



# **Vision Values**

**Vision Values Holdings Limited**

Stock Code: 862

**Interim Report 2016/17**

## Chairman's Statement

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**), I hereby present to the shareholders the interim results of Vision Values Holdings Limited (the **"Company"**) and its subsidiaries, (collectively the **"Group"**) for the six months period ended 31 December 2016 (the **"Financial Period"**).

### Financial Results Summary

- Revenue for the Financial Period was HK\$12.6 million (2015: HK\$12.0 million).
- Loss attributable to owners of the Company was HK\$15.0 million (2015: HK\$12.8 million).
- Loss per share attributable to owners of the Company was HK cents 0.58 (2015: HK cents 0.49).

## 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 increased 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 up to today's date. 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.

## **Appreciation**

In view of the above-mentioned factors, the road ahead is still full of challenges. Nevertheless, during this period, I would like to express my deepest appreciation to all our dedicated colleagues, contractors and business partners for their non-stop contributions to and indulgence on us. Finally, I would also like to extend my sincere gratitude for our customers and your support.

**Lo Lin Shing, Simon**

*Chairman*

Hong Kong, 27 February 2017

## Corporate Governance and Other Information

### Interim Dividend

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

### Directors' Interests and Short Positions in Shares of the Company and its Associated Corporation

As at 31 December 2016, the interests or short positions of the directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of securities on the Stock Exchange (the "Listing Rules") were as follows:

#### (i) Long positions in the shares and underlying shares of the Company

Name of Directors	Number of shares			Number of underlying shares		Total interests	Percentage of shareholding
	Personal interests	Spouse interests	Corporate interests	Personal Interests pursuant to share options	Corporate interests		
Mr. Lo	1,170,000	—	830,331,090 (Note)	13,800,000	—	845,301,090	32.61%
Mr. Ho Hau Chong, Norman	1,170,000	—	—	16,696,428	—	17,866,428	0.69%
Mr. Lo, Rex Cze Kei	—	—	—	6,000,000	—	6,000,000	0.23%
Mr. Tsui Hing Chuen, William JP	2,500,000	—	—	5,767,857	—	8,267,857	0.32%
Mr. Lau Wai Piu	5,267,857	—	—	3,000,000	—	8,267,857	0.32%
Mr. Lee Kee Wai, Frank	—	—	—	8,267,857	—	8,267,857	0.32%

Note: The shares were held by Moral Glory International Limited ("Moral Glory"), a company wholly-owned by Mr. Lo.



## (ii) Associated Corporation of the Company

The following Director had interests in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Number and class of securities interested	Approximate percentage of shareholding in the associated corporation
Mr. Lo	Mission Wealth Holdings Limited (Note)	Beneficial owner	49 ordinary shares of US\$1.00 each	49%

Note: Mission Wealth Holdings Limited was a company incorporated in the British Virgin Islands which was a 51%-owned subsidiary of the Company.

Save as disclosed above and the section headed “**Share Option Schemes**”, as at 31 December 2016, none of the Directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Discloseable Interests and Short Positions of Substantial Shareholders/Other Persons Under the SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at 31 December 2016, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

### Long position of substantial Shareholders/other persons in the shares and/or underlying shares

Name of Shareholders	Number of shares and/or underlying shares			Total interests	Percentage of nominal value of issued share capital
	Beneficial/ Personal interests	Spouse interests	Corporate interests		
Ms. Ku Ming Mei, Rouisa	—	845,301,090	—	845,301,090 (Note)	32.61%
Moral Glory	830,331,090	—	—	830,331,090	32.04%

Note: Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo, was deemed to be interested in 845,301,090 shares owned by Mr. Lo beneficially, under the SFO.

Save as disclosed above and those disclosed under “**DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION**”, the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 December 2016.

## Changes in Directors' Information

Changes in the Directors' information since the date of 2016 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. Lo had entered into a director service contract with the Company for a fixed term of three years, commencing on 1 April 2016 and expiring on 31 March 2019, with a monthly remuneration at HK\$500,000.
2. Mr. Lee Kee Wai, Frank was appointed on 21 October 2016 as an independent non-executive director of Mongolia Energy Corporation Limited (Stock Code: 276), which shares are listed on the Stock Exchange.

## Share Option Scheme

Under the share option scheme adopted by the Company on 23 November 2011 (the “**2011 Option Scheme**”), options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.10 each in the capital of the Company.

No share options were exercised or lapsed during the Financial Period. Details of the movement in outstanding share option during the Financial Period were as follows:

Name of category of participants	Date of grant	Exercise price HK\$	Exercise period	Vesting period	Number of shares subject to options		
					As at 1 July 2016	Granted during the Financial Period	As at 31 December 2016
Mr. Lo	05/03/2014	0.730	05/03/2014 to 04/03/2019	N/A	6,800,000	—	6,800,000
	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	7,000,000	—	7,000,000
Mr. Ho Hau Chong, Norman	11/01/2013	0.181	11/01/2013 to 10/01/2018	N/A	13,696,428	—	13,696,428
	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	3,000,000	—	3,000,000

Name of category of participants	Date of grant	Exercise price HK\$	Exercise period	Vesting period	Number of shares subject to options		
					As at 1 July 2016	Granted during the Financial Period	As at 31 December 2016
Mr. Lo, Rex Cze Kei	05/03/2014	0.730	05/03/2014 to 04/03/2019	N/A	6,000,000	—	6,000,000
Mr. Tsui Hing Chuen, William JP	11/01/2013	0.181	11/01/2013 to 10/01/2018	N/A	2,767,857	—	2,767,857
	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	3,000,000	—	3,000,000
Mr. Lau Wai Piu	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	3,000,000	—	3,000,000
Mr. Lee Kee Wai, Frank	11/01/2013	0.181	11/01/2013 to 10/01/2018	N/A	5,267,857	—	5,267,857
	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	3,000,000	—	3,000,000
Employees and others in aggregate (including a director of certain subsidiaries)	11/01/2013	0.181	11/01/2013 to 10/01/2018	N/A	8,571	—	8,571
	05/03/2014	0.730	05/03/2014 to 04/03/2019	N/A	6,000,000	—	6,000,000
	20/05/2015	0.680	20/05/2015 to 19/05/2020	N/A	38,420,000	—	38,420,000
	19/10/2016	0.410	19/07/2017 to 18/10/2018	19/10/2016 to 18/07/2017	—	2,500,000	2,500,000
	19/10/2016	0.410	19/01/2018 to 18/10/2018	19/10/2016 to 18/01/2018	—	2,500,000	2,500,000
<b>Total</b>					<b>97,960,713</b>	<b>5,000,000</b>	<b>102,960,713</b>

## 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 Listing Rules on the Stock Exchange, 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 was unable to 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. 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 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 condensed consolidated financial statements of the Group for the Financial Period and is of the opinion that the preparation of the condensed consolidated financial statements has complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## **Board of Directors**

As at the date of this Report, the Board comprises the following members:

### **Executive Directors**

Mr. Lo Lin Shing, Simon (*Chairman*)

Mr. Ho Hau Chong, Norman

### **Non-executive Director**

Mr. Lo, Rex Cze Kei

### **Independent Non-executive Directors**

Mr. Tsui Hing Chuen, William *JP*

Mr. Lau Wai Piu

Mr. Lee Kee Wai, Frank



## Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2016

	Notes	Six months ended 31 December	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	12,551	12,003
Other income	4	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	8(b)	1,162	1,540
Employee benefit expenses		(9,163)	(5,948)
Depreciation		(408)	(464)
Other expenses	5	(11,632)	(13,090)
Loss before taxation		(15,621)	(13,629)
Income tax expense	6	(777)	(159)
Loss for the period		(16,398)	(13,788)
<b>Loss attributable to:</b>			
Owners of the Company		(14,999)	(12,762)
Non-controlling interest		(1,399)	(1,026)
		(16,398)	(13,788)
<b>Loss per share attributable to owners of the Company during the period (HK cents)</b>	7		
Basic and diluted loss per share		(0.58)	(0.49)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

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

## Condensed Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	As at 31 December 2016 HK\$'000 (unaudited)	As at 30 June 2016 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8(a)	6,031	6,353
Investment properties	8(b)	92,716	29,426
Exploration and evaluation assets	9	53,784	50,048
Goodwill		3,334	3,334
Held-to-maturity financial assets		48,372	48,452
		<b>204,237</b>	137,613
<b>Current assets</b>			
Inventories	10	37,290	28,517
Trade receivables	11	7,127	8,625
Prepayments, deposits and other receivables		9,008	6,562
Cash and bank balances		66,659	157,565
		<b>120,084</b>	201,269
<b>Total assets</b>		<b>324,321</b>	338,882
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	13	259,184	259,184
Other reserves		213,221	214,059
Accumulated losses		(190,047)	(175,048)
		<b>282,358</b>	298,195
Non-controlling interest		26,796	25,726
<b>Total equity</b>		<b>309,154</b>	323,921

	Notes	<b>As at 31 December 2016 HK\$'000 (unaudited)</b>	As at 30 June 2016 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>1,656</b>	898
<b>Current liabilities</b>			
Trade payables	12	<b>6,799</b>	5,700
Accrued charges and other payables		<b>6,712</b>	8,363
		<b>13,511</b>	14,063
<b>Total liabilities</b>		<b>15,167</b>	14,961
<b>Total equity and liabilities</b>		<b>324,321</b>	338,882
<b>Net current assets</b>		<b>106,573</b>	187,206

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
	Notes	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Cash flows from operating activities:</b>			
Cash used in operation		<b>(27,929)</b>	(20,845)
Income tax refund		<b>107</b>	—
Net cash used in operating activities		<b>(27,822)</b>	(20,845)
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	8(a)	<b>(99)</b>	(204)
Net cash outflow for acquisition of investment property and other assets through acquisition of a subsidiary		<b>(62,816)</b>	—
Additions to exploration and evaluation assets	9	<b>(3,736)</b>	(14,426)
Interest received		<b>1,105</b>	310
Net cash used in investing activities		<b>(65,546)</b>	(14,320)
<b>Cash flows from financing activities:</b>			
Contribution from a non-controlling interest		<b>2,469</b>	6,214
Net cash generated from financing activities		<b>2,469</b>	6,214
Net decrease in cash and cash equivalents		<b>(90,899)</b>	(28,951)
Cash and cash equivalents at the beginning of the period		<b>157,565</b>	260,293
Effect on foreign exchange rate changes		<b>(7)</b>	(15)
<b>Cash and cash equivalents at the end of the period</b>		<b>66,659</b>	231,327

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Revaluation reserve	Share option reserve	Currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016 (audited)	259,184	179,216	2,366	30,418	2,059	(175,048)	298,195	25,726	323,921
Comprehensive loss:									
– Loss for the period	–	–	–	–	–	(14,999)	(14,999)	(1,399)	(16,398)
Other comprehensive loss:									
– Currency translation differences	–	–	–	–	(1,015)	–	(1,015)	–	(1,015)
Total comprehensive loss for the period	–	–	–	–	(1,015)	(14,999)	(16,014)	(1,399)	(17,413)
Share-based payment	–	–	–	180	–	–	180	–	180
Share capital reduction (Note 17a)	–	(3)	–	–	–	–	(3)	–	(3)
Total contributions by owners of the company recognised directly in equity	–	(3)	–	180	–	–	177	–	177
Contribution from a non-controlling interest	–	–	–	–	–	–	–	2,469	2,469
Total transactions with owners, recognised directly in equity	–	(3)	–	180	–	–	177	2,469	2,646
At 31 December 2016 (unaudited)	259,184	179,213	2,366	30,598	1,044	(190,047)	282,358	26,796	309,154

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
At 1 July 2015 (audited)	259,184	179,216	2,366	33,111	3,317	(151,164)	326,030	17,917	343,947
Comprehensive loss:									
– Loss for the period	–	–	–	–	–	(12,762)	(12,762)	(1,026)	(13,788)
Other comprehensive loss:									
– Currency translation differences	–	–	–	–	(1,101)	–	(1,101)	–	(1,101)
Total comprehensive loss for the period	–	–	–	–	(1,101)	(12,762)	(13,863)	(1,026)	(14,889)
Share-based payment	–	–	–	226	–	–	226	–	226
Total contributions by owners of the company recognised directly in equity	–	–	–	226	–	–	226	–	226
Contribution from a non-controlling interest	–	–	–	–	–	–	–	6,214	6,214
Total transactions with owners, recognized directly in equity	–	–	–	226	–	–	226	6,214	6,440
At 31 December 2015 (unaudited)	259,184	179,216	2,366	33,337	2,216	(163,926)	312,393	23,105	335,498

# Notes to the Condensed Consolidated Financial Statements

## 1. General Information

Vision Values Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in the provision of network solutions and project services, property investment, yacht building in Hong Kong and minerals exploration in Mongolia.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its principal place of business is Unit 902–03, 9/F Shui Hing Centre, 13 Sheung Yuet Road, Kowloon Bay, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## 2. 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 under the historical cost convention, as modified by the revaluation of investment properties, which are stated 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 financial statements 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.



### **3. 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.

### 3. Turnover and Segment Information (Continued)

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

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

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

### 3. Turnover and Segment Information (Continued)

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

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

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

### 3. Turnover and Segment Information (Continued)

#### Segment Assets

For the period ended 31 December 2016

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

### 3. Turnover and Segment Information (Continued)

#### Segment Assets (Continued)

For the year ended 30 June 2016

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

#### 4. Other Income

	Six months ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Interest income	1,025	311
Sundry income	6	2
	<b>1,031</b>	313

#### 5. Other Expenses

Major expenses included in other expenses are analysed as follows:

	Six months ended 31 December	
	2016 HK\$'000	2015 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 buildings	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	5,098	4,364

## 6. Income Tax Expense

Hong Kong profits tax of HK\$19,000 has been provided for the period ended 31 December 2016 (2015: nil). 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 HK\$'000	2015 HK\$'000
Current tax		
— Hong Kong profits tax	19	—
Deferred tax		
— Origination of temporary differences	758	159
<b>Total income tax expense</b>	<b>777</b>	159

## 7. Loss Per Share

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

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

## 7. Loss Per Share (Continued)

	Six months ended 31 December	
	2016 '000	2015 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for calculation of basic loss per share (Note)	<b>2,591,839</b>	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 share options would have anti dilutive impact for both periods.

## 8. 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.



## 8. Movements in Property, Plant and Equipment and Investment Properties (Continued)

### (b) Investment properties (Continued)

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).

The fair value measurements information for these properties in accordance with HKFRS 13 are given below:

	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<b>At 31 December 2016</b>				
Investment properties:				
– Residential property				
– Beijing	–	11,100	–	11,100
– Office unit – Beijing	–	–	9,546	9,546
– Office unit – Hong Kong	–	60,300	–	60,300
– Industrial properties				
– Hong Kong	–	5,500	3,800	9,300
– Carparks – Hong Kong	–	2,470	–	2,470
	–	79,370	13,346	92,716

## 8. Movements in Property, Plant and Equipment and Investment Properties (Continued)

### (b) Investment properties (Continued)

	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
At 30 June 2016				
Investment properties:				
– Residential property				
– Beijing	–	9,594	–	9,594
– Office unit – Beijing	–	–	10,062	10,062
– Industrial properties				
– Hong Kong	–	5,500	3,800	9,300
– Carpark – Hong Kong	–	470	–	470
	–	15,564	13,862	29,426

There was no transfer between all levels in both periods.

#### Fair value measurements using significant unobservable inputs

Fair values of investment properties of the Group are generally derived using the direct comparison method. However, given the lack of observable market data relating to the office and industrial properties, the investment approach has been adopted which usually requires significant unobservable inputs for the valuation of the investment properties.

## 8. Movements in Property, Plant and Equipment and Investment Properties (Continued)

### (b) Investment properties (Continued)

#### Fair value measurements using significant unobservable inputs (Continued)

The ranges of unobservable input are similar between the office unit and the industrial properties. These significant unobservable inputs include:

	Fair value at 31 December 2016	Valuation technique	Unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value
Office unit — Beijing	HK\$9,546,000 (30 June 2016: HK\$10,062,000)	Investment approach	Rental value	RMB162.00 per month per square meter (30 June 2016: RMB189.54)	The higher the rental value, the higher the value
			Market yield	6.50% (30 June 2016: 6.50%)	The higher the market yield, the lower the value
Industrial properties — Hong Kong	HK\$3,800,000 (30 June 2016: HK\$3,800,000)	Investment approach	Rental value	HK\$11.00– HK\$15.00 per month per square feet (30 June 2016: HK\$11.00– HK\$15.00)	The higher the rental value, the higher the value
			Market yield	4.00% (30 June 2016: 4.00%)	The higher the market yield, the lower the value

## 9. 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.

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

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.

## 10. Inventories

	<b>As at 31 December 2016 (unaudited) HK\$'000</b>	As at 30 June 2016 (audited) HK\$'000
Raw materials	<b>694</b>	2,438
Work in progress	<b>36,376</b>	25,897
Finished goods	<b>220</b>	182
	<b>37,290</b>	28,517

## 11. 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:

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

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.

## 12. Trade Payables

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

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

## 13. Share Capital

	<b>No. of shares</b>	<b>HK\$'000</b>
Authorised:		
At 30 June 2016 and 31 December 2016	20,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2015, 30 June 2016 and 31 December 2016	2,591,838,892	259,184

The total authorised number of ordinary shares is 20,000 million shares (30 June 2016: 20,000 million) with a par value of HK\$0.10 per share (30 June 2016: HK\$0.10 per share).

## 14. Operating Lease Commitments

At 31 December 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>As at 31 December 2016 (unaudited) HK\$'000</b>	As at 30 June 2016 (audited) HK\$'000
No later than 1 year	<b>645</b>	271
Later than 1 year and no later than 5 years	<b>306</b>	—
	<b>951</b>	271

At 31 December 2016 and 30 June 2016, the Company had no future aggregate minimum lease payment under non-cancellable operating lease.

During the period ended 31 December 2016, all of the investment properties (30 June 2016: All) are leased to tenants under operating leases with rentals payable monthly/quarterly. Minimum lease payments receivable on leases of the investment properties are as follows:

	<b>As at 31 December 2016 (unaudited) HK\$'000</b>	As at 30 June 2016 (audited) HK\$'000
No later than 1 year	<b>2,385</b>	944
Later than 1 year and no later than 5 years	<b>1,425</b>	171
	<b>3,810</b>	1,115

There are no contingent rents receivable from the leasing of investment properties.

## 15. 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:

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

## 16. Related Party Transactions

The Group is controlled by Moral Glory International Limited (“**Moral Glory**”) (incorporated in the British Virgin Islands), whereas the ultimate controlling party of Moral Glory is Mr. Lo Lin Shing, Simon (“**Mr. Lo**”), a substantial shareholder who has significant influence over the Group and the chairman and a Director of the Company. Moral Glory and Mr. Lo collectively owns 32.08% of the Company’s shares. The remaining 67.92% of the shares are widely held.



## 16. Related Party Transactions (Continued)

- (a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	<b>Six months ended 31 December</b>	
	<b>2016 HK\$'000</b>	2015 HK\$'000
Operating lease rental income from a related company (Note 1)	<b>190</b>	211
Operating lease rental expenses to a related company (Note 1)	—	183
Operating lease rental expenses to related companies (Note 2)	<b>648</b>	578
Reimbursement of sharing of administrative services to a related company (Note 1 and 3)	<b>5,098</b>	4,364

Notes:

- (1) Related companies are companies in which Mr. Lo is the director.
- (2) Mr. Lo is the director and beneficial owner.
- (3) The service is reimbursed at actual cost incurred.

## 16. Related Party Transactions (Continued)

- (b) The period/year end balance arising from the related party transactions as included in prepayments, deposits and other receivables and accrued charges and other payables is as follows:

	<b>As at 31 December 2016 (unaudited) HK\$'000</b>	As at 30 June 2016 (audited) HK\$'000
Amounts due to a related company	(53)	(70)
Amount due from related companies	145	145

The amounts due (to)/from related companies were unsecured and interest-free, and had no fixed terms of repayment.

- (c) Key management compensation of the Group for the period is as follows:

	<b>Six months ended 31 December</b>	
	<b>2016 HK\$'000</b>	2015 HK\$'000
Salaries and other employee benefits	3,289	280

## 17. 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 approval of these Interim Financial Statements.
- (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 approval of these Interim Financial Statements.