development and operation of the graphene production business

Mr. Dai has accomplished continual production of high-quality graphene at laboratory setting. Due diligence conducted by the Company has also supported 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. However, the methodology of Mr. Dai has not yet applied in actual operation of the commercial production of graphene. Therefore, no historical information that can demonstrate the performance of the new graphene production business and no reference are available for the Shareholders in evaluating the operation and prospects of the graphene production business. Although the laboratory graphene output has been proven to be high-quality and ready to be sold in the market, the same methodology may not be able to apply in a larger scale for commercial production or the quality of graphene to be produced outside the laboratory setting may not be the same as those produced by Mr. Dai in the laboratory. Shareholders should take into account all the risks and uncertainties as mentioned in this section when considering the operation and future prospects of the graphene production business.

LETTER FROM THE BOARD

The Group will rely on Mr. Dai's technical advice for mass commercial production of graphene and development of the graphene production business

Mr. Dai has extensive knowledge in two-dimensional material production technology and has experience in developing relevant equipment. He has accomplished continual production of high-quality graphene at laboratory setting. 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. Mr. Dai can terminate the consultancy agreement by giving to the Company not less than 12 months' prior notice (or notice for such shorter period as may be agreed by the Company) in writing. If Mr. Dai fails in discharging his duty as a consultant of the Group, or if he has not applied all of his knowledge and expertise in assisting the Group in developing the graphene production business, or if his methodology fails in mass commercial production of graphene, there will be detrimental effect to the development of the graphene production business and this, in turn, may cause material adverse impact on the performance of the Group as a whole.

Any hindrance or delay in the implementation of the development plan may affect the prospects and operations of the graphene production business

As detailed in the section headed "Use of proceeds" below in this circular, assuming that completion of the Agreements takes place in early February 2016, the Production Plant (as defined below) and the first production line are expected to be set up by the end of April 2016 and the addition of 29 production lines to build up the total capacity of 100 tonnes and the Quality Testing Centre (as defined below) are expected to be established by the end of July 2016. The Professional Team (as defined below) is expected to commence duty from April 2016 and the first batch of the high-purity graphite ore of approximately seven tonnes is expected to be paid and delivered by end of March 2016. Any hindrance or delay in the implementation of any part of the development plan may result in delay in commencement of the commercial production of graphene as well as generation of revenue and profits, and may cause the Group to incur further costs, which may in turn have an adverse impact on the financial position of the Group.

The success of the Group's graphene production business will depend on the downstream markets' acceptance

The success of the Group's graphene production business will depend on the downstream manufacturers' acceptance of incorporating graphene into their production processes or end products. Although there are numerous potential applications for graphene and potentially a large global market, there is no guarantee that graphene will become a widely accepted material for use on a commercial scale. Even if graphene does become widely accepted, the conversion of current interest into wide scale commercial adoption may take longer than anticipated and the Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance. Moreover, there is a risk that technological advances in existing materials or in potential substitute materials may occur at a faster rate than the advances of graphene, which may impede the commercial progress of graphene. As a consequence, there could be little or no commercial demand for graphene. This would have a significant adverse effect on the Group's graphene production business.

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The development of the graphene production business has been buttressed by the supportive policies of the PRC government in recent years and any change in the government's directions may affect the sentiments towards graphene market

The PRC government has promulgated a number of favorable policies which have encouraged increasing commercial interest in graphene production and application in recent years. However, there is no certainty that the PRC government will continue to offer incentives to boost the development of graphene production and demand for graphene. Any change, cancellation or limitation of these policies or implementation of unfavourable policies to the graphene industry could cause material or even adverse impact on the market sentiments towards graphene products. To this end, the results of operations and prospects of the graphene production business of the Group could be affected.

The graphene production business of the Group may not compete successfully amid continuing emergence of newer and possibly more effective technologies of producing high-quality graphene

As mentioned, the market is yet to witness mass production of graphene on a global scale, primarily due to the current unavailability of suitable ways and means of large-scale production and thus, the cost of graphene has been high. However, while the graphene industry is still in its fledging stage, as encouraged by the PRC government's policies and incentives, more and more companies are expected to enter into the graphene production business and start to engage in the research and development of the production and application of graphene. These companies may eventually be able to achieve research breakthroughs and produce graphene of similar or even higher quality compared to the graphene produced by the Group, or be able to produce it in a faster and more cost-effective way. There is no certainty that the Group will be able to compete successfully in the marketplace when the technology of producing high-quality graphene has become common.

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.

LETTER FROM THE BOARD

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

	Amount to be utilised (HK\$ million)	Percentage of the net proceeds	Estimated key completion date in respect of the development of the new graphene production business (assuming that completion of the Agreements takes 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 ”) for the new graphene production business	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 (Note)	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%	

Note: This amount includes (i) the part of the net proceeds to be raised from the Share Subscriptions and applied for the general working capital of the new graphene production business; and (ii) the total net proceeds to be raised from the issue of the Convertible Bond, which will be applied for the general working capital of the Group (other than that for the graphene production business).

LETTER FROM THE BOARD

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 an idle factory complex with a gross floor area of 20,000 square meters for setting up the Production Plant, 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 million 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 an ordinary factory complex will be capable of accommodating the production lines for graphene production and that refurbishment 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group had 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 be purchased (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 did 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 Latest Practicable Date.

LETTER FROM THE BOARD

(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 at 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 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 governmental institutes and universities.

LETTER FROM THE BOARD

(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 Latest Practicable Date, the Company did 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.

LETTER FROM THE BOARD

INTENTION REGARDING THE EXISTING BUSINESSES OF THE GROUP

As at the Latest Practicable Date, the Company intended to continue with its existing businesses, and except for the completed or planned disposals of non-core assets as mentioned below, the Company currently had 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 were 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 had no other plan to develop other new business and did 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 has continued 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:

- (i) 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 equal 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;
- (ii) adopting a more proactive customer reach approach by increasing direct communications with customers to timely remind them of their needs for maintenance;
- (iii) 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
- (iv) 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.

Based on the unaudited management accounts, as at 31 October 2015, the Group had projects in progress with total contract sum of approximately HK\$4,022 million. The Company will apply its existing cash in financing the operation of the existing businesses of the Group which mainly involves payments for account payables for construction projects as well as administrative expenses including but not limited to Directors' remuneration and staff costs. Save for operating the existing projects and soliciting new projects in its ordinary and usual course of business, there was no other development plan for the existing businesses of the Group as at the Latest Practicable Date.

LETTER FROM THE BOARD

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.

Based on the unaudited management accounts, as at 31 October 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\$104,967,000. 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\$102,649,000 (the “**Short-term Loan**”) advanced by Mr. Wong Law Fai (“**Mr. Wong**”), a director of certain subsidiaries of the Company and a former Director. 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\$105.0 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 would 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 at least 12 months from the date of this circular (including the existing businesses and the new graphene production business), and has confirmed that the Company currently has no intention to conduct fund raising activities, other than the Share Subscriptions and the issue of the Convertible Bond.

LETTER FROM THE BOARD

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 Latest Practicable Date up to the dates of the relevant events, set out as follows:

Scenario I: Assuming all the Agreements have been completed

	As at the Latest Practicable Date		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	
	Number of Shares	Appr. %	Number of Shares	Appr. %	Number of Shares	Appr. %
Grand Silver Group Limited ("GSGL") (Note 1)	112,500,000	37.50%	112,500,000	9.38%	112,500,000	8.79%
Full Fortune International Co. Ltd (Note 2)	15,000,000	5.00%	15,000,000	1.25%	15,000,000	1.17%
Mega Start (Note 3)	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 (Note 4)	142,500,000	47.50%	945,000,000	78.75%	1,065,000,000	83.20%

Notes:

- (1) These Shares were held by GSGL, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Wang Zhijun. On 21 September 2015, 67,500,000 Shares held by GSGL was pledged in favour of the lender as security for a loan facility provided to GSGL.
- (2) These Shares were 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 were 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%, GSGL and/or Mr. Dai.

LETTER FROM THE BOARD

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 fulfilment of the Minimum Threshold for Investor Subscription Monies*

	As at the Latest Practicable Date		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. %
GSGL (Note 1)	112,500,000	37.50%	112,500,000	11.25%	112,500,000	10.42%
Full Fortune International Co. Ltd (Note 2)	15,000,000	5.00%	15,000,000	1.50%	15,000,000	1.39%
Mega Start (Note 3)	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 (Note 4)	—	—	490,000,000	49.00%	490,000,000	45.37%
Other Shareholders	142,500,000	47.50%	142,500,000	14.25%	142,500,000	13.19%
Total	300,000,000	100.00%	1,000,000,000	100.00%	1,080,000,000	100.00%
Total public Shareholders (Note 5)	142,500,000	47.50%	632,500,000	63.25%	632,500,000	58.56%

Notes:

- (1) These Shares were held by GSGL, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. Wang Zhijun. On 21 September 2015, 67,500,000 Shares held by GSGL was pledged in favour of the lender as security for a loan facility provided to GSGL.
- (2) These Shares were 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 were 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 numbers of the Subscription Shares pursuant to the respective Investor Subscription Agreements, 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 numbers 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.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATION

The Subscription Shares and the Conversion Shares (upon exercise of the conversion right attaching 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 was a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the Latest Practicable Date. Mega Start was 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.

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 Agreements and the transactions contemplated thereunder. Save for Mr. Chau, no other Directors has a material interest in the Agreements and the transactions contemplated thereunder and have abstained from voting on the relevant Board resolution(s).

Upon completion of the Dai Subscription Agreement, Mr. Dai will be interested in 10% of the issued share capital of the Company as enlarged by the Aggregate Subscription Shares (assuming all the Agreements have been completed) and will become a Substantial Shareholder. Accordingly, Mr. Dai will be a connected person under the Listing Rules and the entering into of the consultancy agreement and the transactions contemplated thereunder will constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios in respect of the transactions under the consultancy agreement, on an annual basis, are less than 0.1%, the consultancy agreement and the transactions contemplated thereunder will be de minimis pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, has been established to advise the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder. Halcyon Capital, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM

The EGM will be held at 2/F, Alliance Building, 130–136 Connaught Road Central, Hong Kong on Tuesday, 2 February 2016 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Agreements, the issue of the Subscription Shares, the issue of the Convertible Bond, the issue of the Conversion Shares and the transactions contemplated under the Agreements by the Independent Shareholders.

A notice convening the EGM is set out on pages EGM-1 to EGM-9 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) are of the opinion that the entering into of the Agreements is in the interests of the Company and the Independent Shareholders as a whole, and the respective terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the EGM enclosed in this circular.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on pages 51 to 52 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from Halcyon Capital set out on pages 53 to 88 of this circular which contains the advice of Halcyon Capital to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

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)

15 January 2016

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to the circular of the Company dated 15 January 2016 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the respective terms of the MS Subscription Agreement and the MS CB Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Having considered the respective terms of the MS Subscription Agreement and the MS CB Agreement and the advice and recommendations of Halcyon Capital as contained in its letter set out on pages 53 to 88 of the Circular, we consider that the entering into of the MS Subscription Agreement and the MS CB Agreement is in the interests of the Company and the Independent Shareholders as a whole and the respective terms of the MS Subscription Agreement and the MS CB Agreement, and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Vision Fame International Holding Limited

Mr. Tam Tak Kei Raymond
Independent non-executive
Director

Mr. Wong Kai Tung Simon
Independent non-executive
Director

Mr. Wong Wai Kwan
Independent non-executive
Director

LETTER FROM HALCYON CAPITAL

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Halcyon Capital Limited

11th Floor

8 Wyndham Street

Central, Hong Kong

15 January 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 January 2016 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 16 December 2015, the Company and Mega Start, a Substantial Shareholder and a company wholly owned by Mr. Chau (being the Chairman of the Company and an executive Director), entered into (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. On the same day, the Company entered into the Dai Subscription Agreement and the Investor Subscription Agreements with Mr. Dai, an Independent Third Party, and eight Investors, each of whom is an Independent Third Party and not related to each other, respectively. Pursuant to the Dai Subscription Agreement and the Investor Subscription Agreements, the Company will allot and issue, and (i) Mr. Dai will subscribe for, 120,000,000 Subscription Shares at the Subscription Price; and (ii) the Investors will subscribe for, a maximum of 690,000,000 Subscription Shares in aggregate at the Subscription Price.

LETTER FROM HALCYON CAPITAL

Mega Start is wholly-owned by Mr. Chau, who is the Chairman of the Company and an executive Director, and was a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the Latest Practicable Date. 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.

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 (the "**Minimum Threshold for Investor Subscription Monies**"), Mega Start and its associates will abstain from voting on the resolutions to be proposed at the EGM in relation to the respective Agreements and the transactions contemplated thereunder. Save for Mr. Chau, no other Directors have a material interest in the Agreements and the transactions contemplated thereunder and have abstained from voting on the relevant Board resolution(s).

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, has been established to advise the Independent Shareholders as to whether the respective terms of the MS Subscription Agreement and the MS CB Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

BASIS OF OUR OPINION

Other than this appointment as the Independent Financial Adviser, we have no relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group, and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, in all material aspects, were true, accurate and complete as at the time they were made and as at the Latest Practicable Date, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the

LETTER FROM HALCYON CAPITAL

completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Agreements, the announcements, financial reports of the Company and the Circular. We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the management of the Group nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or prospects of the Group, Mega Start and each of their respective associates, and all the parties involved in the Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the MS Subscription Agreement, the MS CB Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background to and reasons for the MS Subscription Agreement and the MS CB Agreement

1.1 *Business and financial information 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.

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Set out below is a summary of financial highlights of the Group for the two years ended 31 March 2014 and 2015 and for the six months ended 30 September 2014 and 2015 as extracted from the annual report of the Group for the year ended 31 March 2015 (the “**2015 Annual Report**”) and the interim report for the six months ended 30 September 2015 (the “**2015 Interim Report**”) respectively.

Consolidated Income Statement

	For the six months ended 30 September		For the year ended 31 March	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	1,420,654	623,357	1,776,238	863,928
Gross profit/(loss)	27,569	(11,298)	(22,529)	21,762
Loss for the year/period attributable to shareholders of the Company	15,677	54,123	117,263	48,318

Consolidated Balance Sheet

	As at 30 September	As at 31 March	
	2015	2015	2014
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(audited)
Pledged bank deposits	19,705	19,717	44,661
Bank balances and cash	101,514	188,754	267,180
Total bank and other borrowings	327,643	326,981	310,665
Net asset value	8,855	25,989	144,779

As disclosed in the 2015 Annual Report, the Group recorded an increase in revenue from approximately HK\$863.9 million for the year ended 31 March 2014 (“**FY2014**”) to approximately HK\$1,776.2 million for the year ended 31 March 2015 (“**FY2015**”), representing an increase of approximately 105.6%. The increase in revenue was mainly attributable to (i) the metals and materials trading business newly established in FY2015 with revenue of HK\$527.5 million; (ii) increase in revenue of the building construction segment in Hong Kong and Singapore of approximately HK\$205.4 million due to a number of sizable projects in this segment were in full swing in FY2015; and (iii) increase in revenue of the alteration, renovation, upgrading and fitting-out works (collectively “**A&A works**”) in Hong Kong market of approximately HK\$108.6 million due to several sizable projects were in full swing in FY2015. The Group recorded a gross loss of approximately HK\$22.5 million for FY2015 as compared with the gross profit of approximately HK\$21.8 million for FY2014, which was mainly attributable to (i) significant increase in construction costs including materials, staff and labour cost in building construction projects in Singapore; and (ii) the revenue contributions of several property maintenance contracts were lower than the costs

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incurred. The Group recorded an increase in loss from approximately HK\$48.3 million for FY2014 to approximately HK\$117.3 million for FY2015, representing an increase of approximately 142.9%, which was mainly due to the combined effect of the increase in gross loss as well as the increase in administrative expenses and finance costs for FY2015.

As disclosed in the 2015 Interim Report, the Group recorded an increase in revenue from approximately HK\$623.4 million for the six months ended 30 September 2014 (“**1H FY2015**”) to approximately HK\$1,420.7 million for the six months ended 30 September 2015 (“**1H FY2016**”), representing an increase of approximately 127.9%. The increase in revenue was mainly attributable to (i) increase in revenue of the metals and materials trading business segment by HK\$622.4 million which such segment had a full six months of operations for 1H FY2016 compared with just less than two months of operations for 1H FY2015; and (ii) increase in revenue of the A&A works and the property maintenance segment by HK\$94.3 million and HK\$50.2 million, respectively, as a result of full swing operation in several projects and the increase in scale and number of projects of the Group in Hong Kong during 1H FY2016. The Group recorded a gross profit of approximately HK\$27.6 million for 1H FY2016 as compared with the gross loss of approximately HK\$11.3 million for 1H FY2015. The increase in gross profit was mainly attributable to (i) the turnaround of the construction business segment as a result of the stringent costs controls imposed for 1H FY2016; (ii) the turnaround of the property maintenance segment following improvement in progress achieved by several property maintenance projects of the Group for 1H FY2016; and (iii) increase in revenue of the provision of property development management and advisory services business which started subsequently to 30 September 2014. The Group recorded a decrease in loss from approximately HK\$54.1 million for 1H FY2015 to approximately HK\$15.7 million for 1H FY2016, which was mainly due to the increase in gross profit for 1H FY2016 as described above.

The Group had bank balances and cash of approximately HK\$101.5 million and pledged bank deposits of approximately HK\$19.7 million as at 30 September 2015, as compared to approximately HK\$188.8 million and approximately HK\$19.7 million as at 31 March 2015. As disclosed in the 2015 Interim Report, the change in bank balances and cash was mainly due to net cash outflows from operating activities. The Group had (i) outstanding interest-bearing bank and other borrowings amounted to approximately HK\$217.4 million of which approximately HK\$32.6 million and HK\$184.8 million were repayable within one year and after one year, respectively; and (ii) an amount due to a related party which was interest-free and repayable on demand of approximately HK\$110.3 million as at 30 September 2015.

1.2 Information on Mega Start and Mr. Chau

As stated in the Letter from the Board, 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 was a Substantial Shareholder interested in 10% of the issued share capital of the Company as at the Latest Practicable Date. 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 the study of new materials. He has 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 Association and has wide connections with industrialists, governmental institutes and scientific research institutes, etc.

1.3 *Reasons for and use of proceeds of the Agreements and the proposed business plan*

1.3.1 Performance of existing business and intention on business diversification

As disclosed in the Letter from the Board, 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 1H FY2016. 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 overall financial performance of the Group.

We are further advised by the management of the Group that, in view of the continuous decrease in the profit margin of the projects of the Group especially in its building construction segment, the management has been exploring different opportunities to broaden the Group's revenue base and to enhance Shareholders' value. The Group has expanded its business into property development and provision of related management and advisory services, and metals and material trading business during FY2015. However, the property development and provision of related management and advisory services segment only contributed less than 1% of the Group's revenue for each of FY2015 and 1H FY2016, and although the metals and material trading has contributed approximately 50.0% of the total revenue of the Group for 1H FY2016, it only contributed approximately 2.6% of the total segment result of the Group for 1H FY2016 due to the relatively low margin attained by the segment. Therefore, the two newly developed business segments may not be able to significantly improve the Group's financial performance as a whole in the coming few years.

As further stated in the Letter from the Board, 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.

1.3.2 Proposed business plan

In this connection, the Company entered into the MOU on 20 October 2015 with Mr. Dai in relation to the potential investment opportunities regarding the commercialization of graphene production and further entered into the Agreements on 16 December 2015 with a view to financing the establishment and development of the graphene production business.

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According to “Graphene — the worldwide patent landscape in 2015” published by the Intellectual Property Office in the United Kingdom on 25 March 2015, 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. This 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 different properties of graphene itself, its downstream application is possible extensive. Examples of the various 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. However, as mentioned in the Letter from the Board, 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 on the development of the graphene business in the country and the wide applicability of graphene, the potential of graphene market is huge and there will be an increasing demand for graphene material.

As stated in the Letter from the Board, taking into account of the required funding for the Group’s commencement of the new graphene production business, the Minimum Threshold for Investor Subscription Monies of HK\$147 million was set such that the respective Agreements shall become unconditional upon fulfilment of, among other things, such number of the Investor Subscription Agreements for an aggregate subscription monies payable by the Investors reached the Minimum Threshold for Investor Subscription Monies.

Certain key areas of the business plan of the Company in developing the graphene production business as mentioned in the Letter from the Board are summarised as follows:

Suppliers: The Group has already identified two ore processing factories based in the PRC for the supply to the Group of high-purity graphite ores.

Customers: 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.

Universities and scientific research institutes for research studies on the applications of graphene in other industries, including marine, textile and alloy production.

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Since the publication of the MOU Announcement, the Group has been soliciting five companies in the aforesaid industry, two universities and a scientific research centre as potential customers.

Products: Graphene in powder form

Expertise and Professional Team: Mr. Dai as consultant to 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.

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. We further noted that Mr. Dai is the inventor of patents in relation to the graphene stripping machine, graphene production system and the graphene production methodology. 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. We have also reviewed the report regarding the quality testing on the laboratory graphene outputs prepared 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), which the results affirmed the fine quality of the graphene outputs. Building on his knowledge in two-dimensional material, Mr. Dai has also been studying graphene and conducting researches relating to graphene production method, and with his wealth of experience in laboratory research and numerous trial runs on various graphene production methods, Mr. Dai has identified another methodology that can achieve steady production of graphene of stable good quality at low cost, and he has already put this idea into production at laboratory setting and accomplished continual production of high-quality graphene. As stated in the Letter from the Board, the Company does not consider it necessary to deploy further investment for additional research on Mr. Dai's graphene production method before commencement of commercial production.

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The Letter from the Board further stated that, 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. We noted that NCNTC is a comprehensive state research institute co-founded by the Chinese Academy of Sciences and the Ministry of Education with primary research directions in broad scope of nanoscience. We have also reviewed the letter issued by Mr. Liu on 26 November 2015 regarding his visit to Mr. Dai’s graphene production laboratory, which stated his opinion that there is a high feasibility for the industrialisation of graphene using Mr. Dai’s graphene production method to conduct the pilot production and if the Company and Mr. Dai cooperate and start to conduct the pilot production and development of the industrialisation of graphene, it is estimated that batch production could be conducted in a few months time.

A team of professional staff (the “**Professional Team**”) will be recruited and will be primarily responsible for (a) operating the instruments at the product quality control and testing centre; (b) studying and monitoring the testing results generated from the product quality control and 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 doctorate degree and eight members with master degree in the related field of graphene extraction and production.

As stated in the Letter from the Board, assuming that completion of the Agreements takes place in early February 2016, (i) the production plant and the first production line are expected to be set up by the end of April 2016; (ii) the addition of 29 production lines are expected to be installed by the end of July 2016; (iii) the quality testing centre is expected to be established by the end of July 2016; (iv) the Professional Team is expected to commence duty from April 2016; and (v) the first batch of the high-purity graphite ore of approximately seven tonnes is expected to be paid and delivered by end of March 2016.

We have discussed with the management of the Company the business plan and the details of use of proceeds, including the timeline of the implementation of the business plan, in developing the graphene production business. We have also reviewed

* For identification purpose only

(i) the detailed business plan including the estimated breakdown of funds to be applied on the graphene production business and the underlying basis and assumptions used therein; (ii) a list of quotations in relation to the setting up of the production plant for the graphene production business; (iii) the “Circular of Policy Opinion regarding Facilitating the Development of the Graphene Industry*” (關於促進無錫石墨烯產業發展的政策意見的通知) issued by Wuxi Municipal People’s Government on 9 January 2014 in respect of the governmental policies in support of the development of graphene business in Wuxi Municipality; (iv) a list of identified potential professional staff members, including but not limited to members with a doctorate degree in the related field of graphene extraction and production, and their background information; (v) a list of potential customers, including five companies, two universities and a scientific research centre, with their background information and their respective current status on graphene application; (vi) the background information with the details of the production capacity of the two ore processing factories based in the PRC identified by the Company and the quality test results of the graphite ore provided by one of the ore processing factories; and (vii) the quotations of the instruments for the establishment of the quality testing centre provided by the potential suppliers. We would like to emphasise that the successful implementation of the business will depend on a lot of factors which may not be identified at this stage of the development. Based solely on our discussion with the management of the Company and the review of the above-mentioned documents and save for any unforeseen circumstance, we are of the view that the Company’s implementation of the business plan in developing the graphene production business appears to be feasible if the industrialisation of graphene is realised. However, Shareholders and investors of the Company should note that any hindrance or delay in the implementation of any part of the development plan in any scale or pace may result in delay in commencement of the commercial production of graphene as well as generation of revenue and profits, and may cause the Group to incur further costs or losses.

We have further obtained and reviewed “Certain Opinion regarding the Accelerating the Innovative Development of the Graphene Industry*” (關於加快石墨烯產業創新發展的若干意見) jointly issued by Ministry of Industry and Information Technology of the People’s Republic of China, National Development and Reform Commission and Ministry of Science and Technology of the People’s Republic of China on 20 November 2015 (the “**Opinion**”). Pursuant to the Opinion, graphene demonstrates outstanding properties in optics, electricity, thermology, mechanics, etc., and is a new material that possesses extremely good potential in applications and can widely serve in the economic and social development. Graphene has demonstrated sound application prospects in products of different areas including energy equipment, transportation and traffic, aviation and space flight and marine engineering equipment. However, as a result of the restrictions from the maturity of the production technique for graphene material and the long path of industrialisation of graphene application, mass production and application of the graphene material has not been fully achieved in the PRC. It is also stated in the Opinion that through autonomous system research and development on graphene material and its application, there is a major breakthrough on production technique, equipment technology and product quality and the pace of

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industrialisation of graphene has significantly sped up. It is currently an important phase in industrialising the production of graphene products in the PRC. The Opinion further indicated that the relevant provincial or city level governmental department shall work out the relevant policies and measures that suit the local circumstances, stimulate the innovation power of the market, actively guide and assist the up-stream and down-stream enterprises to open up the production chain, direct the commencement of the establishment, protection and operation of copyright and promote the continuous healthy development of the graphene production industry. The Opinion further outlined the main targets of the development of the graphene production industry which include, among others, (i) to achieve stable production of graphene raw material and industrialise the application in part of the industrial products and consumables for civil use by 2018; and (ii) to form a few graphene production enterprises with core competitiveness and establish the new industrialisation model base characterising graphene production by 2020. Please also refer to the paragraph headed “Rationale for developing the new graphene production business” under the section headed “Reasons for the Agreements” in the Letter from the Board for details of the mass graphene production business in the PRC.

1.3.3 Risk factors

Nevertheless, Shareholders and investors of the Company should note that there are risk factors associated with the graphene production business as stated in the section headed “Risk associated with the graphene production business” in the Letter from the Board. Risks relating to the graphene production business include: (i) no prior experience in operating and managing graphene production business of existing management of the Group; (ii) lack of operating history and track record of the graphene production business and no assurance for success on the continued development and operation of the graphene production business; (iii) reliance on Mr. Dai’s technical advice for mass commercial production of graphene and development of the graphene production business; (iv) hindrance or delay in the implementation of the development plan; (v) the acceptance of the downstream markets; (vi) change in the government’s directions which may affect the sentiments towards graphene market; and (vii) uncertainty of the graphene production business of the Group which may not compete successfully amid continuing emergence of (newer and possibly more effective) technologies of producing high-quality graphene.

We would like to explain that all such risks and uncertainties may or may not adversely affect Company’s ability to implement the plan of its graphene production business in a timely manner, the financial results and profitability of the Group in the future. Despite the risks and uncertainties, having considered the factors as discussed above, in particular, (i) the existing business and unsatisfactory results of operations of the Group for the past two years; (ii) the potential and profit margin that may be achieved in graphene production business, as set out in the paragraph headed “Rationale for developing the new graphene production business” under the section headed “Reasons for the Agreements” in the Letter from the Board, if the industrialisation of graphene is realised; and (iii) the Share Subscriptions represent an opportunity for the Group to bring in expertise for the Group’s business expansion into

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the graphene production business, we concur with the Directors that the investments in the new graphene production business is in the interests of the Company and the Shareholders as a whole.

1.3.4 *Use of proceeds*

As stated in the Letter from the Board, 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. Assuming a net proceeds of approximately HK\$289 million raised, approximately HK\$110 million (representing approximately 38.1% of the net proceeds) will be used for installation of production lines, approximately HK\$60 million (representing approximately 20.8% of the net proceeds) will be used for establishment of the product quality control and testing centre, approximately HK\$20 million (representing approximately 6.9% of the net proceeds) will be used for setting up of the production plant and ancillary facilities for the new graphene production business, approximately HK\$20 million (representing approximately 6.9% of the net proceeds) will be used for recruitment of professional staff for the new graphene production business, and establishment of scientific laboratories jointly with governmental institutes and universities and remaining HK\$79 million (representing approximately 27.3% of the net proceeds) will be used as general working capital for the Group.

1.3.5 *The Agreements*

Dai Subscription Agreement

Pursuant to the Dai Subscription Agreement, Mr. Dai will subscribe for 120,000,000 Subscription Shares and will contribute a total amount of HK\$36 million in cash to the Company subject to a lock-up period of two years commencing from the date of the completion of the Dai Subscription Agreement. Please refer to the paragraph headed “Two-year lock-up period” under the section headed “The Dai Subscription Agreement” in the Letter from the Board for details. As stated in the Letter from the Board, such lock-up period of two years for the relevant Subscription Shares to be subscribed by Mr. Dai demonstrates his commitment in the development of the graphene production business. Moreover, pursuant to the Dai Subscription Agreement, the non-competition undertaking stipulated under the consultancy agreement to be entered into between the Company and Mr. Dai on the date of completion of the Dai Subscription 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 businesses relating to or involving the production of graphene or the sale of graphene by the Group during the continuance of the consultancy agreement and the period of two years after Mr. Dai’s ceasing to be a consultant or ceasing to hold any other position with 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 a consultant or holding any other position with the Group is in favour of the Group.

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MS Subscription Agreement and MS CB Agreement

Pursuant to the MS Subscription Agreement and the MS CB Agreement, Mr. Chau, through Mega Start, will subscribe for 90,000,000 Subscription Shares amounting to HK\$27 million and the Convertible Bond amounting to HK\$24 million with the Mandatory Conversion Condition to demonstrate his commitment and confidence to the continual success of the Group in the long run. As advised by the management of the Group, Mr. Chau has been the key personnel in the liaison between the Company and Mr. Dai, and is expected to be involved in the sales and marketing of the graphene production business, as well as liaising with suitable parties, including governmental institutes and scientific research organisations for further strategic partnerships to facilitate the development and establishment of the graphene production business. The management of the Group considers that Mr. Chau is important to the development of the graphene production business and in maintaining the relationship between the Company and Mr. Dai.

Investor Subscription Agreements

As stated in the Letter from the Board, 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 continuous losses as discussed above and that graphene production business is a new business line of the Group, it will be difficult for the Group to obtain sufficient commercial bank borrowings or third party loans for the initial investment amount required at this stage of the business development. The Group has therefore sought for funding through equity fund raising and, as a result contemplating the Share Subscriptions.

1.3.6 Conclusion

Apart from the review on the financial information of the Group as set out under the above section headed “1.1 Business and financial information of the Group”, we have further reviewed the 2015 Interim Report, and noted that, among other things, (i) the gearing ratio of the Group has increased from approximately 26.7% as at 31 March 2015 to approximately 32.5% as at 30 September 2015; (ii) the Group has been loss making for each of 1H FY2015 and 1H FY2016; (iii) the Group did not have fixed assets in material amount which may be pledged to the financial institutions to obtain bank loans; (iv) net cash used in operating activities of the Group for 1H FY2016 was approximately HK\$86.5 million and the bank balances and cash as at 30 September 2015 was approximately HK\$101.5 million; and (v) the unutilised bank loans of the Group as at 30 September 2015 was approximately HK\$32.8 million. Accordingly, we concur with the management of the Group that it will be difficult for the Group to obtain sufficient commercial bank borrowings or third party loans for the initial investment amount required at this stage for the development of the graphene production business.

Taking into account of the aforesaid including, in particular, (i) the Group has been loss-making recently and repeatedly; (ii) the potential development and application potential of graphene and that if the industrialisation of graphene is realised, the graphene production business could possibly enhance the overall profitability of the Group and its financial performance in the long term; (iii) the Opinion has outlined the path of industrialisation of graphene production in the PRC; (iv) Mr. Dai is an expert in graphene production and the Group would be able to secure Mr. Dai's involvement and commitment partially through the Dai Subscription Agreement; and (v) the financing need in the development of the graphene production business may have exceeded the existing leveraging ability of the Group, we concur with the Company that, although there are risks associated with the development of the graphene production business as discussed above, the entering into of the MS Subscription Agreement and the MS CB Agreement, among other Agreements, with a view to facilitating the development of the graphene production business, is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the MS Subscription Agreement and the MS CB Agreement

2.1 Issue of the Subscription Shares under the MS Subscription Agreement and the Convertible Bond

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 of HK\$0.3 per Share. The subscription monies payable by Mega Start to the Company pursuant to the MS Subscription Agreement amount to HK\$27,000,000. Pursuant to the MS CB Agreement, the Company will issue, and Mega Start will subscribe for, the Convertible Bond in the principal amount of HK\$24,000,000.

The amount of 90,000,000 Subscription Shares represents (i) 30% of the issued share capital of the Company as at the Latest Practicable Date; 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. Upon full conversion of the Convertible Bond, 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 Latest Practicable Date; 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. Details of the number of the Subscription Shares under the MS Subscription Agreement and the issue of the Conversion Shares upon full conversion of the Convertible Bond to be subscribed for by Mega Start are disclosed under the section below headed "5. Effect on the shareholding structure of the Company". The Subscription Shares under the MS Subscription Agreement and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

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The Subscription Shares to be issued to Mega Start pursuant to the MS Subscription Agreement when fully paid, shall 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 Conversion Shares, when allotted and issued, shall also 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).

2.2 Conditions precedent of the MS Subscription Agreement and the MS CB Agreement

Completion of the MS Subscription Agreement and the MS CB Agreement is conditional upon the fulfilment of their respective conditions. Please refer to the paragraph headed “Conditions precedent to the MS Subscription Agreement” under the section headed “The MS Subscription Agreement” and the paragraph headed “Conditions precedent to the MS CB Agreement” under the section headed “The MS CB Agreement” in the Letter from the Board for the details of conditions precedent of the MS Subscription Agreement and the MS CB Agreement. Independent Shareholders should be noted that the MS Subscription Agreement and the MS CB Agreement, the Dai Subscription Agreement and the Investor Subscription Agreements are conditional on each other and are conditional on such number of the Investor Subscription Agreements for the aggregate subscription monies payable by the Investors of at least HK\$147 million having become unconditional. In the event that the conditions precedent 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, 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 others.

2.3 Restrictions on issue of securities by the Company

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

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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:

- (a) 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;
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

As stated in the Letter from the Board, the Directors consider that the funds to be raised from the Share Subscriptions will be sufficient for the Group to develop the graphene production business and, upon completion of the Share Subscriptions, it is expected that no other fund raising activity will be required in a short term. Also, the Company will apply its existing cash in financing the operation of the existing businesses of the Group which mainly involves payments for account payables for construction projects as well as administrative expenses. Having taking into account the aforesaid and the facts that (i) the restrictions do not apply in granting of options under the Share Option Scheme and Shares falling to be issued upon exercise of such options granted; (ii) the Company expected that no other fund raising activity will be required in a short term; (iii) the undertaking for a 180-day restriction on further issue of securities would limit the further potential dilution impact to the Shareholders during such period; (iv) the restriction period will be 180 days after the date of completion of the respective Agreements, which is much shorter than the lock-up period of two years after the date of completion of the MS Subscription Agreement and the Dai Subscription Agreement given by Mega Start and Mr. Dai; and (v) it is not unseen for listed companies to have restrictions on further issuance of new shares following completion of share placements or subscriptions, we consider that such terms are fair and reasonable.

2.4 Other terms of the MS Subscription Agreement

Save and except for certain terms set out below and the terms in respect of the provision of consultancy services by Mr. Dai to the Company pursuant to the Dai Subscription Agreement, the terms of the MS Subscription Agreement are substantially identical to the terms of the Dai Subscription Agreement and the Investor Subscription Agreements. Please refer to the section headed “The Dai Subscription Agreement” and the section headed “The Investor Subscription Agreements” in the Letter from the Board for the details of the Dai Subscription Agreement and the Investor Subscription Agreements.

2.4.1 Subscription monies

Pursuant to the Dai Subscription Agreement and the Investor Subscription Agreements, Mr. Dai and each of the Investors shall deposit the respective subscription monies to the 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 and the respective Investor Subscription Agreements. We note that there is no such clause which Mega Start is obligated to deposit the relevant subscription monies amounting to HK\$27,000,000 to the Escrow Account pursuant to the MS Subscription Agreement. We understand that such deposit arrangement is not a common practice for similar transaction of subscription of shares and we are of the view that the absence of deposit arrangement under the MS Subscription Agreement does not invalidate the commitment of Mr. Chau to the Group.

2.4.2 Restriction on disposal

The Subscription Shares under the MS Subscription Agreement and the Dai Subscription Agreement are subject to a lock-up period of two years commencing from the date of the completion of the MS Subscription Agreement and the Dai Subscription Agreement. Please refer to the paragraphs headed “Two-year lock-up period” under the sections headed “The MS Subscription Agreement” and “The Dai Subscription Agreement” in the Letter from the Board for details. As stated in the Letter from the Board, such lock-up period of two years for the relevant Subscription Shares to be subscribed by Mr. Dai, being an independent third party, and Mega Start, which in the opinion of the Directors, demonstrates the commitment of Mr. Dai and Mega Start (i.e. Mr. Chau) as 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 would 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. We are of the view the lock-up arrangement indicated that Mega Start will participate in the long term development of the Company and that such voluntary arrangement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Having considered (i) our analysis of the terms of the MS Subscription Agreement set out above; (ii) the reasons for and the benefits of the MS Subscription Agreement as discussed under the section headed “1.3 Reasons for and use of proceeds of the Agreements and the proposed business plan” above; (iii) the terms of the Dai Subscription Agreement

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and the Investor Subscription Agreements are very much similar to those of the MS Subscription Agreement and that Mr. Dai and the Investors are all Independent Third Parties; and (iv) the evaluation of the Subscription Price set out in the section below headed “2.6 Evaluation of the Subscription Price and the Conversion Price”, we concur with the Directors’ view that the terms of the MS Subscription Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

2.5 Principal terms of the MS CB Agreement

A summary of the principal terms of the Convertible Bond is set out below. For details, please refer to the sectioned headed “The MS CB Agreement” in the Letter from the Board.

Issue price:	100% of the principal amount of the Convertible Bond of HK\$24,000,000
Interest:	The Convertible Bond shall bear no interest
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, please refer to the relevant clause as set out in the Letter from the Board for further details
Conversion Shares:	Upon full conversion of the Convertible 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

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Mandatory Conversion Condition:	<p>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.</p>
Conversion restriction:	<p>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.</p>
Redemption:	<p>Unless previously converted, purchased or cancelled in accordance with the terms of the Convertible Bond, the Company shall redeem the Convertible Bond at the principal amount on the maturity date, please refer to the relevant clause(s) as set out in the Letter from the Board for further details.</p>

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Event of default: 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. Please refer to the relevant clause(s) as set out in the Letter from the Board for further details of the events of default.

As stated in the Letter from the Board, 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 the long run.

Pursuant to the MS CB Agreement, the Convertible Bond will not bear any interest, which will reduce the finance cost of the Group while providing additional liquidity to the Group. In addition, we are of the view that five years maturity allows the Group a longer period of stable financing before redeeming the Convertible Bond and can therefore minimise the immediate financial burden of the Company in the near period. Please also refer to the paragraph headed “2.6.5 Comparison with other issue of convertible bonds/notes exercises” under the section headed “2.6 Evaluation of the Subscription Price and the Conversion Price” for further analysis of the terms of the MS CB Agreement and comparison with other issue of convertible bonds/notes exercises.

Having considered (i) the conversion of the Convertible Bond is subject to the Mandatory Conversion Condition; (ii) the Mandatory Conversion Condition provides an incentive for Mr. Chau’s continuing commitment and contribution to the Group in the future; (iii) the Company is not required to pay any interest to the holder of the Convertible Bond; (iv) the financial position of the Group as discussed under the paragraphs headed “1.1 Business and financial information of the Group” and “1.3 Reasons for and use of proceeds of the Agreements and the proposed business plan” above; and (v) the evaluation of the Conversion Price set out in the section headed “2.6 Evaluation of the Subscription Price and the Conversion Price” below, we concur with the Directors’ view that the terms of the MS CB Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.6 *Evaluation of the Subscription Price and the Conversion Price*

2.6.1 *The Subscription Price and the Conversion Price*

The Subscription Price and the Conversion Price (i.e. HK\$0.3 per Subscription Share) represent:

- (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 (“**Unaudited NAV per Share**”) based on the latest unaudited net asset value attributable to owners of the Company of approximately HK\$8,855,000 as at 30 September 2015 and the total number of Shares in issue as at the Latest Practicable Date of 300,000,000 Shares;
- (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;
- (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; and
- (vii) a discount of approximately 96.10% to the closing price of HK\$7.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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2.6.2 Historical Share performance of the Company

Set out below is a chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 16 December 2014, and up to and including the Latest Practicable Date (the “**Review Period**”).



Source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the above chart, the daily closing price of the Shares showed an upward trend during the Review Period, with the lowest and highest closing prices of the Shares as quoted on the Stock Exchange of HK\$1.6 per Share recorded on 23 and 24 December 2014 and HK\$9.97 per Share recorded on 28 December 2015, respectively. The Shares were traded above the Subscription Price throughout the entire Review Period. The Subscription Price represents (i) a discount of approximately 81.25% to the lowest closing price of the Share; and (ii) a discount of approximately 96.99% to the highest closing price of the Share during the Review Period. As illustrated in the above chart, the closing price of the Share surged within a short period of time from HK\$2.82 per Share on 2 July 2015 to HK\$7.4 per Share on 14 August 2015. We noted that announcements were published by the Company during the said period in respect of (i) the disposal of the entire issued share capital of Prosper Ace Investments Limited, which is incorporated in the BVI with limited liability and wholly-owned by the Company, by the Company on 15 July 2015; (ii) change of shareholding of controlling Shareholder on 20 July 2015; and (iii) the appointment of new Directors and change of composition of committees of the Board on 22 July 2015. Following the release of the announcement dated 16 December 2015 in relation to the entering into of the Agreements between the Company and the Subscribers, the closing price per Share further went up from HK\$7.18 on 16 December 2015 and peaked at HK\$9.97 on 28 December 2015. We have reviewed the announcements published by the Company during the Review Period and considered that the upward movement of the Share prices is not correlated with any publication of the profit warning and/or results announcements of the Company during the Review Period and the changes in closing prices of the Shares were not supported by the fundamental financial performance of the Group which continued to record losses during the Review Period.

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As advised by the Directors, they were not aware of any specific events of the Company, save and except for the above-mentioned announcements published by the Company, that caused the upward movement in the Share prices during the Review Period.

2.6.3 Review on trading liquidity of the Shares

The following table sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

			Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date (Note 4) (approximately)
	Total trading volume for the month/period (Note 1)	Average daily trading volume for the month/period (Note 2)	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date (Note 3) (approximately)
2014			
December	812,000	38,667	0.01%
2015			
January	7,574,000	360,667	0.12%
February	652,000	36,222	0.01%
March	472,000	21,455	0.01%
April	3,996,000	210,316	0.07%
May	11,888,000	625,684	0.21%
June	7,712,000	350,545	0.12%
July	37,779,000	1,717,227	0.57%
August	26,799,570	1,276,170	0.43%
September	8,642,000	432,100	0.14%
October	4,898,000	244,900	0.08%
November	11,074,000	527,333	0.18%
December	18,875,700	857,986	0.29%
2016			
January (up to and including the Latest Practicable Date)	4,390,000	548,750	0.18%

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Notes:

1. Source: Website of the Stock Exchange (www.hkex.com.hk).
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
3. Based on 300,000,000 Shares in issue as at the Latest Practicable Date.
4. Based on 142,500,000 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the data set out in the table above, the average daily trading volume of the Shares in each month/period during the Review Period ranged from approximately 21,455 Shares to approximately 1,717,227 Shares, representing approximately 0.01% and approximately 0.57% respectively of the total number of the Shares in issue as at the Latest Practicable Date and approximately 0.02% and 1.21% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date. The overall liquidity of the Shares during the Review Period was very low.

2.6.4 Comparison with other share subscription exercises

As part of our analysis, we have identified transactions regarding subscription of new shares under specific mandate in the past three months prior to 16 December 2015 (the date of which the Company published the announcement in relation to the entering into of the MS Subscription Agreement) with issuers listed on the Main Board of the Stock Exchange, to independent third parties or connected persons as announced by companies listed on the Stock Exchange (the “**Shares Subscription Comparables**”). We have identified 27 transactions, which are exhaustive and met the said criteria. We consider the Shares Subscription Comparables to be appropriate in our analysis since their respective terms of issue were determined after arm’s length negotiation between the relevant parties and we are of the view that each of them represents a fair and representative sample. The Independent Shareholders should note that the businesses,

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operations and prospects of the Company are not similar as the subject companies of the Shares Subscription Comparables and thus the Shares Subscription Comparables are only used to provide a general reference for the recent common market practice of companies listed on Main Board of the Stock Exchange in subscription of new shares under specific mandate.

Date of announcement	Stock code	Company name	Connected transaction	Market capitalisation (HK\$' million)	Issue size of the respective shares subscription (HK\$' million)	Reduction in percentage of shareholding held by other public shareholders	Premium/(discount) of subscription price over/to the net assets attributable to the equity shareholders of Shares Subscription Comparables (%) (note 1)	Premium/(discount) of subscription price over/to the share price as at the last trading day prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)
16-Dec-15	729	FDG Electric Vehicles Limited	No	7,844.85	465.00	3.01	342.65	0.00
16-Dec-15	274	China Billion Resources Limited	No	455.47	484.60	47.19	NA (note 2)	(71.26) (note 3)
15-Dec-15	704	Huscoke Resources Holdings Limited	No	244.52	210.00	51.56	341.09	(62.96) (note 4)
14-Dec-15	798	Optics Valley Union Holding Company Limited	No	3,760.00	2,040.00	17.00	12.75	(15.80)
13-Dec-15	707	Co-Prosperity Holdings Limited	Yes	484.58	60.00	7.43	124.01	(25.00)
11-Dec-15	1070	TCL Multimedia Technology Holdings Limited	No	5,961.35	2,267.53	6.78	122.94	31.31
10-Dec-15	419	China Jiuhaio Health Industry Corporation Limited	No	6,194.25	547.01	18.81	(77.19)	(90.91) (note 2)
9-Dec-15	370	China Best Group Holding Limited	No	1,447.76	360.00	27.53	1.38	(26.23)
4-Dec-15	2728	Yuhua Energy Holdings Limited	Yes	765.89	640.00	33.09	126.92	0.00
2-Dec-15	1332	China Optoelectronics Holding Group Company Limited	No	1,132.16	92.01	8.19	(7.50)	(15.79)
2-Dec-15	399	Innovative Pharmaceutical Biotech Limited	No	1,566.69	600.00	15.46	96.73	(23.08)
1-Dec-15	1142	Siberian Mining Group Company Limited	Yes (note 6)	141.20	225.79	36.20	NA (note 2)	0.00
17-Nov-15	313	Richly Field China Development Limited	Yes	1,117.34	130.00	5.36	827.19	0.00
11-Nov-15	2882	Hong Kong Resources Holdings Company Limited	Yes	433.25	3.92	6.41	16.10	(14.58)
6-Nov-15	439	KuangChi Science Limited	Yes (note 6)	15,884.18	1,380.40	2.79	651.65	(29.70)
6-Nov-15	963	Bloomage BioTechnology Corporation Limited	Yes	5,712.46	116.25	1.27	288.52	(13.42)
5-Nov-15	33	Harmonic Strait Financial Holdings Limited	Yes	781.02	100.00	9.49	127.32	(28.57)
4-Nov-15	1178	Vitop Bioenergy Holdings Limited	No	467.99	110.00	24.81	72.75	(43.82)

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Date of announcement	Stock code	Company name	Connected transaction	Market capitalisation (HK\$' million)	Issue size of the respective shares subscription (HK\$' million)	Reduction in percentage of shareholding held by other public shareholders	Premium/(discount) of subscription price over/to the net assets attributable to the equity shareholders of Shares Subscription Comparables (%) (note 1)	Premium/(discount) of subscription price over/to the share price as at the last trading day prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)
2-Nov-15	1622	Redco Properties Group Limited	Yes	9,766.93	778.81	2.50	209.33	(16.10)
27-Oct-15	650	Shun Cheong Holdings Limited	No	903.05	850.00	25.58	NA (note 2)	(88.65)
26-Oct-15	1201	Tesson Holdings Limited	Yes (note 6)	580.34	160.00	13.52	196.72	(23.08)
26-Oct-15	354	Chinasoft International Limited	Yes	5,642.39	238.31	3.47	58.44	(14.11)
26-Oct-15	95	LVGEM (China) Real Estate Investment Company Limited	No	10,372.82	660.00	4.80	211.59	(14.06)
13-Oct-15	95	LVGEM (China) Real Estate Investment Company Limited	No	10,372.82	660.00	4.80	211.59	(12.35)
12-Oct-15	1207	SRE Group Limited	No	6,889.18	1,490.00	35.33	(93.55)	(74.36)
25-Sep-15	6818	China Everbright Bank Company Limited	Yes	204,304.07	19,584.80	4.02	(8.40)	42.75
24-Sep-15	2178	Petro-king Oilfield Services Limited	Yes	730.52	73.85	2.18	(49.88)	14.50
Average						15.50	158.47	(22.79)
Minimum						1.27	(93.55)	(90.91)
Maximum						51.56	827.19	42.75
The Share Subscriptions					270.00	35.63	916.95	(95.71)

Source: Website of the Stock Exchange and Bloomberg

Notes:

1. Calculated based on the respective subscription prices and the net assets attributable to the equity shareholders (based on an exchange rate of RMB1.00 = HK\$1.20) of the Shares Subscription Comparables as extracted from their respective latest published results announcements (prior to the publication of the respective shares subscription announcements) divided by their total number of issued shares as at the date of announcement in relation to the respective shares subscriptions.
2. Recorded capital deficiency as disclosed in their respective latest published interim results announcements.
3. Based on the theoretical closing price of HK\$0.174 per share as adjusted for the effect of the capital reorganisation as disclosed in the announcement of China Billion Resources Limited on 16 December 2015.
4. Based on the adjusted closing price of HK\$0.405 per share immediately after the capital reorganisation becoming effective as disclosed in the announcement of Huscoke Resources Holdings Limited on 15 December 2015.

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5. Based on the theoretical ex-entitlement closing price of HK\$0.58 as disclosed in the announcement of China Jiu hao Health Industry Corporation Limited on 10 December 2015.
6. Shares were subscribed by both connected person(s) and independent third party(ies)

As shown in the above table, the subscription prices of the Shares Subscription Comparables ranged from a discount of approximately 90.91% to a premium of approximately 42.75% to the respective closing prices of their shares on the last trading days prior to/on the date of the announcement/agreement in relation to the relevant subscription of shares (“**Shares Subscription Comparables Price Range**”). The Subscription Price of HK\$0.3 per Share being 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 is thus below the Shares Subscription Comparables Price Range. The subscription prices of the Shares Subscription Comparables ranged from a discount of approximately 93.55% to a premium of approximately 8.27 times to the net assets value attributable to the equity shareholders of the Shares Subscription Comparables (“**Shares Subscription Comparables NAV Range**”). The Subscription Price of HK\$0.3 which represents a premium of approximately 9.17 times over the Unaudited NAV per Share is higher than the Shares Subscription Comparables NAV Range.

In addition, the reduction in the shareholding held by other public shareholders due to the respective shares subscriptions in the Shares Subscription Comparables ranged from approximately 1.27% to approximately 51.56%. The reduction in the shareholding in the Company held by existing Shareholders (other than Grand Silver Group Limited, Full Fortune International Company Limited, Mega Start, Mr. Dai and the Investors) as a result of the Share Subscriptions of approximately 35.63% (being diluted from approximately 47.5% of the issued share capital of the Company as at the Latest Practicable Date to approximately 11.87% of the then issued share capital of the Company as enlarged by the issue of the Aggregate Subscription Shares) is within the range of the Shares Subscription Comparables.

2.6.5 Comparison with other issue of convertible bonds/notes exercises

In addition to the comparison with other share subscription exercises, we have also identified transactions regarding the issue of convertible bonds/notes under specific mandate announced in the past three months prior to 16 December 2015 (the date of which the Company published the announcement in relation to the entering into of the MS CB Agreement) with issuers listed on the Main Board of the Stock Exchange, to independent third parties or connected persons as announced by companies listed on the Stock Exchange (the “**Bond Subscription Comparables**”). We have identified and made references to five Bond Subscription Comparables which are exhaustive and met the said criteria. We consider the Bond Subscription Comparables to be appropriate in our analysis since their respective terms of issue is determined after arm’s length negotiation between the relevant parties and we are of the view that each of them represents a fair and representative sample. The Independent Shareholders should note that the Bond Subscription Comparables are not identical to the Company in terms of

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principal business, operations and financial position and thus shall serve as a reference only for the common market practice in recent issuance of the convertible bonds/notes by the companies listed on Main Board of the Stock Exchange.

Date of announcement	Stock code	Company name	Connected transaction	Market capitalisation (HK\$' million)	Issue size of the respective subscription of convertible bonds/notes (HK\$' million)	Reduction in percentage of shareholding held by other public shareholders	Premium/ (discount) of conversion price over/to the net assets attributable to the equity shareholders of	Interest rate per annum (%)	Duration (number of years)	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/ the date of agreement in relation to the respective subscription of convertible bonds/notes
							Bond Subscription Comparables (%) (note 1)			(%)
16-Dec-15	274	China Billion Resources Limited	No	455.47	53.42	14.48	NA (note 2)	10	3	(42.53) (note 3)
9-Dec-15	2280	HC International Inc.	Yes	3,491.79	500.00	6.93	117.06	0	3	(8.26)
5-Nov-15	33	Harmonic Strait Financial Holdings Limited	Yes	781.02	100.00	9.49	127.32	0	2	(28.57)
27-Oct-15	650	Shun Cheong Holdings Limited	No	903.05	250.00	16.88	NA (note 2)	0	3	(88.65)
27-Oct-15	261/138	CCT Land Holdings Limited/CCT Fortis Holdings Limited	Yes	2,306.97	1,095.67	54.44	50.06	0	3	(47.37)
		Average				20.44	98.15			(43.08)
		Minimum				6.93	50.06			(88.65)
		Maximum				54.44	127.32			(8.26)
		The Convertible Bond			24.00	10.00	916.95	0	5	(95.71)

Source: Website of the Stock Exchange and Bloomberg

Notes:

1. Calculated based on the respective conversion prices and the net assets attributable to the equity shareholders (based on an exchange rate of RMB1.00 = HK\$1.20) of the Bond Subscription Comparables as extracted from their respective latest published results announcements (prior to the publication of the respective convertible bonds/notes subscription announcements) divided by their total number of issued shares as at the date of announcement in relation to the respective subscription of convertible bonds/notes.
2. Recorded capital deficiency as disclosed in their respective latest published interim results announcements.
3. It was calculated based on the theoretical closing price of HK\$0.174 per share as adjusted for the effect of the capital reorganisation as disclosed in the announcement of China Billion Resources Limited on 16 December 2015.

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As shown in the above table, the conversion price of the Bond Subscription Comparables ranged from a discount of approximately 8.26% to approximately 88.65% to the respective closing prices of their shares on the last trading days prior to/on the date of the announcement/agreement in relation to the relevant subscription of convertible bonds/notes (“**Bond Subscription Comparables Price Range**”). The Conversion Price of HK\$0.30 per Conversion Share represents 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 is thus below the market range of the Bond Subscription Comparables Price Range. The conversion prices of the Bond Subscription Comparables ranged from a premium of approximately 50.06% to approximately 127.32% to the net assets value attributable to the equity shareholders of the Bond Subscription Comparables (“**Bond Subscription Comparables NAV Range**”). The Conversion Price of HK\$0.3 which represents a premium of approximately 9.17 times over the Unaudited NAV per Share is higher than the Bond Subscription Comparables NAV Range.

Based on the above findings, it was noted that the Bond Subscription Comparables carried an interest ranging from 0% to 10% per annum. We consider that the Convertible Bond being non-interest bearing will reduce the finance cost of the Group while providing additional liquidity to the Group. We also noted that the maturity of the Convertible Bond with a term of five years is longer than the maturity of the other Bond Subscription Comparables, which ranges from two to three years. We are of the view that longer maturity allows the Group for a longer period of stable financing before redeeming the Convertible Bond and can therefore minimise the financial burden of the Company during the period.

In addition, the reduction in the shareholding held by other public shareholders due to the respective issue of the conversion shares upon full conversion of convertible bonds/notes in the Bond Subscription Comparables ranged from approximately 6.93% to approximately 54.44%. The reduction in the shareholding in the Company held by existing Shareholders (other than Grand Silver Group Limited, Full Fortune International Company Limited, Mega Start, Mr. Dai and the Investors) as a result of the issue of the Conversion Shares of approximately 10.00% (being diluted from approximately 47.5% of the issued share capital of the Company as at the Latest Practicable Date to approximately 37.5% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bond) is within the range of the Bond Subscription Comparables.

2.6.6 Comparison with the net assets of the Company

In comparison with the net assets of the Company, we noted that the Subscription Price and the Conversion Price of HK\$0.3 per Share is at a premium of approximately 9.17 times over the Unaudited NAV per Share. We also noted that the estimated fully diluted unaudited consolidated net asset value attributable to owners of the Company per Share would be increased to approximately HK\$0.2327, based on the estimated unaudited net asset value attributable to owners of the Company as adjusted by the issue of the Aggregate Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bond with the maximum net proceeds of approximately HK\$297.86 million and the maximum number of Shares in issue of 1,280,000,000 Shares, representing an increase of approximately 688.8% as compared to the Unaudited NAV per Share.

2.6.7 Basis of the Conversion Price and the Subscription Price

We noted from the above analysis on the historical Share performance and liquidity of the Shares and also the comparison with other share subscription and issue of convertible bonds/notes exercises that, (i) the Shares were traded above the Subscription Price throughout the Review Period and that the upward movement of the Share prices since August 2015 was not correlated with any publication of the profit warning and/or results announcements of the Company during the Review Period and the changes in closing prices of the Shares were not supported by the fundamental financial performance of the Group which continued to record losses during the Review Period; (ii) the overall liquidity of the Shares during the Review Period was very low; (iii) the Subscription Price of HK\$0.3 per Share being 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 is below the Shares Subscription Comparables Price Range and the Bond Subscription Comparables Price Range; and (iv) the Subscription Price of HK\$0.3 which represents a premium of approximately 9.17 times over the Unaudited NAV per Share is higher than the Shares Subscription Comparables NAV Range and the Bond Subscription Comparables NAV Range.

As stated in the Letter from the Board, the Conversion Price pursuant to the MS CB Agreement and the Subscription Price pursuant to the MS Subscription Agreement are the same, 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 pursuant to the Dai Subscription Agreement with reference to the financial performance and current financial 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" in the Letter from the Board. Taking into account (i) the current financial performance of the existing business and the financial position of the Group as set out in the above paragraphs headed "1.1 Business and financial information of the Group" and "1.3.1 Performance of existing business and intention on business diversification"; (ii) the analysis on the historical Share performance as set out in the above paragraph headed

“2.6.2 Historical Share performance of the Company” that the upward movement of the Share prices since August 2015 was not supported by the fundamental financial performance of the Group which continued to record losses during the Review Period; and (iii) the low liquidity of the Shares during the Review Period, we concur with the view of the Directors that the prevailing market price is not reflective of the fundamentals of the Group.

On the basis of the aforesaid including, in particular, (i) the prevailing market price is not reflective of the fundamentals of the Group; (ii) the potential development and application potential of graphene and that if the industrialisation of graphene is realised, the graphene production business could possibly enhance the overall profitability of the Group and its financial performance in the long term; (iii) the Subscription Price represents a material premium of approximately 9.17 times over the Unaudited NAV per Share which is higher than the Shares Subscription Comparables NAV Range and the Bond Subscription Comparables NAV Range; and (iv) Mega Start has subscribed for the Subscription Shares at the same Subscription Price as Mr. Dai and the Investors which are the Independent Third Parties, we consider that the Subscription Price and the Conversion Price are fair and reasonable so far as the Independent Shareholders are concerned.

3. Other financing alternatives available

As stated in the Letter from the Board, 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 continuous losses and that graphene production business is a new business, it will be difficult for the Group to obtain sufficient commercial 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. In addition, as advised by the Directors, the issue of the Convertible Bond with the Mandatory Conversion Condition provides a financing alternative to the Group in view of the current financial performance of the Group and that the issue of the Convertible Bond does not create any interest payment obligation on the Group. We have also discussed with the Directors in respect of other possible financing alternatives and concur with the view of the Directors that bank borrowings, rights issue or open offer may be subject to the financial position of the Group and the then prevailing market condition. Furthermore, debt financing may also be subject to lengthy due diligence and negotiation process and will incur interest burden on the Group. Regarding different equity financing methods such as rights issue or open offer, lengthy process to identify potential underwriter(s) and substantial costs relating to underwriting commission will be incurred and also with uncertainty in the success of the implementation. As advised by the management of the Company, assuming the underwriting commission of the rights issue and open offer payable to the underwriter(s) would be 2.5% (with reference to the market rate) on the aggregate subscription price in respect of the offer shares for which the underwriter(s) agreed to subscribe, in such case being the minimum amount to be raised from the issue of the Aggregate Subscription Shares and the issue of the Convertible Bond of HK\$234 million, the minimum aggregate underwriting commissions would be HK\$5.85 million. In addition, as disclosed in the announcement of the Company dated 19 January 2015, the then total number of Shares held by Grand Silver Group

Limited, the controlling Shareholder, has been pledged on 15 January 2015 in favour of the lender as the security for a loan facility provided to Grand Silver. As such, the management of the Company considered it is uncertain that Grand Silver Group Limited would provide undertaking to subscribe for its pro rata entitlement in full under any possible rights issue and open offer of the Company which, in turn, would increase the difficulty of identifying potential underwriter(s) and negotiation of the terms of the underwriting agreement, including but not limited to the underwriting commission. The Company further advised that extra time of three months might incur if the Company was to conduct rights issue and open offer as compared to the issue of the Aggregate Subscription Shares and the issue of the Convertible Bond. Moreover, the above-mentioned possible financing alternatives could not bring strategic value and business opportunities to the Group as the Share Subscriptions and the issue of the Convertible Bond do with the reasons that Mr. Chau will build on his extensive experience in operations management and lead the Group to develop and manage the graphene production business and Mr. Dai will provide his expertise on the Group's development of the graphene production business. Taking into account (i) potential strategic benefits as a result of increasing the shareholding of Mr. Chau and Mr. Dai; (ii) the current financial position and future business plan of the Group; and (iii) the pros and cons of other alternative financing methods as discussed above, we concur with the Directors' view that the fund raising by way of the Share Subscriptions pursuant to the MS Subscription Agreement and the issue of Convertible Bond is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Possible Financial Effects

As the MS Subscription Agreement, the MS CB Agreement, the Dai Subscription Agreement and the Investor Subscription Agreements are conditional on each other, the following analysis is based on the financial effects of the issue of the Aggregate Subscription Shares and the Convertible Bond with maximum net proceeds of approximately HK\$ 289 million.

4.1 *Net asset value*

In respect of the Share Subscriptions, as discussed with the management of the Group, the Share Subscriptions is expected to result in (i) an increase in cash by the amount of the maximum net proceeds of approximately HK\$265 million; and (ii) an increase by the relevant amount in the issued capital and reserve of the Company. Upon the completion of the Share Subscriptions and assuming there is no other change to the balance sheet items since 30 September 2015 save for the changes caused by the Share Subscriptions, the net asset value of the Group will be increased by the amount of the net proceeds from the Share Subscriptions.

Furthermore, as advised by the Directors, the Convertible Bond will be accounted for initially at fair value on the consolidated statement of financial position of the Group upon the completion of the MS CB Agreement. The fair value of the Convertible Bond at initial recognition will depend on the then market conditions, and that the equity portion and the liability portion of the Convertible Bond recognised will be subject to assessment and valuation by a professional valuer.

4.2 Earnings

The issue of the Aggregate Subscription Shares is expected to result in an increase in cash by the amount of the maximum net proceeds of approximately HK\$ 265 million. As discussed with the management of the Group, the Share Subscriptions would not have material effect on the earnings of the Group immediately upon the completion of the Share Subscriptions. In respect of the dilution in earning per Share, the Group recorded a loss attributable to shareholders of the Company in FY2015. Should the Group record any earnings in the future, such earnings, if any, will be subject to dilution by the number of new Shares issued as a result of the issue of the Aggregate Subscription Shares.

In addition, in respect of the issue of the Convertible Bond, as advised by the management of the Group, the liability portion of the Convertible Bond will subsequently be carried at amortised cost using the effective interest method and the effective interest expenses of the Convertible Bond will be recorded on the consolidated statements of comprehensive income of the Company until any conversion and/or redemption of the Convertible Bond. Upon conversion of the Convertible Bond, the issuance of the Conversion Shares may have a dilutive effect on any future earnings of the Group (if any).

4.3 Gearing and working capital

Upon the issue of the Aggregate Subscription Shares and the Convertible Bond, the Company will raise an aggregate maximum net proceeds of approximately HK\$289 million. In respect of the Share Subscriptions, the net proceeds from the Share Subscriptions will be recognised as cash and equity. Hence, the cash position and the current assets of the Group will be increased by the net proceeds of the Share Subscriptions and that the gearing ratio (based on total interest-bearing borrowings over the total assets of the Group) of the Group will be decreased.

Regarding the issue of the Convertible Bond, the Convertible Bond will be treated partly as a liability and partly as equity of the Group. Accordingly, the liquidity and working capital position of the Group will also be improved upon the completion of the issue of the Convertible Bond.

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5. Effect on the shareholding structure of the Company

The table below sets out the respective effects of the issue of the Aggregate Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bond on the shareholding structure of the Company (assuming no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the dates of the relevant events).

	As at the Latest Practicable Date		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	
	Number of Shares	Appr. %	Number of Shares	Appr. %	Number of Shares	Appr. %
Grand Silver Group Limited (Note 1)	112,500,000	37.50%	112,500,000	9.38%	112,500,000	8.79%
Full Fortune International Co. Ltd (Note 2)	15,000,000	5.00%	15,000,000	1.25%	15,000,000	1.17%
Mega Start (Note 3)	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 (Note 4)	142,500,000	47.50%	945,000,000	78.75%	1,065,000,000	83.20%

Notes:

- (1) These Shares were 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 were 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 were 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.

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As shown in the table above, the shareholding in the Company held by existing Shareholders (other than Grand Silver Group Limited, Full Fortune International Company Limited, Mega Start, Mr. Dai and the Investors) would be diluted from 47.5% as at the Latest Practicable Date to (i) approximately 11.87% upon issue of the Aggregate Subscription Shares; or (ii) approximately 11.13% upon issue of the Aggregate Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bond. As discussed above, the Group has been loss-making recently and repeatedly and having taking into account (i) the overall benefits of the Share Subscriptions and the issue of the Convertible Bond, including but not limited to the introduction of substantial funding and solid shareholders for the Group's expansion into the graphene production business; (ii) the terms of the MS Subscription Agreement and the MS CB Agreement are fair and reasonable; and (iii) the estimated fully diluted unaudited consolidated net asset value attributable to owners of the Company per Share would be enhanced as discussed in details above, we concur with the Company that the entering into of the MS Subscription Agreement and the MS CB Agreement, among other Agreements, with a view to facilitating the development of the graphene production business and considering the growth potential of the graphene production business, is in the interests of the Company and the Shareholders as a whole and we are of the view that the dilution effect on the shareholding of existing Shareholders (other than Grand Silver Group Limited, Full Fortune International Company Limited, Mega Start, Mr. Dai and the Investors) in the Company, which is within the range of the Shares Subscription Comparables and the Bond Subscription Comparables, is justifiable.

RECOMMENDATION

We have considered the above principal factors and reasons and particularly (i) the strategic rationale of the MS Subscription Agreement and the MS CB Agreement; (ii) the terms of the MS Subscription Agreement and the MS CB Agreement; (iii) the possible financial effects to the Group; and (iv) the effect on the shareholding structure of the Company. We consider that the Share Subscriptions and the issue of the Convertible Bond will improve the capital structure of the Company and bring strategic benefits to the Company as a result of increasing the shareholding of Mr. Chau and Mr. Dai, which will help the Company to develop the graphene production business and enhance the value of the Company in the long term. Notwithstanding there is uncertainty in the successful commercialization of graphene products, the Directors consider this is a good opportunity for the Group to tap into a business line with long term potential. Based on the above principal factors and reasons, we consider that the entering into of the MS Subscription Agreement and the MS CB Agreement is in the interests of the Company and the Independent Shareholders as a whole, and terms of the MS Subscription Agreement and the MS CB Agreement and the transactions contemplated thereunder are on normal commercial

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terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the MS Subscription Agreement and the MS CB Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Share Subscriptions and the issue of the Convertible Bond (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of completion of the Share Subscriptions and the issue of the Convertible Bond) are as follows:

<i>Authorised share capital:</i>		<i>HK\$'000</i>
<u>2,000,000,000</u>	Shares	<u>20,000</u>
<i>Issued, fully paid or credited as fully paid:</i>		<i>HK\$'000</i>
300,000,000	Shares in issue as at the Latest Practicable Date	3,000
900,000,000	Aggregate Subscription Shares to be allotted and issued upon completion of the Share Subscriptions (assuming that all the Agreements have been completed):	9,000
<u>80,000,000</u>	Conversion Shares to be allotted and issued upon exercise in full the conversion right attaching to the Convertible Bond	<u>800</u>
<u>1,280,000,000</u>	Shares	<u>12,800</u>

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed above, as at the Latest Practicable Date the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as contained in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

Name of Director	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
Mr. Chau (<i>Note 1</i>)	Interest of controlled corporation	200,000,000 (L)	66.67%
Mr. Chen Guobao (<i>Note 2</i>)	Interest of controlled corporation	15,000,000 (L)	5.0%

(L): Long position

Notes:

- (1) The 200,000,000 Shares were held by Mega Start. The interest in 200,000,000 Shares comprises (i) 30,000,000 Shares held by Mega Start, (ii) 90,000,000 Subscription Shares arising from entering into the MS Subscription Agreement and (iii) 80,000,000 Conversion Shares arising from entering into the MS CB Agreement. Mr. Chau beneficially owns the entire issued share capital of Mega Start. By virtue of the SFO, Mr. Chau is deemed to be interested in the 200,000,000 Shares held by Mega Start.
- (2) The 15,000,000 Shares were held by Full Fortune International Co., Ltd, and Mr. Chen Guobao beneficially owns the entire issued share capital of Full Fortune International Co., Ltd. By virtue of the SFO, Mr. Chen Guobao is deemed to be interested in the 15,000,000 Shares held by Full Fortune International Co., Ltd.

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

Directors' right to acquire shares

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

Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures

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

Name of Shareholders	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
GSGL (<i>Note 1</i>)	Beneficial owner	45,000,000 (L) 67,500,000 (S)	15.0% 22.5%
Mr. Wang Zhijun (<i>Note 2</i>)	Interest of controlled corporation	45,000,000 (L) 67,500,000 (S)	15.0% 22.5%
Ms. Guan Hongyan (<i>Note 3</i>)	Interest of spouse	45,000,000 (L) 67,500,000 (S)	15.0% 22.5%
Mega Start (<i>Note 4</i>)	Beneficial owner	200,000,000 (L)	66.67%
Full Fortune International Co., Ltd	Beneficial owner	15,000,000 (L)	5.0%
Mr. Dai (<i>Note 5</i>)	Beneficial owner	120,000,000 (L)	40.0%
Investor A (<i>Note 6</i>)	Beneficial owner	110,000,000 (L)	36.67%
Earnstar Holdings Limited (<i>Note 7</i>)	Interest of controlled corporation	110,000,000 (L)	36.67%
Dungbao Limited (<i>Note 8</i>)	Interest of controlled corporation	110,000,000 (L)	36.67%

Name of Shareholders	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
Mr. Ma Zenglin (<i>Note 9</i>)	Interest of controlled corporation	110,000,000 (L)	36.67%
Investor B (<i>Note 10</i>)	Beneficial owner	108,000,000 (L)	36.0%
Mr. Yu Wudan (<i>Note 11</i>)	Interest of controlled corporation	108,000,000 (L)	36.0%
Investor C (<i>Note 12</i>)	Beneficial owner	96,000,000 (L)	32.0%
Mr. Wang Guohua (<i>Note 13</i>)	Interest of controlled corporation	96,000,000 (L)	32.0%
Ms. Yao Xiaojun (<i>Note 14</i>)	Interest of controlled corporation	96,000,000 (L)	32.0%
Investor D (<i>Note 15</i>)	Beneficial owner	95,000,000 (L)	31.67%
Mr. Tang Hao (<i>Note 16</i>)	Interest of controlled corporation	95,000,000 (L)	31.67%
Investor E (<i>Note 17</i>)	Beneficial owner	85,000,000 (L)	28.33%
Mr. Wang Ning (<i>Note 18</i>)	Interest of controlled corporation	85,000,000 (L)	28.33%
Investor F (<i>Note 19</i>)	Beneficial owner	72,000,000 (L)	24.0%
Investor G (<i>Note 20</i>)	Beneficial owner	67,000,000 (L)	22.33%
Ms. Chen Hong (<i>Note 21</i>)	Interest of controlled corporation	67,000,000 (L)	22.33%
Investor H (<i>Note 22</i>)	Beneficial owner	57,000,000 (L)	19.0%
Mr. Yang Fukang (<i>Note 23</i>)	Interest of controlled corporation	57,000,000 (L)	19.0%

(L): Long position

(S): Short position

Notes:

- (1) On 21 September 2015, 67,500,000 Shares held by GSGL was pledged in favour of the lender as security for a loan facility provided to GSGL.
- (2) The 112,500,000 Shares were held by GSGL, and Mr. Wang Zhijun owns the entire issued share capital of GSGL. By virtue of the SFO, Mr. Wang Zhijun is deemed to be interested in the 112,500,000 Shares held by GSGL.
- (3) Ms. Guan Hongyan is the spouse of Mr. Wang Zhijun. By virtue of the SFO, Ms. Guan Hongyan is deemed to be interested in 112,500,000 Shares which Mr. Wang Zhijun is interested in.
- (4) The interest in 200,000,000 Shares comprises (i) 30,000,000 Shares held by Mega Start, (ii) 90,000,000 Subscription Shares arising from entering into the MS Subscription Agreement and (iii) 80,000,000 Conversion Shares arising from entering into the MS CB Agreement.
- (5) The interest in 120,000,000 Shares arises from entering into the Dai Subscription Agreement whereby Mr. Dai agreed to subscribe for 120,000,000 Subscription Shares.
- (6) The interest in 110,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor A pursuant to which investor A agreed to subscribe for 110,000,000 Subscription Shares.
- (7) Earnstar Holdings Limited owns 57.5% of the issued share capital of Investor A. By virtue of the SFO, Earnstar Holdings Ltd. is deemed to be interested in the 110,000,000 Shares held by Investor A.
- (8) Dungbao Limited owns the entire issued share capital of Earnstar Holdings Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 110,000,000 Shares held by Investor A.
- (9) Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 110,000,000 Shares held by Investor A.
- (10) The interest in 108,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor B pursuant to which Investor B agreed to subscribe for 108,000,000 Subscription Shares.
- (11) Mr. Yu Wudan owns 80% of the issued share capital of Investor B. By virtue of the SFO, Mr. Yu Wudan is deemed to be interested in the 108,000,000 Shares held by Investor B.
- (12) The interest in 96,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor C pursuant to which Investor C agreed to subscribe for 96,000,000 Subscription Shares.
- (13) Mr. Wang Guohua owns 40% of the issued share capital of Investor C. By virtue of the SFO, Mr. Wang Guohua is deemed to be interested in the 96,000,000 Shares held by Investor C.
- (14) Ms. Yao Xiaojun owns 60% of the issued share capital of Investor C. By virtue of the SFO, Ms. Yao Xiaojun is deemed to be interested in the 96,000,000 Shares held by Investor C.
- (15) The interest in 95,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor D pursuant to which Investor D agreed to subscribe for 95,000,000 Subscription Shares.
- (16) Mr. Tang Hao owns the entire issued share capital of Investor D. By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 95,000,000 Shares held by Investor D.
- (17) The interest in 85,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor E pursuant to which Investor E agreed to subscribe for 85,000,000 Subscription Shares.
- (18) Mr. Wang Ning owns the entire issued share capital of Investor E. By virtue of the SFO, Mr. Wang Ning is deemed to be interested in the 85,000,000 Shares held by Investor E.

- (19) The interest in 72,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor F pursuant to which Investor F agreed to subscribe for 72,000,000 Subscription Shares.
- (20) The interest in 67,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor G pursuant to which Investor G agreed to subscribe for 67,000,000 Subscription Shares.
- (21) Ms. Chen Hong owns the entire issued share capital of Investor G. By virtue of the SFO, Ms. Chen Hong is deemed to be interested in the 67,000,000 Shares held by Investor G.
- (22) The interest in 57,000,000 Shares arises from entering into the Investor Subscription Agreement by Investor H pursuant to which Investor H agreed to subscribe for 57,000,000 Subscription Shares.
- (23) Mr. Yang Fukang owns the entire issued share capital of Investor H. By virtue of the SFO, Mr. Yang Fukang is deemed to be interested in the 57,000,000 Shares held by Investor H.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any existing service contract or proposed service contract with any member of the Group which is not expiring or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice contained in this circular:

Names	Qualifications
Halcyon Capital	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO.

Halcyon Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Halcyon Capital did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Halcyon Capital did not have any direct or indirect interest in any assets which had been, since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m.) on any Business Day) from the date of this circular up to and including the date of EGM:

- (i) each of the Agreements;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 51 to 52 of this circular;
- (iii) the letter from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 53 to 88 of this circular;
- (iv) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (v) this circular.

NOTICE OF THE EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Vision Fame International Holding Limited (the “**Company**”) will be held at 2/F, Alliance Building, 130–136 Connaught Road Central, Hong Kong on Tuesday, 2 February 2016 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (i) subject to resolutions numbered 2 and 3 and such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Dai Subscription Agreement**”) entered into between the Company and Mr. Dai Jia Long (a copy of the Dai Subscription Agreement having been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 120,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Dai Subscription Shares**”) at a subscription price of HK\$0.3 per Dai Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Listing Committee**”) granting approval for the listing of, and permission to deal in, the Dai Subscription Shares, the allotment and issue of the Dai Subscription Shares to Mr. Dai Jia Long pursuant to the Dai Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Dai Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Dai Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Dai Subscription Agreement.”

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2. **“THAT:**

- (i) conditional on resolution numbered 1 having been approved, and subject to resolution numbered 3 and such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the **“MS Subscription Agreement”**) entered into between the Company and Mega Start Limited (a copy of the MS Subscription Agreement having been produced to the meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 90,000,000 new shares of HK\$0.01 each in the share capital of the Company (the **“MS Subscription Shares”**) at a subscription price of HK\$0.3 per MS Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the MS Subscription Shares, the allotment and issue of the MS Subscription Shares to Mega Start Limited pursuant to the MS Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the MS Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the MS Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the MS Subscription Agreement.”

3. **“THAT:**

- (i) conditional on resolutions numbered 1 and 2 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the **“MS CB Agreement”**) entered into between the Company and Mega Start Limited (a copy of the MS CB Agreement having been produced to the meeting and marked “C” and initialled by the chairman of the meeting for the purpose of identification) in relation to the subscription of the five-year 0% coupon unlisted convertible bond in the principal amount of HK\$24,000,000 (the **“Convertible Bond”**), which entitles the holder thereof to convert the same into 80,000,000 new shares of HK\$0.01 each in the share capital of the Company (the **“Conversion Shares”**) which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bond in accordance with the terms of the Convertible Bond at the initial conversion price of HK\$0.3 (subject to adjustments) per Conversion Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (ii) the issue of the Convertible Bond to Mega Start Limited in accordance with the terms and conditions of the MS CB Agreement and the terms and conditions of the Convertible Bond attached to the MS CB Agreement and all transactions contemplated thereunder be and are hereby approved;
- (iii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares, the allotment and issue of the Conversion Shares to the holder of the Convertible Bond in accordance with the terms of the Convertible Bond be and is hereby approved; and
- (iv) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in his discretion consider necessary, desirable or expedient to give effect to the MS CB Agreement and all the transactions contemplated thereunder (including the issue of the Convertible Bond and the allotment and issue of the Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bond) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the MS CB Agreement.”

4. **“THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor A Subscription Agreement**”) entered into between the Company and Choice Wide Holdings Limited (a copy of the Investor A Subscription Agreement having been produced to the meeting and marked “D” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 110,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor A Subscription Shares**”) at a subscription price of HK\$0.3 per Investor A Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor A Subscription Shares, the allotment and issue of the Investor A Subscription Shares to Choice Wide Holdings Limited pursuant to the Investor A Subscription Agreement be and is hereby approved; and

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- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor A Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor A Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor A Subscription Agreement.”

5. **“THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the **“Investor B Subscription Agreement”**) entered into between the Company and Talent Holdings Limited (a copy of the Investor B Subscription Agreement having been produced to the meeting and marked “E” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 108,000,000 new shares of HK\$0.01 each in the share capital of the Company (the **“Investor B Subscription Shares”**) at a subscription price of HK\$0.3 per Investor B Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor B Subscription Shares, the allotment and issue of the Investor B Subscription Shares to Talent Holdings Limited pursuant to the Investor B Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor B Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor B Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor B Subscription Agreement.”

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6. “**THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor C Subscription Agreement**”) entered into between the Company and Bold Elite Limited (a copy of the Investor C Subscription Agreement having been produced to the meeting and marked “F” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 96,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor C Subscription Shares**”) at a subscription price of HK\$0.3 per Investor C Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor C Subscription Shares, the allotment and issue of the Investor C Subscription Shares to Bold Elite Limited pursuant to the Investor C Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor C Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor C Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor C Subscription Agreement.”

7. “**THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor D Subscription Agreement**”) entered into between the Company and Fount Holdings Limited (a copy of the Investor D Subscription Agreement having been produced to the meeting and marked “G” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 95,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor D Subscription Shares**”) at a subscription price of HK\$0.3 per Investor D Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor D Subscription Shares, the allotment and issue of the Investor D Subscription Shares to Fount Holdings Limited pursuant to the Investor D Subscription Agreement be and is hereby approved; and

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- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor D Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor D Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor D Subscription Agreement.”

8. **“THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor E Subscription Agreement**”) entered into between the Company and Smart Faith Global Limited (a copy of the Investor E Subscription Agreement having been produced to the meeting and marked “H” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 85,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor E Subscription Shares**”) at a subscription price of HK\$0.3 per Investor E Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor E Subscription Shares, the allotment and issue of the Investor E Subscription Shares to Smart Faith Global Limited pursuant to the Investor E Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor E Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor E Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor E Subscription Agreement.”

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9. “**THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor F Subscription Agreement**”) entered into between the Company and Ms. Cui Sujuan (a copy of the Investor F Subscription Agreement having been produced to the meeting and marked “I” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 72,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor F Subscription Shares**”) at a subscription price of HK\$0.3 per Investor F Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor F Subscription Shares, the allotment and issue of the Investor F Subscription Shares to Ms. Cui Sujuan pursuant to the Investor F Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor F Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor F Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor F Subscription Agreement.”

10. “**THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the “**Investor G Subscription Agreement**”) entered into between the Company and Centure Strategies Holdings Limited (a copy of the Investor G Subscription Agreement having been produced to the meeting and marked “J” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 67,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Investor G Subscription Shares**”) at a subscription price of HK\$0.3 per Investor G Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor G Subscription Shares, the allotment and issue of the Investor G Subscription Shares to Centure Strategies Holdings Limited pursuant to the Investor G Subscription Agreement be and is hereby approved; and

NOTICE OF THE EGM

- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor G Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor G Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor G Subscription Agreement.”

11. **“THAT:**

- (i) conditional on resolutions numbered 1, 2 and 3 having been approved, and subject to such number of agreements contemplated under resolutions numbered 4 to 11 with an aggregate subscription monies amounting to at least HK\$147 million being approved, the conditional subscription agreement dated 16 December 2015 (the **“Investor H Subscription Agreement”**) entered into between the Company and Come Fortune International Co., Ltd. (a copy of the Investor H Subscription Agreement having been produced to the meeting and marked “K” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 57,000,000 new shares of HK\$0.01 each in the share capital of the Company (the **“Investor H Subscription Shares”**) at a subscription price of HK\$0.3 per Investor H Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Investor H Subscription Shares, the allotment and issue of the Investor H Subscription Shares to Come Fortune International Co., Ltd. pursuant to the Investor H Subscription Agreement be and is hereby approved; and
- (iii) any one director of the Company be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in his discretion consider necessary, desirable or expedient to give effect to the Investor H Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Investor H Subscription Shares pursuant thereto) and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Investor H Subscription Agreement.”

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

Hong Kong, 15 January 2016

NOTICE OF THE EGM

Executive Directors:

Mr. Chau Chit (*Chairman*)
Mr. Hu Baoyue (*Acting Chief Executive Officer*)
Mr. Kwan Ngai Kit

Independent non-executive Directors:

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

Non-executive Director:

Mr. Chen Guobao

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any), under which it is signed or a certified copy of such power or authority shall be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the instrument proposes to vote.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
5. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holder may vote either in person or by proxy in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The register of members of the Company will be closed from Monday, 1 February 2016 to Tuesday, 2 February 2016 (both dates inclusive) during which period no transfer of shares will be registered. In order to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 29 January 2016.
8. A form of proxy for use at the EGM is enclosed.
9. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the websites of the Company at www.visionfame.com and The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.