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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Vision Fame International Holding Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

		Six months ended	
		30.9.2017	30.9.2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	516,292	770,847
Cost of sales		<u>(491,672)</u>	<u>(742,580)</u>
Gross profit		24,620	28,267
Other income and gains		5,435	9,791
Administrative expenses		(31,380)	(29,509)
Research and development costs		(4,015)	(1,759)
Other operating losses		(4,486)	—
Finance costs	4	<u>(1,986)</u>	<u>(1,766)</u>
PROFIT/(LOSS) BEFORE TAX	5	(11,812)	5,024
Income tax expense	6	<u>(1,741)</u>	<u>—</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(13,553)</u>	<u>5,024</u>

	Six months ended	
	30.9.2017	30.9.2016
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(1,521)	535
Exchange difference:		
Reclassification adjustment for deregistration of foreign operations during the period	—	(681)
Exchange differences on translation of foreign operations	<u>13,887</u>	<u>(11,711)</u>
	<u>13,887</u>	<u>(12,392)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>12,366</u>	<u>(11,857)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>12,366</u>	<u>(11,857)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(1,187)</u>	<u>(6,833)</u>
	Six months ended	
	30.9.2017	30.9.2016
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	<i>7</i>	
— Basic (HK cents)	<u>(0.23)</u>	<u>0.08</u>
— Diluted (HK cents)	<u>(0.23)</u>	<u>0.08</u>

Condensed Consolidated Statement of Financial Position

At 30 September 2017

	<i>Notes</i>	30.9.2017 HK\$'000 (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		70,318	44,982
Available-for-sale investments		3,910	8,655
Prepayments, deposits and other receivables		12,572	6,375
		<hr/>	<hr/>
Total non-current assets		86,800	60,012
CURRENT ASSETS			
Gross amount due from contract customers		7,964	10,785
Trade receivables	9	332,410	368,603
Prepayments, deposits and other receivables		212,672	123,296
Available-for-sale investments		20,105	14,099
Tax recoverable		959	1,769
Pledged bank deposits and restricted cash		58,583	54,456
Cash and cash equivalents		222,781	406,057
		<hr/>	<hr/>
Total current assets		855,474	979,065
CURRENT LIABILITIES			
Gross amount due to contract customers		20,359	7,561
Trade payables	10	278,826	353,658
Other payables and accruals		37,234	75,183
Amounts due to related parties	11	438	36,655
A loan from a related party	11	31,050	—
Tax payable		1,609	1,548
Interest-bearing bank and other borrowings	12	10,094	1,086
		<hr/>	<hr/>
Total current liabilities		379,610	475,691
NET CURRENT ASSETS		<hr/> 475,864	<hr/> 503,374
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 562,664	<hr/> 563,386

	<i>Notes</i>	30.9.2017 HK\$'000 (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES			
Convertible bond	<i>13</i>	15,318	14,323
Loans from a related party	<i>11</i>	243,009	243,009
Interest-bearing other borrowings	<i>12</i>	375	905
Other payables and accruals		487	487
		<u>259,189</u>	<u>258,724</u>
Total non-current liabilities		<u>259,189</u>	<u>258,724</u>
Net assets		<u>303,475</u>	<u>304,662</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,000	12,000
Equity component of convertible bond	<i>13</i>	11,746	11,746
Other reserves		279,729	280,916
		<u>279,729</u>	<u>280,916</u>
Total equity		<u>303,475</u>	<u>304,662</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 18 January 2012.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institutes of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments, which have been measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

The Group has adopted the following revised standards for the first time for the current period’s financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
included in <i>Annual Improvements 2014–2016 Cycle</i>	

The adoption of these revised HKFRSs has had no significant financial effect on the financial statements. The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services provided and has four reportable segments as follows:

- (i) building construction and other construction related business;
- (ii) alterations, renovation, upgrading and fitting-out works;
- (iii) property maintenance; and
- (iv) graphene production and trading of materials.

An analysis of the Group's revenue and results by reportable operating segment is as follows:

	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Graphene production and trading of materials HK\$'000	Total HK\$'000	
Six months ended 30.9.2017						
Segment revenue						
— external customers	<u>106,234</u>	<u>135,272</u>	<u>144,056</u>	<u>130,730</u>	<u>516,292</u>	
Segment results	<u>12,405</u>	<u>9,778</u>	<u>4,098</u>	<u>(3,715)</u>	22,566	
Unallocated other income and gain/(loss)					2,371	
Administrative expenses					(31,380)	
Finance costs					(1,986)	
Impairment loss on an available-for-sale investment					<u>(3,383)</u>	
Loss before tax					<u>(11,812)</u>	
	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Graphene production and trading of materials HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30.9.2016						
Segment revenue						
— external customers	<u>154,261</u>	<u>162,432</u>	<u>292,867</u>	<u>161,287</u>	<u>—</u>	<u>770,847</u>
Segment results	<u>3,635</u>	<u>11,352</u>	<u>13,801</u>	<u>92</u>	<u>(92)</u>	28,788
Unallocated other income and gain/(loss)						6,738
Administrative expenses						(29,417)
Finance costs						(1,766)
Gain on deregistration of subsidiaries						<u>681</u>
Profit before tax						<u>5,024</u>

4. FINANCE COSTS

	Six months ended	
	30.9.2017	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Secured bank loans	100	3
Convertible bond	995	863
Obligations under finance leases	39	48
Loans from a related party	852	852
	<u>1,986</u>	<u>1,766</u>

5. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	30.9.2017	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) before tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment*	5,642	4,242
Research and development costs	4,015	1,759
Operating lease rentals in respect of premises	2,326	1,092
Bank interest income	(1,671)	(662)
Interest income from sub-contractors	(2,557)	(2,302)
Loss/(gain) on disposal of property, plant and equipment [#]	581	(72)
Foreign exchange difference, net [#]	522	(5,372)
Gain on deregistration of subsidiaries	—	(681)
Impairment loss on an available-for-sale investments ^{##}	3,383	—

* Amount of approximately HK\$605,000 (2016: HK\$314,000) and HK\$227,000 (2016: HK\$444,000) were included in “research and development costs” and “cost of sales”, respectively.

[#] Included in “other operating losses” and “other income and gains” for the six months ended 30 September 2017 and 30 September 2016, respectively.

^{##} Included in “other operating losses”.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. In the prior period, no provision for Hong Kong profits tax had been made as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended	
	30.9.2017	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong	<u><u>1,741</u></u>	<u><u>—</u></u>

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,000,000,000 (2016: 6,000,000,000) in issue during the period.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017	2016
	HK\$'000	HK\$'000
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic earnings/(loss) per share calculation	(13,553)	5,024
Interest on a convertible bond	<u>995</u>	<u>863</u>
Profit/(loss) attributable to ordinary equity holders of the parent before interest on a convertible bond	<u>(12,558)</u>	<u>5,887</u>
	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	6,000,000,000	6,000,000,000
Effect of dilution — weighted average number of ordinary shares: A convertible bond	<u>368,572,341</u>	<u>391,475,580</u>
	<u>6,368,572,341*</u>	<u>6,391,478,580</u>

* Because the diluted earnings/(loss) per share amount is increased/(decreased) when taking the convertible bond into account, the convertible bond had an anti-dilutive effect on the basic earnings/(loss) per share for the periods and was ignored in the calculation of diluted earnings/(loss) per share. Therefore, the diluted earnings/(loss) per share amount are based on the profit/(loss) for the period, and the weighted average number of ordinary shares of 6,000,000,000 in issue during the period.

8. DIVIDEND

No dividends were paid, declared or proposed during the current and prior periods. The directors of the Company have determined that no dividend will be paid in respect of the periods.

9. TRADE RECEIVABLES

	30.9.2017 <i>HK\$'000</i> (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
Trade receivables	275,136	308,257
Retention money receivables	<u>57,274</u>	<u>60,346</u>
	<u>332,410</u>	<u>368,603</u>

The Group does not have a standardised and universal credit period granted to its customers, and the credit periods of individual customers are considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30.9.2017 <i>HK\$'000</i> (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
Within 1 month	240,013	299,474
1 to 3 months	32,217	8,783
Over 3 months	<u>2,906</u>	<u>—</u>
	<u>275,136</u>	<u>308,257</u>

Included in retention monies receivables is an amount of approximately HK\$14,133,000 (2016: Nil) pledged to secure bank facilities granted to the Group.

10. TRADE PAYABLES

	30.9.2017 <i>HK\$'000</i> (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
Trade payables	207,585	280,655
Retention monies payables	<u>71,241</u>	<u>73,003</u>
	<u>278,826</u>	<u>353,658</u>

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

	30.9.2017 <i>HK\$'000</i> (Unaudited)	31.3.2017 <i>HK\$'000</i> (Audited)
Within 1 month	193,725	257,112
1 month to 3 months	7,999	13,412
Over 3 months	5,861	10,131
	207,585	280,655

Trade payables are non-interest-bearing and are normally settled on 30 to 60 day terms.

11. AMOUNTS DUE TO RELATED PARTIES/LOANS FROM A RELATED PARTY

The loans from a related party were advanced by Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The amounts comprise (i) loans of approximately HK\$243,009,000 which are unsecured and bear interest at 3.8% per annum and repayable in June 2019 as extended by Mr. Wong Law Fai (31 March 2017: loans of approximately HK\$170,000,000 were unsecured and bore interest at 1% per annum and were repayable in June 2018 and loan of approximately HK\$73,000,000 was unsecured, interest free and was repayable in June 2018); and (ii) loan of approximately HK\$31,050,000 (31 March 2017: Nil) which is unsecured, bears interest at 3.8% and is repayable on demand.

The amounts due to related parties of approximately HK\$438,000 (31 March 2017: approximately HK\$36,644,000) and nil (31 March 2017: approximately HK\$11,000) were advanced by Mr. Wong Law Fai and Mr. So Kwok Lam, directors of certain subsidiaries of the Company, respectively. They are unsecured, interest-free and repayable on demand.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2017 <i>HK\$'000</i> (Unaudited)	31 March 2017 <i>HK\$'000</i> (Audited)
Current		
Long-term bank loan repayable on demand, secured (<i>Note</i>)	8,970	—
Finance lease payable	1,124	1,086
	10,094	1,086
Non-current		
Finance lease payable	375	905
	10,469	1,991
Analysed into:		
Bank loan repayable:		
Within one year or on demand (<i>Note</i>)	8,970	—
Other borrowing repayable:		
Within one year	1,124	1,086
In the second year	375	905
	1,499	1,991
	10,469	1,991

Note: The Group's bank loan in the amount of approximately HK\$8,970,000 (31 March 2017: Nil) containing an on-demand clause has been reclassified as a current liability. For the purpose of the above analysis, the loan is included within current interest-bearing bank and other borrowings and analysed into bank loan repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan are: within one year of approximately HK\$369,000 (31 March 2017: Nil); in the second year of approximately HK\$377,000 (31 March 2017: Nil); in the third to fifth years, inclusive, of approximately HK\$1,183,000 (31 March 2017: Nil); and beyond five years of approximately HK\$7,041,000 (31 March 2017: Nil).

- (a) The Group's bank loan is secured by:
- (i) mortgages over certain of the Group's land and buildings, which had an aggregate net carrying value at the end of the reporting period of approximately HK\$25,307,000 (31 March 2017: Nil).
- (b) Except for the finance lease payable which is denominated in Singapore dollars, all borrowings are in Hong Kong dollars.
- (c) The average effective interest rate of the Group's bank loan was 2.25% (31 March 2017: Nil).

13. CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK\$24,000,000 to Mega Start Limited ("Mega Start"), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Co-Chairman and an executive director of the Company). The convertible bond can be converted into ordinary shares of the Company at HK\$0.06 per conversion share, bearing no interest and will mature in 5 years after the date of issue. The holder of the convertible bond shall convert the outstanding principal amount of the convertible bond into ordinary shares in full mandatorily, if and only if, the gross profits of the new graphene business of the Group for the two financial years ending 31 March 2017 and 2018 exceed HK\$300 million in aggregate.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued during the prior periods has been split into the liability and equity components as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Nominal value		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	<u>24,000</u>	<u>24,000</u>
Liability component		
At 1 April	14,323	12,529
Interest expense	<u>995</u>	<u>1,794</u>
At period/year end	<u>15,318</u>	<u>14,323</u>
Equity component		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	<u>11,746</u>	<u>11,746</u>

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Interim Results

For the half year ended 30 September 2017 (the “Period”), the Group recorded a turnover of approximately HK\$516,292,000, representing an approximately 33% decrease as compared to approximately HK\$770,847,000 of the same period in 2016 (the “Prior Interim Period”). The decrease in turnover for the Period was mainly attributable to the decreased revenue from building construction segment (from approximately HK\$154,261,000 to approximately HK\$106,234,000), and property maintenance segment (from approximately HK\$292,867,000 to approximately HK\$144,056,000) as compared to the Prior Interim Period.

The Group recorded a gross profit of approximately HK\$24,620,000 (Prior Interim Period: approximately HK\$28,267,000) for the Period, representing an approximately 13% decrease as compared to the Prior Interim Period. The percentage decrease in gross profit is less than that in revenue was mainly attributable to the high gross profit margin (approximately 12%) contributed by the building construction segment for the Period as compared to approximately 2% for the Prior Interim Period.

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

The loss attributable to owners of the Company for the Period was approximately HK\$13,553,000 as compared to the profit of approximately HK\$5,024,000 in Prior Interim Period. The turnaround in the result for the Period was mainly attributable to the following factors:

- (i) The increase in the consultancy and research fee paid for and the depreciation of plant and machinery used in the development of the graphene downstream applications during the Period;
- (ii) The fluctuation in the exchange rate of Renminbi (“RMB”) in the Prior Interim Period for which the Group recorded realised and unrealised gain of HK\$5,372,000 as it depreciated against Hong Kong dollar (“HKD”) during that period. For the Period under Review, the Group recorded realised and unrealised loss of HK\$522,000 as RMB appreciated against HKD in the Period; and
- (iii) The recognition of an impairment loss of HK\$3,383,000 on the investment in unlisted equity investments (represented a joint venture company established in the People’s Republic of China and classified as available for sales investment carried at cost), due to the termination of the cooperation between the Group and the other investors in the development of graphene downstream applications in the joint venture company.

Basic loss per share for the Period was approximately HK0.23 cent (Prior Interim Period: earnings per share approximately HK0.08 cent) and diluted loss per share was approximately HK0.23 cent (Prior Interim Period: earnings per share approximately HK0.08 cent).

(2) Review of Operations

(i) *Building Construction and Other Construction Related Business*

Revenue for the building construction segment for the Period was approximately HK\$106,234,000 (Prior Interim Period: approximately HK\$154,261,000). The decrease in the segment revenue is in line with the decrease in number of building construction and related projects in progress during the Period. For the Period under review, the average contract sum of construction and related contracts in progress was amounted to approximately HK\$705,359,000 (Prior Interim Period: approximately HK\$1,107,792,000). Such decrease is mainly attributable to the completion of certain large scale projects in Singapore in the Prior Interim Period. During the Period the Group had won 2 (Prior Interim Period: 4) new contracts for building construction with total contract value amounting to approximately HK\$237 million (Prior Interim Period: approximately HK\$137 million).

On the contrary, the segment profit for the Period was increased from approximately HK\$3,635,000 to approximately HK\$12,405,000 as compared to Prior Interim Period. Such increment in segment profit was mainly attributable to the recovery of a considerable amounts for variation orders in the Period for a loss making project.

(ii) *Property Maintenance*

Revenue for the property maintenance segment for the Period was approximately HK\$144,056,000 (Prior Interim Period: approximately HK\$292,867,000) and segment profit was approximately HK\$4,098,000 (Prior Interim Period: approximately HK\$13,801,000).

The decrease in both segment revenue and segment profit was mainly attributable to the expiration of two large scale long term property maintenance contracts (with a total contract value of approximately HK\$922 million) in March 2017, which had contributed approximately 58% of the revenue of the Prior Interim Period. On the other hand, the two large scale property maintenance contracts with total contract value of approximately HK\$1,054 million won in 2017 were still at early stage/yet to commence, for which less work orders were received during the Period. It is expected that these contracts would go in full swing by the end of 2017 and early 2018 respectively.

(iii) *Alterations, renovation, upgrading and fitting-out works (collectively “A&A works”)*

Revenue for the A&A works segment for the Period was approximately HK\$135,272,000 (Prior Interim Period: approximately HK\$162,432,000) and segment profit was approximately HK\$9,778,000 (Prior Interim Period: approximately HK\$11,352,000). The decrease is in line with the decrease in number of contracts in progress, which had an average contract value of approximately HK\$665 million for the Period and approximately HK\$700 million for the Prior Interim Period.

(iv) *Graphene Production and Trading of materials*

Revenue for this segment of the Period included sales of graphene of approximately HK\$115,000 (Prior Interim Period: approximately HK\$1,623,000) and sales of materials of approximately HK\$130,615,000 (Prior Interim Period: approximately HK\$159,664,000). Segment loss was approximately HK\$3,715,000 (Prior Interim Period: segment profit of approximately HK\$92,000).

The sales of graphene for the Period and Prior interim Period represented sales to research institutes and manufacturers in the nanometer-scaled/metals material industry for application test purposes. During the Period, the Group continued to cooperate with universities and research institutes for the development of graphene downstream applications. In the last financial period, two targeted applications, namely the anti-corrosive coating and visible light photocatalytic net, have been successfully developed using the Group's graphene output. The Group has been actively seeking for business partners in commercialization for the two developed applications. Further details of the development of the graphene business are set out in the Prospects section below.

For the trading of materials business, the Group mainly sells titanium dioxide, which was widely used in pigment, sunscreen, and food coloring. During the Period, the Group sold 3,660 tonnes of titanium dioxide as compared to 4,500 tonnes in Prior Interim Period.

(3) Prospects

Graphene production business

The Board considers the development of the graphene production business to be a prime business opportunity. Up to date of this announcement, the Group had entered into cooperation agreements with universities and research institutes for development of downstream graphene products, including:

- (i) the technical cooperation agreement with The National Centre for Nanoscience and Technology of China ("NCNTC") in respect of the establishment of The Joint Engineering Laboratory for Research and Applications of Graphene for a term of 3 years;
- (ii) the technical cooperation agreement with Marine Chemical Research Institute ("MCRI") for research and applications of graphene in anti-erosion coatings and paints for a term of 3 years; and
- (iii) the technical cooperation agreement with Tongji University and Shanghai Jiao Tong University for the development of graphene-based electrochemical energy storage equipment.

Other than the above, two targeted applications, namely anti-corrosive coating and visible light photocatalytic net have been successfully developed using the Group's graphene output.

The anti-corrosive coating or primer is a light weight heavy-duty coating layer for the application in the marine and navigation environment. In January 2017, the Group entered into a joint venture with the subsidiary of Shuangliang Eco-Energy System Holding Company Limited (“Shuangliang Eco-Energy”) and other investors to set up a joint venture company in the People’s Republic of China (“PRC”) for the purpose of investing in and developing the Graphene Anti-corrosive Coating Technology. The cooperation agreement was terminated by mutual consent of the contracting parties during the Period. Nevertheless, the Group is in negotiation with a number of domestic investors for the commercialization of the anti-corrosive coating. It is expected that a positive outcome could be realised in the last quarter of 2017.

The visible light photocatalysis net is designed to decompose the toxic organic matter in the water, it is a deodorant that increases the oxygen content of rivers, and has the strong compatibility of other water treatment technology. The Group has entered into a sales contract with a customer whereby the Group agreed to supply not less than 1,200 kilograms of graphene for production of photocatalytic products for a period of 12 months to the customer, who has submitted tenders for the municipal engineering projects in respect of the water purification treatment of rivers, sewage plants and odor water by using visible light photocatalysis products and technologies.

The Group will continue to cooperate with specialists, universities and research institutes to extend the use of graphene in other areas, such as electrical equipment, military and aerospace facilities and other high-energy and high-power electronic products, further widening the market for graphene products.

Building construction, property maintenance and A&A Works

The Hong Kong construction expenditure is still maintaining uptrend. According to the construction expenditure forecast published by the Construction Industry Council, the total construction expenditure in private and public sectors is expected to record a steady growth in the coming years. However, under the vigorous market competition, the Group will stay cautious in maintaining satisfactory margin as well as high standard of work quality to secure business competitiveness.

On the contrary, the Singapore construction market saw reductions in both public and private sectors in the first half of 2017. It was fortunate that increment in materials price such as concreting materials was compensated by decline in rebar. Nevertheless, the Group’s Singapore operating environment has become even more challenging as higher grade firms are bidding for lower value category projects while new players are competing for jobs in different sectors. The Group believes that with the recent en-bloc redevelopment fever in Singapore, more and bigger construction projects would emerge in the near future. Until then, the Group’s strategy is to tide over the current downtrend by participating in tenders for both new building and A&A works from different sectors and industry.

For the construction in Macau, job opportunity for Hong Kong building contractors is limited as most of the Macau mega size construction works were completed/closed to completion. This will continue for a period of time till Hong Kong — Macau bridge opens to vehicular traffic.

Other businesses

The Group will continue to review and reassess the business model of other operations and to explore new business opportunities that could provide stable/promising returns and prospects in long term for the Group.

(4) Available-for-sale Investments

As at 30 September 2017, the Group has available-for-sale investments of approximately HK\$24 million (as at 31 March 2017: approximately HK\$22.8 million), which comprised primarily (1) investment in the certificate of deposit issued by Dah Sing Bank Limited due in February 2018, of approximately HK\$20.1 million (as at 31 March 2017: approximately HK\$14.1 million); and (2) investment in the 89,400,000 listed shares with market value of approximately HK\$3.6 million (as at 31 March 2017: approximately HK\$5.0 million) of a listed company in Singapore, HLH Group Limited. The fair values of the above listed shares are determined based on the quoted bid prices available on the Singapore Exchange Limited.

Included in available-for-sale investments as at 31 March 2017 was an unlisted equity investment of approximately HK\$3.4 million, which represented 10% equity interest in joint venture company established in the PRC. During the Period, the cooperation between the Group and the other investors in development of graphene downstream applications in the joint venture company was terminated. As a result, there was an impairment loss of approximately HK\$3.4 million on the available-for-sale investment during the Period.

(5) Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the Period, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

(6) Liquidity and Financial Resources

The Group maintained a strong and healthy financial position. As at 30 September 2017, the current assets and current liabilities were stated at approximately HK\$855.5 million (as at 31 March 2017: approximately HK\$979.1 million) and approximately HK\$379.6 million (as at 31 March 2017: approximately HK\$475.7 million), respectively. The current ratio slightly increased from 2.06 times of 31 March 2017 to 2.25 times of 30 September 2017. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.

As at 30 September 2017, the Group had total cash and bank deposits of approximately HK\$281.4 million (as at 31 March 2017: approximately HK\$460.5 million). As at 30 September 2017, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK\$284.5

million (31 March 2017: approximately HK\$172.0 million) and approximately HK\$15.3 million (31 March 2017: approximately HK\$14.3 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings and a loan from a related party in current portion) has decreased from approximately HK\$459.4 million as at 31 March 2017 to approximately HK\$240.2 million as at 30 September 2017. The decrease in net cash balance was due to working capital utilised to finance the operations of the Group and capital expenditure on property, plant and equipment of the Group.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 30 September 2017, the Group had obtained credit facilities from various banks and financial institutions up to a maximum amount of approximately HK\$232,793,000 (31 March 2017: approximately HK\$199,003,000) and approximately HK\$50,030,000 (31 March 2017: approximately HK\$51,175,000) of the credit facilities has been utilized.

As at 30 September 2017, the gearing ratio of the Group was approximately 30.2% (as at 31 March 2017: approximately 16.6%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%.

With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

(7) Foreign Exchange and Interest Rate Risk

The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required.

Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary.

(8) Pledge of Assets

At the end of the reporting period, the following assets are pledged to banks and insurance companies to secure the bank borrowings and performance bond facilities granted to the Group:

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Property, plant and equipment	25,307	—
Trade receivables	14,133	—
Other receivables	21,783	18,477
Available-for-sale investments	20,105	14,099
Bank deposits and restricted cash	58,583	54,456
	<u>139,911</u>	<u>87,032</u>

(9) Contingent Liabilities and Capital Commitments

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

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Guarantees in respect of performance bonds in favor of its clients	<u>112,336</u>	<u>107,392</u>

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

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Contracted, but not provided for:		
Land and buildings	—	21,420
Plant and machinery	<u>20,546</u>	<u>6,787</u>
	<u>20,546</u>	<u>28,207</u>

(10) Event after the Reporting Period

No significant event has taken place after 30 September 2017 and up to the date of this announcement.

(11) Movement of Incomplete Contracts for the six months ended 30 September 2017

	31 March 2017 <i>HK\$'000</i>	Contracts Secured <i>HK\$'000</i>	Contracts Completed <i>HK\$'000</i>	30 September 2017 <i>HK\$'000</i>
Building Construction	670,924	237,470	168,600	739,794
Property Maintenance	1,842,081	275,435	40,945	2,076,571
Alteration, Renovation, Upgrading and Fitting-Out Works	<u>603,716</u>	<u>383,398</u>	<u>261,041</u>	<u>726,073</u>
	<u><u>3,116,721</u></u>	<u><u>896,303</u></u>	<u><u>470,586</u></u>	<u><u>3,542,438</u></u>

(12) Employees and Remuneration Policies

As at 30 September 2017, the Group employed a total of 261 staff (as at 30 September 2016: 336 staff) which included Hong Kong, Singapore, the People's Republic of China and Macau employees. The total remuneration for staff was approximately HK\$36 million for the Period (Prior Interim Period: approximately HK\$46 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package are consisted of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the “CG Code”) throughout the six months ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting system and internal control procedures of the Group, and oversee the relationship with the Company’s external auditor.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Tak Kei Raymond (the chairman of the Audit Committee), Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.

The Audit Committee has reviewed with the management the Group’s interim results for the Period. The Company’s external auditor conducted a review of the interim financial statements in accordance with Hong Kong Standards on Review Engagements 2410.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (<http://www.visionfame.com>) and the Stock Exchange's website (<http://www.hkexnews.hk>). The 2017 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

By Order of the Board
Vision Fame International Holding Limited
Chau Chit
Co-Chairman and Chief Executive Officer

Hong Kong, 28 November 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chau Chit, Mr. Dai Jialong and Mr. Xie Xiaotao; and three independent non-executive Directors, namely Mr. Tam Tak Kei Raymond, Mr. Wong Kai Tung Simon and Mr. Wong Wai Kwan.