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VISION VALUES HOLDINGS LIMITED

遠見控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 862)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Vision Values Holdings Limited (the “**Company**”) announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2016 (the “**Financial Period**”) together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2016

| | | Six months ended 31 December | |
|--|-------|---------------------------------|-----------------|
| | | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 |
| | Notes | (unaudited) | (unaudited) |
| Revenue | 2 | 12,551 | 12,003 |
| Other income | | 1,031 | 313 |
| Changes in inventories of finished goods and work in progress | | (3,442) | (4,477) |
| Subcontracting fees for project services | | (5,720) | (3,506) |
| Fair value gain on investment properties | 6(b) | 1,162 | 1,540 |
| Employee benefit expenses | | (9,163) | (5,948) |
| Depreciation | | (408) | (464) |
| Other expenses | 3 | (11,632) | (13,090) |
| Loss before taxation | | (15,621) | (13,629) |
| Income tax expense | 4 | (777) | (159) |
| Loss for the period | | <u>(16,398)</u> | <u>(13,788)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | (14,999) | (12,762) |
| Non-controlling interest | | <u>(1,399)</u> | <u>(1,026)</u> |
| | | <u>(16,398)</u> | <u>(13,788)</u> |
| Loss per share attributable to owners of the Company during the period (HK cents) | 5 | | |
| Basic and diluted loss per share | | <u>(0.58)</u> | <u>(0.49)</u> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31 December 2016

| | Six months ended | |
|---|-------------------------|--------------------|
| | 31 December | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period | (16,398) | (13,788) |
| Other comprehensive loss: | | |
| Items that may be reclassified to profit or loss: | | |
| — Currency translation differences | <u>(1,015)</u> | <u>(1,101)</u> |
| Total comprehensive loss for the period | <u>(17,413)</u> | <u>(14,889)</u> |
| Attributable to: | | |
| Owners of the Company | (16,014) | (13,863) |
| Non-controlling interest | <u>(1,399)</u> | <u>(1,026)</u> |
| Total comprehensive loss for the period | <u>(17,413)</u> | <u>(14,889)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | | As at 31 December 2016 <i>HK\$'000</i> (unaudited) | As at 30 June 2016 <i>HK\$'000</i> (audited) |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6(a) | 6,031 | 6,353 |
| Investment properties | 6(b) | 92,716 | 29,426 |
| Exploration and evaluation assets | 7 | 53,784 | 50,048 |
| Goodwill | | 3,334 | 3,334 |
| Held-to-maturity financial assets | | <u>48,372</u> | <u>48,452</u> |
| | | <u>204,237</u> | <u>137,613</u> |
| Current assets | | | |
| Inventories | | 37,290 | 28,517 |
| Trade receivables | 8 | 7,127 | 8,625 |
| Prepayments, deposits and other receivables | | 9,008 | 6,562 |
| Cash and bank balances | | <u>66,659</u> | <u>157,565</u> |
| | | <u>120,084</u> | <u>201,269</u> |
| Total assets | | <u><u>324,321</u></u> | <u><u>338,882</u></u> |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | | 259,184 | 259,184 |
| Other reserves | | 213,221 | 214,059 |
| Accumulated losses | | <u>(190,047)</u> | <u>(175,048)</u> |
| | | 282,358 | 298,195 |
| Non-controlling interest | | <u>26,796</u> | <u>25,726</u> |
| Total equity | | <u><u>309,154</u></u> | <u><u>323,921</u></u> |

| | | As at 31 December 2016 <i>HK\$'000</i> (unaudited) | As at 30 June 2016 <i>HK\$'000</i> (audited) |
|-------------------------------------|---|---|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | <u>1,656</u> | <u>898</u> |
| Current liabilities | | | |
| Trade payables | 9 | 6,799 | 5,700 |
| Accrued charges and other payables | | <u>6,712</u> | <u>8,363</u> |
| | | <u>13,511</u> | <u>14,063</u> |
| Total liabilities | | <u><u>15,167</u></u> | <u><u>14,961</u></u> |
| Total equity and liabilities | | <u><u>324,321</u></u> | <u><u>338,882</u></u> |
| Net current assets | | <u><u>106,573</u></u> | <u><u>187,206</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements (the “**Interim Financial Statements**”) for the six months ended 31 December 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Interim Financial Statements have been prepared on the historical cost basis except for investment properties which are measured at fair value.

The basis of preparation and accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual accounts for the year ended 30 June 2016.

Certain new standards, amendments and interpretations have been issued but are not yet effective for the current accounting period and have not been early adopted by the Group.

2. TURNOVER AND SEGMENT INFORMATION

The Group’s reportable operating segments are (i) network solutions and project services; (ii) property investment; (iii) yacht building; and (iv) mineral exploration.

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. The Executive Directors determined the operating segments based on these reports.

The Executive Directors assess the performance of operating segments based on a measure of segment results. This measurement basis is revenue less direct attributable expenses to revenue but excluding depreciation. Other information provided, except as described below, to the Directors is measured in a manner consistent with that in the consolidated financial statements.

Segment assets exclude other assets that are managed on a central basis.

There are no sales or other transactions between business segments.

The segment revenue and results for the six months ended 31 December 2016

| | Network solutions and project services <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Yacht building <i>HK\$'000</i> | Minerals exploration <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--------------------------------------|--|--------------------------|
| Segment revenue | <u>11,724</u> | <u>827</u> | <u>—</u> | <u>—</u> | <u>12,551</u> |
| Segment results | <u>2,017</u> | <u>686</u> | <u>—</u> | <u>—</u> | <u>2,703</u> |
| Depreciation of property, plant and equipment | (16) | (81) | (56) | (137) | (290) |
| Fair value gain on investment properties | — | 1,162 | — | — | 1,162 |
| Unallocated expenses (<i>Note</i>) | | | | | (20,221) |
| Interest income | | | | | <u>1,025</u> |
| Loss before taxation | | | | | <u>(15,621)</u> |

Note: Unallocated expenses mainly include unallocated employee benefit expenses and reimbursement of sharing of administrative services incurred at corporate level.

The segment revenue and results for the six months ended 31 December 2015

| | Network solutions and project services <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Yacht building <i>HK\$'000</i> | Minerals exploration <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--------------------------------------|--|--------------------------|
| Segment revenue | <u>11,338</u> | <u>665</u> | <u>—</u> | <u>—</u> | <u>12,003</u> |
| Segment results | <u>2,688</u> | <u>534</u> | <u>—</u> | <u>—</u> | <u>3,222</u> |
| Depreciation of property, plant and equipment | (19) | — | (39) | (203) | (261) |
| Fair value gain on investment properties | — | 1,540 | — | — | 1,540 |
| Unallocated expenses (<i>Note</i>) | | | | | (18,440) |
| Interest income from bank deposits | | | | | <u>310</u> |
| Loss before taxation | | | | | <u>(13,629)</u> |

Note: Unallocated expenses mainly include unallocated employee benefit expenses and reimbursement of sharing of administrative services incurred at corporate level.

Segment Assets

For the period ended 31 December 2016

| | Network solutions and project services <i>HK\$'000</i> | Property Investment <i>HK\$'000</i> | Yacht building <i>HK\$'000</i> | Minerals exploration <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------|---|--|---|---|----------------------------------|
| Total segment assets | <u>9,757</u> | <u>93,268</u> | <u>37,307</u> | <u>54,416</u> | 194,748 |
| Unallocated: | | | | | |
| Cash and bank balances | | | | | 66,659 |
| Other unallocated assets | | | | | <u>62,914</u> |
| Consolidated total assets | | | | | <u>324,321</u> |

For the year ended 30 June 2016

| | Network solutions and project services <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Yacht building <i>HK\$'000</i> | Minerals exploration <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------|---|--|---|---|----------------------------------|
| Total segment assets | <u>10,895</u> | <u>29,899</u> | <u>31,010</u> | <u>50,831</u> | 122,635 |
| Unallocated: | | | | | |
| Cash and bank balances | | | | | 157,565 |
| Other unallocated assets | | | | | <u>58,682</u> |
| Consolidated total assets | | | | | <u>338,882</u> |

3. OTHER EXPENSES

Major expenses included in other expenses are analysed as follows:

| | Six months ended | |
|--|------------------|--------------|
| | 31 December | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Auditor's remuneration | 675 | 645 |
| Direct operating expenses from investment properties that generate rental income | 141 | 131 |
| Exchange loss/(gain) — net | 643 | (24) |
| Operating lease rentals for land and building | 1,147 | 1,349 |
| Legal and professional fee | 1,293 | 3,857 |
| Loss on written off of property, plant and equipment | 13 | — |
| Reimbursement of sharing of administrative services | <u>5,098</u> | <u>4,364</u> |

4. INCOME TAX EXPENSE

Hong Kong profits tax of HK\$19,000 has been provided for the period ended 31 December 2016. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

| | Six months ended | |
|--|------------------|------------|
| | 31 December | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| — Hong Kong profits tax | 19 | — |
| Deferred tax | | |
| — Origination of temporary differences | <u>758</u> | <u>159</u> |
| Total income tax expense | <u>777</u> | <u>159</u> |

5. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the following information:

| | Six months ended | |
|---|------------------|---------------|
| | 31 December | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Loss for the period attributable to owners of the Company, as used in the calculation of basic and diluted loss per share | <u>14,999</u> | <u>12,762</u> |

| Six months ended | |
|------------------|------|
| 31 December | |
| 2016 | 2015 |
| '000 | '000 |

Number of shares

| | | |
|---|-----------|-----------|
| Weighted average number of ordinary shares in issue for calculation of basic loss per share (<i>Note</i>) | 2,591,839 | 2,591,839 |
|---|-----------|-----------|

Note: Diluted loss per share is the same as basic loss per share for the periods ended 31 December 2016 and 2015 as the exercise of share options have anti-dilutive impact for both periods.

6. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Property, plant and equipment

During the period ended 31 December 2016, the Group spent approximately HK\$32,000 (31 December 2015: HK\$85,000) on furniture, fixtures and equipment, HK\$nil (31 December 2015: HK\$119,000) on computer equipment and HK\$67,000 (31 December 2015: nil) on leasehold improvement. The Group wrote off of furniture, fixtures and equipment with net book value of HK\$13,000 and leasehold improvement with nil net book value for the period ended 31 December 2016 (31 December 2015: nil).

(b) Investment properties

On 15 November 2016, the Company acquired 100% equity interest of Star Bright (HK) Holdings Limited (“**Star Bright**”) from an independent third party for cash considerations of HK\$62,513,000. Star Bright owns solely an office premises and a car parking space located in Central, Hong Kong.

The investment properties were revalued on an open market value basis by an independent qualified valuer who hold a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. As a result, the investment properties were revalued to approximately HK\$92,716,000 (30 June 2016: HK\$29,426,000), which represents their recoverable amount, and a fair value gain of approximately HK\$1,162,000 was recorded in the condensed consolidated income statement for the period ended 31 December 2016 (31 December 2015: fair value gain of HK\$1,540,000).

7. EXPLORATION AND EVALUATION ASSETS

The Group owns mineral exploration licences in southern and western parts of Mongolia. The additions to the exploration and evaluation assets represent the geological and geophysical costs, drilling and exploration expenses directly attributable to exploration activities.

| | As at 31 December 2016 <i>HK\$'000</i> (unaudited) | As at 30 June 2016 <i>HK\$'000</i> (audited) |
|-----------------------------|--|--|
| At beginning of the period | 50,048 | 31,729 |
| Additions | 3,736 | 18,826 |
| Written off (<i>Note</i>) | <u>—</u> | <u>(507)</u> |
| At end of the period | <u><u>53,784</u></u> | <u><u>50,048</u></u> |

Note: During the year ended 30 June 2016, the Group returned one exploration licence, which had no investment potential after due assessment by the Directors, to the Mongolian Government and wrote off the costs related to the respective licence.

8. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 60 days to customers. The ageing analysis of trade receivables by invoice date is as follows:

| | As at 31 December 2016 <i>HK\$'000</i> (unaudited) | As at 30 June 2016 <i>HK\$'000</i> (audited) |
|--------------|--|--|
| 1–30 days | 3,371 | 5,505 |
| 31–60 days | 1,917 | 630 |
| 61–90 days | 90 | 324 |
| Over 90 days | <u>1,749</u> | <u>2,166</u> |
| | <u><u>7,127</u></u> | <u><u>8,625</u></u> |

As of 31 December 2016, trade receivables of HK\$3,448,000 (30 June 2016: HK\$2,892,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

9. TRADE PAYABLES

The ageing analysis of trade payables by invoice date is as follows:

| | As at 31 December 2016 HK\$'000 (unaudited) | As at 30 June 2016 HK\$'000 (audited) |
|-------------|--|--|
| 0–30 days | 3,553 | 2,487 |
| 31–60 days | 1,103 | 183 |
| 61–90 days | 159 | 653 |
| 91–180 days | <u>1,984</u> | <u>2,377</u> |
| | <u>6,799</u> | <u>5,700</u> |

10. CAPITAL COMMITMENTS

The total capital expenditure of exploration activities in Mongolia which is authorised by the management of the Group is fully utilised as at 31 December 2016. The total capital expenditure of exploration activities in Mongolia which is authorised by the Board but not contracted for as at 30 June 2016 amounts to HK\$18,516,000. Such capital expenditure of exploration activities were contributed by equity holders of the joint venture on a pro-rata basis and the commitment of the Company amounts to HK\$9,443,000.

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

| | As at 31 December 2016 HK\$'000 (unaudited) | As at 30 June 2016 HK\$'000 (audited) |
|----------------------|--|--|
| Exploration drilling | — | 5,742 |
| Yacht building | <u>3,302</u> | <u>5,849</u> |
| | <u>3,302</u> | <u>11,591</u> |

11. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has the following non-adjusting events:

- (a) On 15 September 2016, the Company proposed the reduction of the share capital of the Company by (i) reducing the par value of each issued share from HK\$0.10 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.09 per issued share, such that each issued share shall become one fully paid up share of par value HK\$0.01 in the capital of the Company; and (ii) reducing the par value of each authorised but unissued share from HK\$0.10 to HK\$0.01, such that the authorised share capital of the Company shall be reduced from

HK\$2,000,000,000.00 to HK\$200,000,000.00 (the “**Capital Reduction**”). The aforesaid Capital Reduction was approved by the Shareholders as special resolution at the annual general meeting of the Company held on 15 November 2016 but not yet effective at the date of this announcement.

- (b) On 18 January 2017, the Group completed the acquisition of the entire issued share capital of Power Able Enterprises Limited at a consideration of HK\$51,000,000, which directly owns 17th Floor, Henan Building, Nos. 90 and 92 Jaffe Road and Nos. 15, 17 and 19 Luard Road, Hong Kong.
- (c) On 24 January 2017, the Company proposed a rights issue of not less than 1,295,919,446 ordinary shares but not more than 1,320,633,731 ordinary shares to the existing shareholders on the basis of one new ordinary share for every two existing ordinary shares at a subscription price of HK\$0.18 per share (the “**2017 Rights Issue**”). The estimated gross proceeds from the 2017 Rights Issue will be not less than approximately HK\$233.3 million but not more than approximately HK\$237.7 million. The Group intends to apply the net proceeds from the 2017 Rights Issue for the strengthening of its investment property portfolio and general working capital of the Group for its existing business segments and future business development. The 2017 Rights Issue is subject to fulfillment of certain conditions and therefore it was not completed as at the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Financial Period (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Network Solutions and Project Services (“NSPS”)

During the Financial Period, the total revenue achieved by NSPS was HK\$11.7 million, maintaining at the same level with last corresponding period (2015: HK\$11.3 million).

NSPS earns its revenue through the sale of telecom solutions, enterprise solutions, systems maintenance and project services. The revenue breakdown was as follows: (i) revenue from telecom solutions was approximately HK\$3.1 million (2015: HK\$2.7 million); (ii) revenue from enterprise solutions was HK\$0.9 million (2015: HK\$2.8 million); (iii) revenue from project services was HK\$6.7 million (2015: HK\$4.3 million); and (iv) revenue from systems maintenance was HK\$1.0 million (2015: HK\$1.5 million).

The market conditions for NSPS as disclosed in the 2016 annual report have remained unchanged. In particular, the competition in the enterprise solution market remains harsh and thin profit margin becomes the norm. Accordingly, a significantly drop in revenue from the enterprise solutions was noted during the Financial Period.

As disclosed in the 2016 annual report, NSPS had submitted a tender to renew a cellular site installation contract for a Hong Kong mobile telecom operator in order to secure future revenue from project services. NSPS has won the tender during the Financial Period for a contract term of two years.

In previous financial years, NSPS lodged a claim against a main contractor for approximately HK\$2.4 million, being the related contract sum together with other variation orders. NSPS is still actively pursuing the action.

2. *Property Investment*

All the Group's investment properties were fully rented out during the Financial Period. In order to expand and diversify the Group's property investment portfolio and generate a steady flow of rental income to the Group, the Group acquired two commercial properties during the Financial Period. The first property comprises an office unit with a gross floor area of about 3,480 square feet together with a car parking space located at Wyndham Street, Central. The acquisition was completed in November 2016 at a total consideration of approximately HK\$62.5 million. The second property is an office unit with a gross floor area of about 3,432 square feet at Luard Road, Wanchai. The acquisition was completed after the Financial Period in January 2017 at a total consideration of approximately HK\$51.0 million.

3. *Yacht Construction and Trading*

During the Financial Period, the construction of the first model was well underway and is scheduled for completion by the end of 2017.

4. *Exploration and Evaluation of Mineral Resources*

The Group's joint venture owns four exploration licences covering a total of approximately 278,000 hectares in Mongolia. Various exploration programs were implemented at the areas of these exploration licences in 2016, including geological mapping and sampling, geophysical surveys (magnetic, pole-dipole induced polarization and gravity), geochemical survey, diamond core drilling, laboratory testing of rock and core samples, data processing and modeling, and various studies in structure, petrology and mineralogy. Exploration drilling on a total depth of 3,631 meters was conducted at the licence number XV-13598 and XV-12999 areas to test some anomalies which may reveal metallogenic copper-gold-silver targets. The initial exploration results have revealed a new polymetallic mineralization target in relation to a regional fault at the licence number XV-13593 area, and a deep polymetallic mineralization target in relation to a deeply-buried hydrothermal body at the licence number XV-12999 area. All field exploration works relating to the 2016 exploration plan as disclosed in the 2016 annual report were duly completed. A detailed review of the exploration results by our in-house geologist is ongoing and expected to be completed by the end of the first quarter of 2017.

Financial Review

1. *Results Analysis*

During the Financial Period, the Group's revenue increased marginally to HK\$12.6 million (2015: HK\$12.0 million). Around 93.4% of the Group's revenue was generated from the NSPS business segment (2015: 94.5%).

The sharp increase in other income was mainly bond interest income earned during the Financial Period (2015: nil).

The investment properties of the Group were revalued on an open market basis by an independent qualified valuer. The carrying value of the investment properties as at 31 December 2016 increased by approximately HK\$63.3 million to HK\$92.7 million (30 June 2016: HK\$29.4 million). The net increase in carrying values consisted of (i) Hong Kong property acquired during the Financial Period of HK\$63.1 million; (ii) fair value gain on investment properties of HK\$1.2 million and (iii) loss in currency translation of HK\$1.0 million on our investment properties in China.

The increase in employee benefit expenses was due to (i) share-based payment expense of HK\$0.2 million (2015: nil) related to share options granted to an employee in October 2016; and (ii) the Company had entered into a service contract with Mr. Lo Lin Shing, Simon (“**Mr. Lo**”), chairman of the Company, at the beginning of the Financial Period for a fixed term of three years with a monthly salary of HK\$0.5 million.

2. *Liquidity and Financial Resources*

As at 31 December 2016, the capital and reserves attributable to the shareholders of the Company was HK\$282.4 million (30 June 2016: HK\$298.2 million).

In previous financial year, the Company had invested a total of HK\$48.3 million in two corporate bonds with good credit rating. These corporate bonds provide a stable return for the Group. During the Financial Year, the interest earned from these bonds was HK\$0.9 million (2015: nil).

In 2013, the Company placed its new shares under general mandate and raised approximately HK\$102.8 million (the “**Proceeds**”). During the Financial Period, a total of HK\$62.5 million out of the Proceeds was utilised to acquire a commercial property and a car parking space in Central. The balance of the Proceeds was fully utilised after the Financial Period to acquire another commercial property in Wanchai.

As at 31 December 2016, the Group had no bank or other borrowings (30 June 2016: nil).

3. *Gearing*

The Group had no gearing as at 31 December 2016 (30 June 2016: nil).

4. *Foreign Exchange*

The key operations of the Group are located in Hong Kong, China and Mongolia. The Group’s assets and liabilities are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The Group does not establish a foreign currency hedging policy. However, management of the Group continues to monitor foreign exchange exposure and will consider hedging significant currency exposures should the need arise.

5. *Contingent Liabilities*

As at 31 December 2016, the Group did not have material contingent liabilities (30 June 2016: nil).

Business Outlook and Development

A strong local currency and an anticipated interest rise in the United States of America have been affecting the economic fundamentals of Hong Kong. The potential clients of NSPS have become more cautious in making new capital investments and/or major improvements to their telecommunication infrastructures. Under such prevailing market conditions, the management of NSPS expects its business to remain stagnant. By the end of 2016, the total contracts on hand for NSPS were approximately HK\$8.1 million, of which HK\$2.1 million belonged to network solutions business and maintenance while the remaining HK\$6.0 million belonged to project services.

In order to enhance our shareholder value, the Group continues to seek new investment opportunities in Hong Kong and Mainland China from time to time. The Group is interested in the Hong Kong property market, in particular the office sector. The overall performance of the office property market was considerably positive from 2011 to the third quarter of 2016, with generally upward trends of the price and rental indices. Though the price indices have shown a sign of decline after reaching their peak in the third quarter of 2015, they are still footing at a relatively high level. The favourable factors supporting the demand in offices include (i) a strong market demand for quality offices by the growing financial sector; (ii) relocation of offices from traditional central districts under costs consideration; (iii) an increasing presence of Mainland corporations to set up offices in the prominent central business districts; (iv) office investments are attractive to Mainland investors as a means to diversify the Renminbi currency risks; and (v) high investment demand in spite of the property cooling measures laid down by the Hong Kong government. On the other hand, the supply of offices varies from district to district. The natural constraint of scarce developable land serves to boost the performance of offices in the traditional central districts while increasing supply of office spaces in non-core areas may lead to increase in vacancy rates and decline in rentals. The long term investment strategy popularly adopted by Mainland investors will also limit the supply of offices available in the market for lease and sale. The Group believes the prospect of the office market to be affirmative based on the analysis of the general factors.

In January 2017, the Company proposed the 2017 Rights Issue. It is estimated that the net proceeds of the Rights Issue will be not less than HK\$227.1 million and not more than approximately HK\$231.5 million. The Group intends to apply the net proceeds (based on the minimum level) from the 2017 Rights Issue as follows: (i) approximately HK\$170 million for the strengthening of its investment property portfolio by acquiring additional commercial and/or residential properties should suitable opportunities become available; and (ii) as to the remaining balance for general working capital for future development of other business segments of the Group. The Group has yet to identify any specific acquisition target as at the date of this announcement. The 2017 Rights Issue is subject to fulfillment of certain conditions and therefore, was not completed as at the date hereof.

In respect of the business of mineral exploration and evaluation, the exploration plan for the year 2017 could only be formulated until the completion of the data review and study of the 2016 exploration programs. Up to the date hereof, the internal assessment is still ongoing. The Group has participated in mineral exploration business since 2014 and accumulated firsthand knowledge and practical experience in this business segment. The Group will consider new project(s) when suitable opportunities arise.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board recognises the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibility to maintain the interest of the shareholders and to enhance their values. They also believe good corporate governance practices can facilitate rapid growth of a company under a healthy governance structure and strengthen the confidence of the shareholders and investors.

During the Financial Period, the Company had applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited, save for the following deviations:

- i. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separated and should not be performed by the same individual.

Mr. Lo is the chairman of the Company (the "**Chairman**") and has also carried out the responsibility of CEO. Mr. Lo possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

- ii. Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors is appointed for a specific term which constitutes a deviation from the code provision A.4.1 of the CG Code. However, they are subject to retirement by rotation in accordance with the provisions of the Company's articles of association (the "**Articles**"). Therefore, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the CG Code.

- iii. Code provisions A.5.1 to A.5.4 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or an independent non-executive director to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

The Company has not set up a nomination committee as required. The Board considers that it should be the responsibility of the full Board to review these matters and make decisions from time to time. The Board has already set out the criteria for selection of a director under its internal policy. According to the Articles of the Company, any newly appointed directors are required to offer themselves for re-election at the next general meeting. Furthermore, the director re-election process participating by the shareholders in the annual general meeting (“AGM”) and the rights of shareholders to nominate a director both ensure a right candidate to be selected to serve the Board effectively.

- iv. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

Due to another business engagement, the Chairman did not attend the 2016 AGM. An Executive Director had chaired the 2016 AGM and answered shareholders' questions. The AGM of the Company provides a channel for communication between the Board and the shareholders. Chairman of the Audit and Remuneration Committees of the Company was also present and available to answer questions at the 2016 AGM. Other than the AGM, the shareholders may also communicate with the Company through the contact information listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transactions by the directors (the “**Code**”), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by directors of Listed Issuers in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company has also established Written Guidelines for Securities Transactions by Employees of the Group on terms no less exacting than the Model Code for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company.

During the period of thirty days immediately preceding and including the publication of the half year results or, if shorter, the period from the end of the relevant financial quarterly or half year period up to and including the publication date of the half year results, all directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

Upon specific enquiry by the Company, all directors have confirmed in writing that they have complied with the required standards set out in the Model Code and the Code throughout the Financial Period.

HUMAN RESOURCES

As at 31 December 2016, the Group employed 28 employees (30 June 2016: 29) in Hong Kong and Mongolia. The remuneration policies of the Group are reviewed and approved by the management on a periodic basis to ensure fair rewards and compensation for our employees. The remuneration packages are structured to be comparable to the market while bonuses and other merit payments are correlated to the performances of the Group and the employees. The Group also offers appropriate training programs for staff training and development.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Tsui Hing Chuen, William *JP*, Mr. Lee Kee Wai, Frank and Mr. Lau Wai Piu (chairman of the Audit Committee).

The Audit Committee has reviewed the unaudited interim financial information of the Group for the Financial Period.

By Order of the Board
Vision Values Holdings Limited
Tang Chi Kei
Company Secretary

Hong Kong, 27 February 2017

*As at the date of this announcement, the Board comprises six Directors, including Mr. Lo Lin Shing, Simon and Mr. Ho Hau Chong, Norman as executive Directors, Mr. Lo, Rex Cze Kei as non-executive Director, Mr. Tsui Hing Chuen, William *JP*, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive Directors.*