



# Vision Values

Vision Values Holdings Limited

Stock Code : 862

**Annual Report 2017**



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# Corporate Information

## BOARD OF DIRECTORS

### 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

## COMPANY SECRETARY

Mr. Tang Chi Kei

## INDEPENDENT AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISER

Iu, Lai & Li

## PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited  
Standard Chartered Bank

## AUDIT COMMITTEE

Mr. Lau Wai Piu (*Chairman*)  
Mr. Tsui Hing Chuen, William *JP*  
Mr. Lee Kee Wai, Frank

## REMUNERATION COMMITTEE

Mr. Lau Wai Piu (*Chairman*)  
Mr. Tsui Hing Chuen, William *JP*  
Mr. Lee Kee Wai, Frank

## REGISTERED OFFICE

P.O. Box 10008, Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 902-03, 9th Floor  
Shui Hing Centre  
13 Sheung Yuet Road, Kowloon Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008, Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

862

## WEBSITE

[www.visionvalues.com.hk](http://www.visionvalues.com.hk)

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I hereby present to the shareholders the annual results of Vision Values Holdings Limited (the "**Company**") and its subsidiaries, (collectively the "**Group**") for the year ended 30 June 2017 (the "**Financial Year**").

## FINANCIAL RESULTS SUMMARY

- Revenue for the Financial Year was HK\$22.2 million (2016: HK\$26.4 million).
- Loss attributable to owners of the Company was HK\$46.1 million (2016: HK\$26.8 million).
- Loss per share attributable to owners of the Company was HK cents 1.42 (2016: HK cents 0.88).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### 1. Network Solutions and Project Services ("NSPS")

It was a challenging year for NSPS. The revenue fell from HK\$25.0 million in 2016 to HK\$19.9 million in 2017, a 20.5% decrease.

For the segment results, NSPS posted a 33.3 percent year-on-year slump in segment profit to HK\$3.8 million (2016: HK\$5.7 million).

NSPS earns its revenue through the sale of telecom solutions, enterprise solutions, project services and systems maintenance. The revenue breakdown was as follows:

- revenue from telecom solutions was HK\$4.8 million (2016: HK\$4.2 million);
- revenue from enterprise solutions was HK\$1.5 million (2016: HK\$4.2 million);
- revenue from project services was HK\$11.9 million (2016: HK\$13.8 million); and
- revenue from systems maintenance was HK\$1.7 million (2016: HK\$2.8 million).

The main reasons attributable to the disappointing financial performance during the Financial Year were:

- potential clients were very cautious in their attitude towards making capital investment or replacement decisions;
- merger and acquisition of our key vendors in the past 2 years leading to market reshuffle and the establishment of more resellers and competitors;
- NSPS faced a squeeze on profit margins due to keen competition in the market in particular for the enterprise solutions; and
- the growing popularity of internet created market and price transparency which in turn further eroded our profit margins.

## Chairman's Statement (Continued)

Among the different revenue streams, project services generated the highest revenue but the lowest profit margin. The revenue for project services was mainly derived from a cellular site installation contract with a mobile operator in Hong Kong. For the business of telecom solutions, the products from RAD Data Communications, Oscilloquartz and SwissQual promoted by NSPS were well-received by the market practitioners in Hong Kong.

In previous financial years, NSPS lodged a claim against a main contractor for a sum of HK\$2.4 million, being the related contract sum together with other variation orders. NSPS is still actively pursuing the action and a case management summon hearing is scheduled in January 2018.

### 2. Property Investment

The Group had completed the acquisition of two commercial properties in Hong Kong in November 2016 and January 2017 respectively in order to diversify the Group's property investment portfolio. Except for the newly acquired office unit in Wanchai, all the investment properties were fully rented out during the Financial Year.

### 3. Yacht Construction and Trading

The construction of the first model yacht was well underway during the Financial Year. The building of the yacht is expected to be completed by the end of 2017.

### 4. Exploration and evaluation of mineral resources

The exploration plan for the year 2017 in respect of the Group's four exploration licenses in Mongolia had been formulated with details as follows:

- (a) license number 12999 — focus on polymetallic anomalies in two target areas with exploration works covering regional-scale infill geological mapping, target-scale structure- alteration mapping, geophysical surveys (pole-dipole induced polarization and gravity), diamond core drilling, surface rock chips and drill core sampling, geochemistry, petrology and mineralogy studies;
- (b) license number 13598 — focus on molybdenum and copper anomaly in one target area with exploration works covering target-scale structure alteration mapping, drilling, surface rock chips and drill core sampling, geochemistry, petrology and mineralogy studies;
- (c) license number 13593 — focus on polymetallic anomaly in one target area with exploration works covering regional-scale geologic mapping, target-scale structure alteration mapping, geophysical surveys (magnetic, pole-dipole induced polarization and gravity), surface rock chips sampling, geochemistry, petrology and mineralogy studies; and
- (d) license number 13595 — exploration works covering geological assessment reconciliation work to generate new exploration targets.

The 2017 exploration budget is approximately HK\$21.0 million. The exploration teams were already mobilised in May 2017.

# Chairman's Statement (Continued)

## Financial Review

### 1. Results Analysis

During the Financial Year, the Group's revenue decreased to HK\$22.2 million (2016: HK\$26.4 million). Around 89.6% (2016: 95.0%) of the Group's revenue was originated from the NSPS business segment.

The sharp increase in other income was mainly due to the full-year-effect of interest income of approximately HK\$1.7 million (2016: HK\$0.2 million) from two corporate bonds invested by the Company at the near end of last financial year.

The fair values of the Group's investment properties at the end of the Financial Year were valued by an independent qualified valuer. The carrying values of the investment properties as at 30 June 2017 increased by 406.9% to HK\$149.2 million (2016: HK\$29.4 million). The net increase in carrying values consisted of (i) acquisition costs of two Hong Kong commercial properties acquired during the Financial Year of HK\$114.8 million (2016: nil); (ii) fair value gains on investment properties of HK\$5.3 million (2016: HK\$1.0 million); and (iii) loss in currency translation of HK\$0.3 million (2016: HK\$1.2 million) on our investment properties in China.

The increased in employee benefit expenses was mainly due to (i) share-based payment expense of HK\$12.4 million (2016: HK\$0.2 million) mostly related to the share options granted in April 2017; and (ii) the Company had entered into a service contract with Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), chairman of the Company, at April 2016 for a fixed term of three years with a monthly salary of HK\$0.5 million.

The increased in other expenses was mainly due to the share-based payment expense of HK\$9.3 million (2016: nil) in relation to the share options granted in April 2017 being offered to several consultants of the Group.

### 2. Liquidity and Financial Resources

As at 30 June 2017, the capital and reserves attributable to the shareholders of the Company was HK\$497.5 million (2016: HK\$298.2 million). During the Financial Year, the Company raised approximately HK\$233.3 million, before expenses, by way of a rights issue on the basis of one rights share for every two existing shares at the subscription price of HK\$0.18 per rights share.

In 2013, the Company placed its new shares under general mandate and raised approximately HK\$102.8 million (the "**Proceed**"). During the Financial Year, the Proceed was fully utilised to acquire two commercial properties in Hong Kong.

As at 30 June 2017, the Group had no bank or other borrowings (2016: nil).

### 3. Gearing

The Group had no gearing as at 30 June 2017 (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 30 June 2017, the Group did not have material contingent liabilities (2016: nil).

## Chairman's Statement (Continued)

### Business Outlook & Development

Based on latest economic data, Hong Kong economic performance is expected to be better than 2016 but the outlook for the global economy remains uncertain.

In the NSPS division, the total contract on hand as at 30 June 2017 was HK\$9.2 million. Among this total contract sum, 24.0% belongs to the sales of network solutions and maintenance services, whilst the remaining belongs to the project services.

Apart from focusing on existing products and solutions, NSPS is exploring more new business opportunities to broaden its customer base. To develop Hong Kong as a world leading smart city, the employment of internet of things (“IoT”) becomes the essential market trend. NSPS is trying to explore the IoT business opportunities by working with a leading partner in IoT.

NSPS still needs to take some time to tackle various challenges ahead in order to turnaround its business despite the gradual improvement of the economic climate in Hong Kong.

In the property investment division, the Company announced on 12 July 2017 to acquire an office building located in Wanchai. The said acquisition was completed on 22 September 2017. The Company expects this acquisition will contribute a stabilised revenue income to the Group immediately after the completion.

In the yacht construction division, the Group may conduct an overall review on the yacht construction business after completion of the first model yacht.

Meanwhile, the Group will cautiously explore new investment opportunities apart from existing business sectors with an aim to broaden its revenue base.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our management and colleagues for their valuable contribution to the Group. Moreover, I would also like to express appreciation to our valued shareholders, customers and business partners who have stood by the Group.

**Lo Lin Shing, Simon**  
*Chairman*

Hong Kong, 27 September 2017

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of maintaining a high standard of corporate governance practices 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 the sustainable development of the Group. The Board also believes that good corporate governance practices can facilitate growth of a company under a healthy governance structure and strengthen the confidence of shareholders and investors.

During the Financial Year, 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (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 separate and should not be performed by the same individual.

Mr. Lo is the chairman of the Company 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, including the Independent 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 Articles of the Company, any newly appointed Directors shall hold office only until the next following annual general meeting (the “**AGM**”) and shall then be eligible for re-election at that meeting. Furthermore, the Director re-election process participating by the shareholders in the 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 of the Company.

Due to another business engagement, Mr. Lo 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. The chairman of the Audit and Remuneration committees of the Company was also present and available to answer questions at the 2016 AGM.



# Corporate Governance Report (Continued)

## 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 Code is sent to each Director on his initial appointment and from time to time when the same is amended or restated.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees’ Guidelines**”) for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company. To date, no incident of non-compliance with the Employees’ Guidelines by the employees was noted by the Company.

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

During the period of thirty days immediately preceding and including the publication date 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.

The Company Secretary will send reminders prior to the commencement of such period to all Directors and relevant employees. Having made 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 Year.

## DIRECTORS AND OFFICERS LIABILITY INSURANCE

Good corporate governance and enterprise-wide risk management are essential for every business. The Company is convinced that corporate governance and Directors and Officers Liability Insurance (the “**D&O Insurance**”) complement each other. The Company has arranged appropriate D&O Insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The D&O Insurance coverage is reviewed on an annual basis.

## BOARD OF DIRECTORS

### Board Composition

The Board currently comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors, serving the important function of guiding the management. The Board members during the Financial Year and up to the date of this Report are:

#### Executive Directors

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

Mr. Ho Hau Chong, Norman

#### Non-executive Director

Mr. Lo, Rex Cze Kei (appointed on 16 November 2016)

## Corporate Governance Report (Continued)

### Independent Non-executive Directors

Mr. Tsui Hing Chuen, William *JP*

Mr. Lau Wai Piu

Mr. Lee Kee Wai, Frank

The Company is in full compliance with the relevant Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing at least one-third of the Board, and at least one Independent Non-executive Director have appropriate accounting qualifications.

The Company has adopted an internal policy (the “**Policy**”) setting out an approach to achieve diversity of the Board. The Policy provides that the Company should ensure its Board members possess balance of skills, experience and diversity of perspectives that are appropriate for the running of the Company’s business.

All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries. The Company has received written annual confirmation of independence from each Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Accordingly, the Company considers all Independent Non-executive Directors to be independent.

### Responsibilities and Functions of the Board

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving the consolidated financial statements. The Board is also responsible for developing and reviewing the Company’s policies on corporate governance and making recommendations. The Board as a whole and the management of the Company shall ensure good corporate governance practices and procedures are followed.

The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, Directors will consent to the seeking of independent professional advice at the Group’s expense, ensuring that Board procedures, and all applicable rules and regulations, are followed.

The strategies and plans decided by the Board are implemented by the management. Management assumes full accountability to the Board for the day-to-day operations of the Group.

The Board is also responsible for performing the following corporate governance duties:

- i. to develop and review the Company’s policies on corporate governance and make recommendations;
- ii. to review and monitor the training and continuous professional development of the Directors and management;
- iii. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- iv. to develop, review, and monitor the code of conduct of employees and Directors; and
- v. to review the Company’s compliance with the code and disclosure in the Corporate Governance Report.

## Corporate Governance Report (Continued)

During the Financial Year, the Board:

- i. reviewed the performance of the Group and formulated business strategies of the Group;
- ii. reviewed and approved the annual and interim results of the Group;
- iii. reviewed the internal controls of the Group;
- iv. reviewed the corporate governance procedures;
- v. reviewed and approved the general mandates to issue and repurchase shares of the Company;
- vi. reviewed and approved the notifiable transactions of the Company;
- vii. reviewed and approved the capital reduction of the Company through reducing the issued share capital of the Company from HK\$259,183,889.20 to HK\$25,918,388.92 by the cancellation of HK\$0.09 paid up capital on each issued share so that each issued share be treated as one fully paid up share of par value HK\$0.01 each in the capital of the Company;
- viii. reviewed and approved the rights issue on the basis of one rights share for every two existing shares of the Company;
- ix. reviewed and approved the independent auditor's remuneration and recommended the re-appointment of Messrs. PricewaterhouseCoopers as the independent auditor of the Group respectively; and
- x. appointment of a non-executive Director.

To the best knowledge of the Company, apart from the father and son relationship between Mr. Lo and Mr. Lo, Rex Cze Kei, there is no financial, business and family relationship among our Directors. All of them are free to exercise their independent judgments.

The Directors are aware of their commitments to the Company for contributing sufficient time and attentions to the management of the Company.

### Accountability and Audit

The Directors acknowledge their responsibility for preparing the consolidated financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 31.

### Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems of the Group so as to maintain sound and effective risk management and internal control to safeguard the shareholders' investment and the assets of the Group.

## Corporate Governance Report (Continued)

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the risk management and internal control systems of the Group in response to the changing business environment and regulatory requirements. The Group identifies risks relevant to its operations and activities, and assesses these risks in relation to their likelihood and potential impacts. The Group's internal control system includes a well-defined management structure with clear lines of authority, which is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Besides, strict internal procedures and controls are implemented by the Group for the handling and dissemination of inside information

The Board also conducts reviews of the risk management and internal control of the Group to ensure that the policies and procedures in place are adequate. The Board assesses the effectiveness of the Group's risk management and internal control systems which covers all material control, including financial, operational and compliance control and risk management functions.

During the Financial Year, the Group engaged a professional advisory firm to be its internal auditor (the "Internal Auditor") and to report directly to the Audit Committee. The Internal Auditor adopts a risk-based approach and independently review and test the controls over various selected operations and activities and evaluates their adequacy, effectiveness and compliance on an annual or ad hoc basis. Audit findings and recommendations are reported to the Audit Committee. In addition, progress on audit recommendations implementation will be followed up on a regular basis and discussed with the Audit Committee.

During annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group, accounting and financial reporting function and their training programs and budgets. Based on the results of evaluations and representations made by the Internal Auditor and the independent auditor for the Financial Year, the Audit Committee was satisfied that there was an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that would threaten the achievement of its business objectives; and an appropriate, effective and adequate system of internal control and enterprise risk management had been in place during the Financial Year.

To enhance the effectiveness of the risk management and internal control, the Company Secretary will ensure the Board and the Board Committees are provided with timely information and sufficient resources to enable them to efficaciously discharge their duties.

### Directors' Trainings and Continuous Professional Development

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to code provision A.6.5 of the CG Code. The Company Secretary updates and provides written materials on the latest developments of applicable laws, rules and regulations to the Directors from time to time.

During the Financial Year, all the Directors, namely Mr. Lo, Mr. Ho Hau Chong, Norman, Mr. Lo, Rex Cze Kei, Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank, had participated in appropriate continuous professional development activities by ways of attending trainings and/or reading materials relating to the latest development of Listing Rules and other regulatory requirements relevant to the Group, general business or directors' duties and responsibilities, etc.

# Corporate Governance Report (Continued)

## CHAIRMAN AND CHIEF EXECUTIVE

The Chairman leads the Board in the determination of strategies and in the achievement of objectives and ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information. The Chief Executive is delegated with the authority and responsible for running the Company's business, implementing the Company's strategies in achieving business objectives. Both the Chairman and the Chief Executive positions are currently held by Mr. Lo. The Board believes that the current governance structure, with a combined Chairman and Chief Executive and a majority of non-executive Directors, provides an effective balance of power and authority for the management of the Company and its in the best interest of the Company at the present stage.

## NON-EXECUTIVE DIRECTORS

None of the existing Non-executive Directors, including the Independent Non-executive Directors, is appointed for a specific term.

## BOARD COMMITTEES

The Board has established the Remuneration Committee and the Audit Committee, with specific terms of reference relating to their authorities and duties, which strengthen the Board's functions and enhance its expertise.

Each committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

### Remuneration Committee

The Remuneration Committee is chaired by Mr. Lau Wai Piu with Mr. Tsui Hing Chuen, William JP and Mr. Lee Kee Wai, Frank as members.

The main responsibilities of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management, reviewing and approving the special remuneration packages of all Executive Directors with reference to corporate goals and objectives resolved by the Board from time to time, and determining, with delegated responsibility, the remuneration packages of individual Executive Directors.

The terms of reference of the Remuneration Committee which was revised and adopted in March 2012 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Remuneration Committee can be viewed on both the websites of the Stock Exchange and the Company.

During the Financial year, the Remuneration Committee:

- (i) reviewed and made recommendations on the remuneration policies; and
- (ii) reviewed the remuneration packages of the Directors and the senior management.

## Corporate Governance Report (Continued)

### Audit Committee

The members of the Audit Committee are Mr. Lau Wai Piu (Chairman of the Audit Committee), Mr. Tsui Hing Chuen, William JP, and Mr. Lee Kee Wai, Frank. All members are Independent Non-executive Directors. The Chairman of the Audit Committee has the appropriate professional qualification, accounting and related financial management expertise as required by the Listing Rules.

The main responsibilities of the Audit Committee include, but are not limited to, reviewing the Company's current financial standing, considering the nature and scope of audit reports, and ensuring internal control and risk management systems operate in accordance with applicable standards and conventions.

The terms of reference of the Audit Committee which was revised and adopted in March 2012 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Audit Committee can be viewed on both the websites of the Stock Exchange and the Company.

During the Financial Year, the Audit Committee:

- (i) reviewed the consolidated financial statements for the year ended 30 June 2016 and for the six months ended 31 December 2016;
- (ii) reviewed the effectiveness of the internal control and risk management systems; and
- (iii) reviewed the independent auditor's report.

### Attendance Record of Directors and Committee Members

The attendance record of each Director and Board Committee meetings and the general meetings of the Company during the Financial Year is set out below:

Name of Director	Number of Meetings Attended/Held			
	Board	Audit Committee	Remuneration Committee	AGM
Mr. Lo	4/4	N/A	N/A	0/1
Mr. Ho Hau Chong, Norman	4/4	N/A	N/A	1/1
Mr. Lo, Rex Cze Kei	3/3	N/A	N/A	N/A
Mr. Tsui Hing Chuen, William JP	4/4	2/2	1/1	1/1
Mr. Lau Wai Piu	4/4	2/2	1/1	1/1
Mr. Lee Kee Wai, Frank	4/4	2/2	1/1	0/1

For every Board and Board Committee meeting, each Director is required to declare whether he has any conflict of interests in the matters to be considered. If a substantial shareholder or a Director has a conflict of interests in a matter which is considered by the Board as material, the matter should be dealt with by a physical Board meeting rather than a written resolution.

Apart from the regular Board meetings, the Chairman had held a meeting with the Independent Non-Executive Directors without the presence of the other Executive Director.

# Corporate Governance Report (Continued)

## INDEPENDENT AUDITOR

During the Financial Year, PricewaterhouseCoopers (“PwC”), the independent auditor of the Company, provided audit and non-audit services to the Group. The remuneration payable to PwC is set out below:

	HK\$'000
Audit services	1,490
Non-audit services	23

## INVESTOR RELATIONS

There is no significant change in the Company’s constitutional documents during the Finance Year. The latest version of the Articles is available on both the websites of the Stock Exchange and the Company.

## COMPANY SECRETARY

The Company Secretary of the Company is Mr. Tang Chi Kei. For the year under review, the Company Secretary has taken no less than fifteen hours of relevant professional training under Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Group is committed to maintaining an ongoing communication with the shareholders and providing timely disclosure of information concerning the Group’s material developments to the shareholders and investors.

Updated information about the announcements of the Group and the Company is posted on our website in a timely manner. The shareholders can communicate with the Company or the Board through the contact information provided on the website and in the general meetings of the Company.

The Company has complied with the Listing Rules regarding the requirements about voting by poll and keeping the shareholders informed of the procedures for voting by poll through notices of general meetings in circulars of the Company. Specific enquiries by shareholders requiring the Board’s attention can be sent in writing to the Company Secretary at the Company’s principal place of business in Hong Kong.

## SHAREHOLDERS’ RIGHTS

The Company has only one class of shares. All shares have the same voting rights and entitlement to any dividend declared. The rights of our shareholders are set out in, among others, the Articles of the Company and the Companies Law of the Cayman Islands.

## Corporate Governance Report (Continued)

### Convening a General Meeting

Pursuant to Article 72 of the Articles, general meetings shall be convened on the written requisition of any two or more shareholders of the Company or on the written requisition of any one shareholder which is a recognised clearing house, deposited at the principal place of business of the Company in Hong Kong for the attention of the Company Secretary, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at the general meetings of the Company.

If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene a general meeting in the same manner, as nearly as possible, as that in which meeting may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene the meeting shall be reimbursed to them by the Company.

### Proposing for Election as a Director

If a shareholder wishes to propose a person other than a retiring Director of the Company for election as a Director at any general meeting, he/she can deposit a written notice to that effect at the principal place of business of the Company for the attention of the Company Secretary.

In order for the Company to inform its shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The period for lodgment of such a written notice will commence no earlier than the day after the despatch of the notice and end no later than seven days prior to the date of any general meeting.

### Putting Forward Enquiries to the Board

Shareholders may send written enquiries together with their detailed contact information, by post to the Company's principal place of business in Hong Kong or by e-mail to the Company at "Contact Us" of our website ([www.visionvalues.com.hk](http://www.visionvalues.com.hk)) for the attention of the Company Secretary.

### Putting Forward Proposals at General Meeting

Shareholders who wish to put forward a proposal for consideration at general meetings should convene an extraordinary general meeting by following the procedures set out in "Convening a General Meeting" above.



# Directors' Profile

## EXECUTIVE DIRECTORS

### Mr. Lo Lin Shing, Simon

**Mr. Lo**, aged 61, joined the Company in March 2000 and is currently an Executive Director. He possess over 30 years of experience in the financial, securities and futures industries, including many transborder transactions. Mr. Lo has been a member of Chicago Mercantile Exchange and International Monetary Market (Division of Chicago Mercantile) since 1986. He is also the chairman and executive director of Mongolia Energy Corporation Limited which is listed on the Stock Exchange. Mr. Lo formerly served as the deputy chairman and executive director of International Entertainment Corporation which is listed on the Stock Exchange until his resignation in June 2017. He is the father of Mr. Lo, Rex Cze Kei, a Non-executive Director of the Company.

### Mr. Ho Hau Chong, Norman

**Mr. Ho**, aged 62, was appointed as a Non-executive Director in November 2000 and re-designated as Executive Director in January 2007. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 30 years of experience in management and property development. Mr. Ho is also an executive director of Miramar Hotel and Investment Company, Limited and an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited and Shun Tak Holdings Limited respectively, all of which are listed on the Stock Exchange. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales, and a fellow member of The Hong Kong Institute of Certified Public Accountants.

## NON-EXECUTIVE DIRECTOR

### Mr. Lo, Rex Cze Kei

**Mr. Rex Lo**, aged 36, has been a Non-executive Director since November 2016. He joined the Group in 2014 and is a director of a subsidiary of the Company being responsible for the management of this subsidiary. He has over 8 years of experience in property business and general management. Mr. Rex Lo holds a Master of Science in Electronic Commerce and Internet Computing and a Bachelor of Science in Business Administration. He is the son of Mr. Lo Lin Shing, Simon, the Executive Director and Chairman of the Company. Mr. Rex Lo also serves as a non-executive director of Mongolia Energy Corporation Limited which is listed on the Stock Exchange.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Tsui Hing Chuen, William JP

**Mr. Tsui**, aged 66, has been an Independent Non-executive Director since September 2006. He is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries, which was established in 1980. Mr. Tsui has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of The Law Society of Hong Kong in 2013. Mr. Tsui is also an independent non-executive director of Mongolia Energy Corporation Limited and Haitong International Securities Group Limited, both of which are listed on the Stock Exchange. He formerly served as an independent non-executive director of International Entertainment Corporation which is listed on the Stock Exchange until his resignation in June 2017.

## Directors' Profile (Continued)

### Mr. Lau Wai Piu

**Mr. Lau**, aged 53, has been an Independent Non-executive Director since March 2007. He has over 20 years of extensive experience in accounting and financial management. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Lau is also an independent non-executive director of Mongolia Energy Corporation Limited and Haitong International Securities Group Limited, both of which are listed on the Stock Exchange. He formerly served as an independent non-executive director of International Entertainment Corporation which is listed on the Stock Exchange until his resignation in June 2017.

### Mr. Lee Kee Wai, Frank

**Mr. Lee**, aged 58, has been an Independent Non-executive Director since April 2007 and is the Senior Partner of Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. He holds a Bachelor of Laws from the London School of Economics & Political Science and obtained a Master of Law from University of Cambridge. Mr. Lee is a solicitor in the respective jurisdictions of Hong Kong, England, Singapore and the Australian Capital Territory (Australia). He is also a China-Appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. Mr. Lee is also an independent non-executive director of Pico Far East Holdings Limited and Mongolia Energy Corporation Limited, both of which are listed on the Stock Exchange.

# Directors' Report

The Directors present their report together with the audited consolidated financial statements of the Group for the Financial Year.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding Company and the principal activities of its subsidiaries are set out in Note 17 to the consolidated financial statements. There were no significant changes in the nature of the Company's and the Group's principal activities during the year.

Analyses of the principal activities and geographical locations of the operations of the Group for the Financial Year are set out in Note 7 to the consolidated financial statements.

## BUSINESS REVIEW

Reviews of the business of the Group during the Financial Year and discussions of the Group's future business development are set out in the Management Discussion and Analysis and Business Outlook and Development on pages 3 to 5 and page 6 respectively.

## POSSIBLE RISKS AND UNCERTAINTIES

Descriptions of the possible risks and uncertainties facing the Group can be found throughout this report, in particular, the Management Discussion and Analysis on pages 3 to 5 and Notes 4 to 5 to the consolidated financial statements. The financial risk management objectives and policies of the Group can be found in Note 4.1 to the consolidated financial statements.

## ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is committed to contributing to the sustainability of the environment. The Group has implemented internal waste reduction program on a continuous basis, such as reuse the paper which has been used on one side only, make two sided copies, etc.

During the Financial Year, the Board is of the opinion that the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects. The Group endeavours to refine the approach to addressing its environmental, social and ethical responsibilities along with improving our corporate governance and should generate greater value for all of our stakeholders including our shareholders, employees, customers, and suppliers as well as the communities.

## KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group provides a harmonious and professional working environment to employees and ensures they all are reasonable remunerated. The Company regular reviews and updates its policies on remuneration and benefits, training, occupational health and safety.

## Directors' Report (Continued)

The Group is committing to maintaining good relationship with business partners to achieve its long-term goals. During the Financial Year, there was no material and significant dispute between the Group and its business partners.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Financial Year are set out in the Consolidated Statement of Profit or Loss on page 34.

No interim dividend was declared (2016: nil) and the Directors do not recommend the payment of a final dividend for the Financial Year (2016: nil).

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 92 and 93.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in Note 25 to the consolidated financial statements. Shares were issued during the Financial Year on rights issue. Details about the issuance of ordinary shares by rights issue are also set out in Note 25 to the consolidated financial statement.

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the Financial Year are set out in Note 14 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2017, calculated under the Articles of the Company during the Financial Year are set out in Note 31 to the consolidated financial statements.

### MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the Financial Year attributable to the Group's major suppliers and customers are as follows:

#### Purchases

the largest supplier	49%
five largest suppliers in aggregate	73%

#### Sales

the largest customer	60%
five largest customers in aggregate	77%

## Directors' Report (Continued)

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

### DIRECTORS

During the Financial Year and up to the date of this Report, the board composition and biographical details of the Directors of the Group are set out on pages 8 to 9, and pages 16 to 17 respectively.

In accordance with Articles 90 and 116 of the Articles of the Company, Mr. Lo Lin Shing, Simon, Mr. Lo, Rex Cze Kei and Mr. Tsui Hing Chuen, William *JP* will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors, including the Independent Non-executive Directors, are subject to retirement by rotation and re-election at the AGM in accordance with the provisions of the Articles of the Company.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2017, 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 pursuant to the Model Code were as follows:

#### 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	1,755,000	—	1,246,054,889 (Note)	33,777,894	—	1,281,587,783	32.96%
Mr. Ho Hau Chong, Norman	1,170,000	—	—	30,299,341	—	31,469,341	0.81%
Mr. Lo, Rex Cze Kei	—	—	—	17,294,737	—	17,294,737	0.44%
Mr. Tsui Hing Chuen, William <i>JP</i>	2,500,000	—	—	12,012,499	—	14,512,499	0.37%
Mr. Lau Wai Piu	—	—	—	8,647,368	—	8,647,368	0.22%
Mr. Lee Kee Wai, Frank	—	—	—	15,051,973	—	15,051,973	0.39%

Note: Moral Glory International Limited ("**Moral Glory**"), a company wholly-owned by Mr. Lo.

## Directors' Report (Continued)

### 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	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 is a company incorporated in the British Virgin Islands which is a 51%-owned subsidiary of the Company.

Save as disclosed above and the section headed "Share Option Scheme", as at 30 June 2017, 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 30 June 2017, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

#### Long position and short position of substantial shareholders in the shares and/or underlying shares

Name of substantial shareholders	Capacity	Number of shares	Percentage of nominal value of issued share capital
Ms. Ku Ming Mei, Rouisa (Note)	Interest of spouse	1,281,587,783	32.96%
Moral Glory	Beneficial owner	1,246,054,889	32.05%

Note: Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she was deemed to be interested in 1,281,587,783 shares under the SFO.

## Directors' Report (Continued)

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Financial Year and up to the date of this report, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed elsewhere in this report, no contracts of significance to which the Company or any of its subsidiaries was a part in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Financial Year.

### PERMITTED INDEMNITY PROVISIONS

During the Year under review and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Articles of the Company and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

### DIRECTORS' SERVICE CONTRACTS

Mr. Lo has entered into a service contract with the Company for a fixed term of three years commencing on 1 April 2016, subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract. The aforesaid service contract may be terminated by not less than one year's notice in writing served by either party on the other. Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company was entered into or existed during the Financial Year.

### CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information since the date of 2017 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 ceased to be the deputy chairman and executive director of International Entertainment Corporation (Stock code: 1009) on 10 June 2017.

## Directors' Report (Continued)

2. Mr. Tsui Hing Chuen William *JP* ceased to be an independent non-executive director of International Entertainment Corporation (Stock code: 1009) on 10 June 2017.
3. Mr. Lau Wai Piu ceased to be an independent non-executive director of International Entertainment Corporation (Stock code: 1009) on 10 June 2017.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements which may result in the Company issuing shares was entered into or existing during the Financial Year, save for the share option scheme of the Company as set out in Note 25 to the consolidated financial statements and "Share Option Scheme" section contained in this report.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the Financial Year was the Company or any of its subsidiaries a party to any other arrangements to enable the Directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

### SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 23 November 2011 (the "Option Scheme"), options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.01 each in the capital of the Company.

The following is a summary of the terms of the Option Scheme:

#### 1. Purpose

The purpose of the Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

#### 2. Participants

The participants of the Option Scheme include any Director, employee, consultant, agent, supplier, customer or shareholder of the Group or any entity in which the Group holds any equity interest.

#### 3. Number of shares available for issue

The total number of shares available for issue under the Option Scheme is 50,557,103 shares which represents 1.30% of the issued share capital of the Company as at 30 June 2017.



## Directors' Report (Continued)

### 4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

### 5. Option period

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period as the Board in its absolute discretion determines and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

### 6. Vesting period

The Directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

### 7. Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.00 as consideration for the grant.

### 8. Subscription price

The subscription price for a share in respect of any option granted shall be a price determined by the Board in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business day immediately preceding the date of grant; and (iii) the nominal value of a share.

### 9. Life of the Option Scheme

The Option Scheme is valid and effective for a term of ten years commencing from 23 November 2011.

## Directors' Report (Continued)

Details of the movement in outstanding share options, which have been granted under the Option Scheme, during the Financial Year were as below:

Name or 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 Year	Lapsed during the Financial Year	Exercised during the Financial Year	Adjusted during the Financial Year (Note)	As at 30 June 2017
Mr. Lo	05/03/2014	0.601 (Note)	05/03/2014 to 04/03/2019	N/A	6,800,000	—	—	—	1,467,368	8,267,368
	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	7,000,000	—	—	—	1,510,526	8,510,526
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	17,000,000	—	—	—	17,000,000
Mr. Ho Hau Chong, Norman	11/01/2013	0.149 (Note)	11/01/2013 to 10/01/2018	N/A	13,696,428	—	—	—	2,955,545	16,651,973
	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	3,000,000	—	—	—	647,368	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	10,000,000	—	—	—	10,000,000
Mr. Lo, Rex Cze Kei	05/03/2014	0.601 (Note)	05/03/2014 to 04/03/2019	N/A	6,000,000	—	—	—	1,294,737	7,294,737
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	10,000,000	—	—	—	10,000,000
Mr. Tsui Hing Chuen, William JP	11/01/2013	0.149 (Note)	11/01/2013 to 10/01/2018	N/A	2,767,857	—	—	—	597,274	3,365,131
	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	3,000,000	—	—	—	647,368	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	5,000,000	—	—	—	5,000,000
Mr. Lau Wai Piu	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	3,000,000	—	—	—	647,368	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	5,000,000	—	—	—	5,000,000
Mr. Lee Kee Wai, Frank	11/01/2013	0.149 (Note)	11/01/2013 to 10/01/2018	N/A	5,267,857	—	—	—	1,136,748	6,404,605
	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	3,000,000	—	—	—	647,368	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	5,000,000	—	—	—	5,000,000
Employees and others in aggregate (including directors of certain subsidiaries)	11/01/2013	0.149 (Note)	11/01/2013 to 10/01/2018	N/A	8,571	—	—	—	1,849	10,420
	05/03/2014	0.601 (Note)	05/03/2014 to 04/03/2019	N/A	6,000,000	—	—	—	1,294,737	7,294,737
	20/05/2015	0.560 (Note)	20/05/2015 to 19/05/2020	N/A	38,420,000	—	—	—	8,290,631	46,710,631
	19/10/2016	0.338 (Note)	19/07/2017 to 18/10/2018	19/10/2016 to 18/07/2017	—	2,500,000	—	—	539,474	3,039,474
	19/10/2016	0.338 (Note)	19/01/2018 to 18/10/2018	19/10/2016 to 18/01/2018	—	2,500,000	—	—	539,474	3,039,474
07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	—	78,000,000	—	—	—	78,000,000	
<b>Total</b>					<b>97,960,713</b>	<b>135,000,000</b>	<b>—</b>	<b>—</b>	<b>22,217,835</b>	<b>255,178,548</b>

Note: The exercise price and number of share options were adjusted pursuant to the rights issue of the Company completed on 29 March 2017.

## Directors' Report (Continued)

Save as disclosed above, at no time during the Financial Year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

### CONNECTED TRANSACTIONS

During the Financial Year, there were no connected transactions and continuing connected transactions which were required to be disclosed in accordance with the requirements of the Listing Rules.

None of the related party transactions as set out in Note 30(a) to the consolidated financial statements constituted a discloseable connected transaction under Chapter 14A of the Listing Rules.

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

During the Financial Year, the Company has not redeemed and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

### TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### EMOLUMENT POLICY

As at 30 June 2017, the Group had employed a total of 30 full-time employees (2016: 30) in Hong Kong. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Directors are reviewed and determined by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates involved in deciding his own remuneration.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, and details of the scheme are set out in Note 25 to the consolidated financial statement and the Share Option Scheme on page 23.

### RETIREMENT SCHEME

Details of the retirement schemes operated by the Group are set out in Note 3(n)(i) to the consolidated financial statements.

## **Directors' Report (Continued)**

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained the prescribed public float under the Listing Rules throughout the Financial Year.

### **EVENT AFTER THE BALANCE SHEET DATE**

Details of a significant event occurred after the reporting period are set out in Note 32 to the consolidated financial statements.

### **INDEPENDENT AUDITOR**

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Lo Lin Shing, Simon**

*Director*

Hong Kong, 27 September 2017

# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of Vision Values Holdings Limited**  
*(incorporated in Cayman Islands with limited liability)*

## OPINION

### What We Have Audited

The consolidated financial statements of Vision Values Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 91, which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report (Continued)

## Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Fair values of investment properties
- Impairment of exploration and evaluation assets

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Fair values of investment properties

Refer to Note 5(a) and Note 15 to the consolidated financial statements

As at 30 June 2017, the carrying amount of the investment properties was HK\$149.2 million which were stated at fair values. Fair value gains for investment properties of HK\$5.2 million were accounted for in the Group's consolidated statement of profit or loss for the year ended 30 June 2017.

Fair values of the investment properties of the Group were supported by valuations performed by an independent external valuer and are derived using the direct comparison method. The valuations of investment properties were dependent on certain key assumptions that required significant management judgement, including price per square metre.

We focused on this area due to the carrying amounts of the investment properties are significant to the consolidated financial statements and determination of key valuation assumptions require the use of significant judgement and estimates.

Our audit procedures in relation to management's assessment on the fair values of investment properties included:

- Evaluated the competence, capability and objectivity of the independent external valuer by considering their qualification, experience in the locations and segment of the investment properties valuation;
- Discussed with the external valuer and management to understand the valuation method and the key assumptions applied;
- Assessed the appropriateness of the valuation method used based on our knowledge of the industry; and
- Assessed the reasonableness of key assumptions applied by comparing, on sample basis, to market and industry data, including comparable properties' market price.

Based on procedures described, we found that the valuation method used and key assumptions applied in the valuation to be supportable by available evidence.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (Continued)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Impairment of exploration and evaluation assets

Refer to Note 5(b) and Note 16 to the consolidated financial statements.

As at 30 June 2017, the carrying amount of the exploration and evaluation assets of the Group was HK\$57.3 million. Exploration and evaluation assets were stated at cost less any accumulated impairment loss. There was no impairment recognised in consolidated statement of profit or loss for the year ended 30 June 2017.

Management judgement was required to assess whether there is indication that the exploration and evaluation assets maybe impaired. Areas of significant judgements involved in the management's assessments included evaluating the status of exploration licenses, the likely future commercial viability of the exploration and evaluation assets and the budget for the future development cost.

We focused on this area due to the significant judgement involved in identifying the existence of any impairment indicator.

Our audit procedures in relation to management's impairment assessment of exploration and evaluation assets included:

- Evaluated management's assessment on the status of exploration licenses by checking to the copies of the exploration licenses and discussed with management about the possibility of renewal of the exploration rights upon expiry;
- Evaluated the competency and capabilities of the management's internal mining expert and external experts, by assessing their qualifications and experience in the industry;
- Interviewed the management's internal mining expert and understood the rationale in (i) determining the likely future commercial viability of the exploration and evaluation assets; and (ii) supporting management's intention to continue the exploration and evaluation activities, based on the findings from the technical reports prepared by the management's internal mining expert;
- Corroborated certain key information included in the technical reports prepared by the management's internal mining expert with the relevant external experts' reports obtained by management. These reports include geophysical survey reports and laboratory reports for which the technical reports were based upon; and
- Evaluated the effectiveness of the budgeting process for future development cost, and compared the exploration and evaluation costs incurred during the year to prior year management's approved budget to assess whether the cost incurred is budgeted or planned, and the reasonableness of the budget for the future development cost.

Based on the procedures described, we found that management's assessments on existence of impairment indicators for exploration and evaluation assets were supportable by available evidence.

## Independent Auditor's Report (Continued)

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Shiu Hay, Antonio.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 September 2017

# Consolidated Statement of Profit or Loss

	Note	Year ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	6	22,212	26,351
Other income	8	2,118	843
Changes in inventories of finished goods and work in progress	20	(5,070)	(6,575)
Subcontracting fees for project services		(10,005)	(11,557)
Fair value gains on investment properties	15	5,248	1,008
Employee benefit expenses	10	(30,785)	(13,748)
Depreciation	14	(809)	(866)
Other expenses	9	(30,287)	(24,473)
<b>Loss before taxation</b>		<b>(47,378)</b>	(29,017)
Income tax expense	12	(1,160)	(151)
<b>Loss for the year</b>		<b>(48,538)</b>	(29,168)
<b>Loss attributable to:</b>			
Owners of the Company		(46,055)	(26,803)
Non-controlling interest		(2,483)	(2,365)
		<b>(48,538)</b>	(29,168)
<b>Loss per share attributable to owners of the Company for the year (HK cents)</b>			(Restated)
Basic and diluted loss per share	13	1.42	0.88

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Year ended 30 June	
	2017 HK\$'000	2016 HK\$'000
<b>Loss for the year</b>	<b>(48,538)</b>	(29,168)
<b>Other comprehensive loss</b>		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Release of reserve upon deregistration of a subsidiary	<b>(3,023)</b>	—
Currency translation differences	<b>(336)</b>	(1,258)
<b>Total comprehensive loss for the year</b>	<b>(51,897)</b>	(30,426)
<b>Attributable to:</b>		
Owners of the Company	<b>(49,414)</b>	(28,061)
Non-controlling interest	<b>(2,483)</b>	(2,365)
<b>Total comprehensive loss for the year</b>	<b>(51,897)</b>	(30,426)

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

				As at 30 June		
		Note	2017 HK\$'000	2016 HK\$'000		
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	14		5,669	6,353		
Investment properties	15		149,175	29,426		
Exploration and evaluation assets	16		57,267	50,048		
Goodwill	18		3,334	3,334		
Held-to-maturity financial assets	19		48,283	48,452		
			<b>263,728</b>	137,613		
<b>Current assets</b>						
Inventories	20		42,405	28,517		
Trade receivables	21		6,828	8,625		
Prepayments, deposits and other receivables			7,448	6,562		
Cash and bank balances	22		220,614	157,565		
			<b>277,295</b>	201,269		
<b>Total assets</b>			<b>541,023</b>	338,882		
<b>EQUITY</b>						
<b>Capital and reserves attributable to owners of the Company</b>						
Share capital	25		38,878	259,184		
Other reserves			486,749	214,059		
Accumulated losses			(28,145)	(175,048)		
			<b>497,482</b>	298,195		
<b>Non-controlling interest</b>			<b>28,195</b>	25,726		
<b>Total equity</b>			<b>525,677</b>	323,921		

## Consolidated Statement of Financial Position (Continued)

	Note	As at 30 June	
		2017 HK\$'000	2016 HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities	23	2,070	898
<b>Current liabilities</b>			
Trade payables	24	5,888	5,700
Accrued charges and other payables		7,388	8,363
		13,276	14,063
<b>Total liabilities</b>		15,346	14,961
<b>Total equity and liabilities</b>		541,023	338,882
<b>Net current assets</b>		264,019	187,206

The financial statements on pages 34 to 91 were approved by the Board of Directors on 27 September 2017 and were signed on its behalf.

Lo Lin Shing, Simon  
Director

Ho Hau Chong, Norman  
Director

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

	Note	Year ended 30 June	
		2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations	26	(49,426)	(46,166)
Income tax refund		107	—
Net cash used in operating activities		(49,319)	(46,166)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(138)	(284)
Purchase of held-to-maturity financial assets		—	(48,941)
Net cash outflow for acquisition of investment properties through acquisition of subsidiaries	27	(114,529)	—
Additions to exploration and evaluation assets	16	(7,219)	(18,826)
Interest received		2,281	1,331
Net cash used in investing activities		(119,605)	(66,720)
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of ordinary shares through rights issue	25	227,395	—
Transaction costs on share capital reduction		(338)	—
Contribution from a non-controlling interest		4,952	10,174
Net cash generated from financing activities		232,009	10,174
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>63,085</b>	(102,712)
Cash and cash equivalents at the beginning of year		157,565	260,293
Effect on foreign exchange rate changes		(36)	(16)
<b>Cash and cash equivalents at end of year</b>	22	<b>220,614</b>	157,565

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

	Attributable to Owners of the Company						Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
	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			
At 1 July 2015	259,184	179,216	2,366	33,111	3,317	(151,164)	326,030	17,917	343,947
Comprehensive loss:									
— Loss for the year	—	—	—	—	—	(26,803)	(26,803)	(2,365)	(29,168)
Other comprehensive loss:									
— Currency translation differences	—	—	—	—	(1,258)	—	(1,258)	—	(1,258)
Total comprehensive loss for the year	—	—	—	—	(1,258)	(26,803)	(28,061)	(2,365)	(30,426)
Share-based payment	—	—	—	226	—	—	226	—	226
Share option lapsed	—	—	—	(2,919)	—	2,919	—	—	—
Total contributions by owners of the Company recognised directly in equity	—	—	—	(2,693)	—	2,919	226	—	226
Contribution from a non-controlling interest	—	—	—	—	—	—	—	10,174	10,174
Total transactions with owners recognised directly in equity	—	—	—	(2,693)	—	2,919	226	10,174	10,400
At 30 June 2016	259,184	179,216	2,366	30,418	2,059	(175,048)	298,195	25,726	323,921
<b>At 1 July 2016</b>	<b>259,184</b>	<b>179,216</b>	<b>2,366</b>	<b>30,418</b>	<b>2,059</b>	<b>(175,048)</b>	<b>298,195</b>	<b>25,726</b>	<b>323,921</b>
Comprehensive loss:									
— Loss for the year	—	—	—	—	—	(46,055)	(46,055)	(2,483)	(48,538)
Other comprehensive loss:									
— Release of reserve upon deregistration of a subsidiary	—	—	—	—	(3,023)	—	(3,023)	—	(3,023)
— Currency translation differences	—	—	—	—	(336)	—	(336)	—	(336)
Total comprehensive loss for the year	—	—	—	—	(3,359)	(46,055)	(49,414)	(2,483)	(51,897)
Issuance of ordinary shares through rights issue	129,592	97,803	—	—	—	—	227,395	—	227,395
Share-based payment	—	—	—	21,645	—	—	21,645	—	21,645
Share capital reduction	(349,898)	156,601	—	—	—	192,958	(339)	—	(339)
Total contributions by owners of the Company recognised directly in equity	(220,306)	254,404	—	21,645	—	192,958	248,701	—	248,701
Contribution from a non-controlling interest	—	—	—	—	—	—	—	4,952	4,952
Total transactions with owners recognised directly in equity	(220,306)	254,404	—	21,645	—	192,958	248,701	4,952	253,653
At 30 June 2017	38,878	433,620	2,366	52,063	(1,300)	(28,145)	497,482	28,195	525,677

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.



# Notes to the 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 Units 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**”).

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which is stated at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Changes in Accounting Policy and Disclosures

##### (i) Adoption of new/amended accounting standards for the year ended 30 June 2017

In the current financial year, the Group has adopted the following relevant new and amended standards (the “**new and amended HKFRSs**”) issued by the HKICPA:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exemption
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements 2014	Annual Improvements 2012–2014 Cycle

##### (ii) New and amended standards have been issued but are not effective for the financial year beginning 1 July 2017 and have not been early adopted

The following new and amended standards have been issued but are not effective for the financial year beginning 1 July 2017 and have not been early adopted by the Group:

Annual Improvement Project — HKFRS 12 (Amendments)	Annual Improvements 2014–2016 cycle <sup>1</sup>
HKAS 7 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Annual Improvement Project — HKFRS 1 and HKAS 12 (Amendments)	Annual Improvements 2014–2016 cycle <sup>2</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>2</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS15 <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>2</sup>
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Changes in Accounting Policy and Disclosures (Continued)

- (ii) New and amended standards have been issued but are not effective for the financial year beginning 1 July 2017 and have not been early adopted (Continued)

##### **New standards on HKFRS 15 “Revenue from Contracts with Customers”**

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

##### **New standards on HKFRS 16 “Leases”**

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$857,000, see Note 28. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

# Notes to the Financial Statements (Continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Changes in Accounting Policy and Disclosures (Continued)

- (ii) New and amended standards have been issued but are not effective for the financial year beginning 1 July 2017 and have not been early adopted (Continued)

#### New standards on HKFRS 16 “Leases” (Continued)

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

### (b) Group Accounting

#### (i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Group Accounting (Continued)

##### (i) Consolidation (Continued)

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

##### (ii) Separate financial statements

Investments in subsidiaries are stated at cost less provision for impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Loan to subsidiaries as a long term source of addition capital is treated as part of the investment cost.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

##### (iii) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# Notes to the Financial Statements (Continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and building	Over the remaining term of lease or estimated remaining useful life
Computer equipment	20%–33%
Furniture, fixtures and equipment	20%–33%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%

Historical costs of property, plant and equipment include expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3 (d)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income/(expense) in the consolidated statement of profit or loss.

If a property becomes to earn rentals and/or for capital appreciation, it is reclassified as investment property. The property is fair valued at the date of transfer and any revaluation gain or loss, being the difference between fair value and the previous carrying amount, is accounted for as a revaluation surplus or deficit in other comprehensive income.

### (d) Impairment of Non-Financial Assets (excluding Exploration and Evaluation Assets)

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Exploration and Evaluation Assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Such circumstances are as follows:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of the investment property are included in the consolidated statement of profit or loss for the period in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

#### (g) Financial assets

##### Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'deposit and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

##### (b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

##### Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.



## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If held-to-maturity financial assets has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method, except for the cost of the yacht, which is determined using specific identification method. The cost of finished goods and work in progress comprises raw material, direct labour and related overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### (j) Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Cash and Cash Equivalents

Cash and cash equivalents include cash in hands, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### (m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (n) Employee Benefits

##### (i) Retirement Benefits

For employees in Hong Kong, a mandatory provident fund scheme (“**MPF Scheme**”) has been established pursuant to the Hong Kong Mandatory Provident Fund Scheme Ordinance under which the Group’s Hong Kong eligible employees are compulsorily required to join the MPF scheme. Employer’s mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF scheme.

Contributions made by the Group under the MPF Scheme are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

The employees of the Group’s subsidiaries which operate in Mongolia are required to participate in the social insurance scheme operated by the local government. According to the “Social Insurance Law of Mongolia”, these subsidiaries have a duty to withhold 10% from employees’ salary or similar income and 13% as employers’ contribution. Employers’ contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the social insurance scheme.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Employee Benefits (Continued)

##### (ii) Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (iii) Bonus

Provisions for bonus due wholly within twelve months after the end of the reporting period are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

##### (iv) Share-based Compensation

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

##### (ii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (p) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (q) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue derived from network solutions is recognised when the delivery of goods to the customers and/or the installation work is completed.

Revenue derived from project services is recognised on the stage of completion method, measured by reference to the agreed milestones of work performed.

Revenue derived from property investment is recognised on a straight-line basis over the terms of relevant leases.

Interest income is recognised on a time proportion basis using the effective interest method.

#### (r) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the statement of profit or loss on a straight-line basis over the period of the lease.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

#### (t) Foreign Currency Translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

##### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognised in other comprehensive income.

## Notes to the Financial Statements (Continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (t) Foreign Currency Translation (Continued)

##### (iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

#### (u) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. Management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (a) Market Risk

##### (i) Foreign Exchange Risk

The Group operates in Hong Kong, Mainland China and Mongolia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars ("US\$"), Chinese Renminbi ("RMB") and Mongolian Tugrik ("MNT"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by engaging in transactions mainly in HK\$, US\$, RMB and MNT to the extent possible. The Group manages its exposure through constant monitoring to minimize the amount of its foreign currencies exposures.

# Notes to the Financial Statements (Continued)

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.1 Financial Risk Factors (Continued)

#### (a) Market Risk (Continued)

##### (i) Foreign Exchange Risk (Continued)

The Group is mainly exposed to the currencies of RMB and MNT against HK\$, the functional currency of relevant Group entities.

The foreign exchange risk on US\$ is insignificant as the HK\$ is pegged with the US\$.

At 30 June 2017, for companies with RMB as their functional currency, if the HK\$ had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax loss for the year would have been approximately HK\$17,000 lower/higher (2016: HK\$70,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances, trade and other receivables and trade and other payables.

At 30 June 2017, for companies with MNT as their functional currency, if the HK\$ had weakened/strengthened by 5% against the MNT with all other variables held constant, post-tax loss for the year would have been approximately HK\$23,000 lower/higher (2016: HK\$21,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of MNT-denominated cash and bank balances, other receivables and other payables.

##### (ii) Price Risk

The Group is not exposed to significant price risk.

##### (iii) Cash Flow and Fair Value Interest Rate Risk

The Group's principal interest bearing assets are bank deposits and corporate bonds. The Group manages cash balances and deposits by comparing quotations from banks, with a view to selecting for the terms that are most favourable to the Group.

The Group is not significantly exposed to cash flow and fair value interest rate risks as the Group has no significant interest-bearing assets, except for cash at banks, corporate bonds with fixed interest rate (details of which have been disclosed in Note 19) and has no borrowing at the year end. The Group's income and operating cash flows are substantially independent from changes in market interest rates.

#### (b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

At the balance sheet date, the Group has certain concentration of credit risk as 99% (2016: 92%) of the total cash and bank balances were placed with a reputable bank.



# Notes to the Financial Statements (Continued)

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.1 Financial Risk Factors (Continued)

#### (b) Credit Risk (Continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk. Trade receivables from the largest customer account for 55% (2016: 63%) of the total trade receivables, and top five customers constituted 94% of the Group's trade receivables as at 30 June 2017 (2016: 89%).

Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amounts of aforementioned assets.

#### (c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, and the availability of funding from an adequate amount of available financing. Management maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The Group and the Company's financial liabilities were current in nature and repayable on demand. Therefore the contractual undiscounted cash flows of the Group and the Company's financial liabilities were less than one year at the year end.

### 4.2 Capital Risk Management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Group comprising share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated. The Group will then balance its capital structure through the payment of dividends and new shares issues.

### 4.3 Fair Value Estimation

The carrying values of held-to-maturity financial assets, trade receivables, net of impairment provision, deposits and other receivables and payables are reasonable approximations of their fair values.

See Note 15 for disclosures of the investment properties that are measured at fair value.

## Notes to the Financial Statements (Continued)

### 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

#### (a) Fair Values of Investment Properties

Investment properties are carried in the consolidated statement of financial position at fair value as determined based on professional valuation. In determining the fair value of the investment properties, the valuer uses assumptions and estimates that reflect, amongst other things, comparable market transactions. Judgment is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Change in fair value of investment properties is recorded and presented separately in the consolidated statement of profit or loss.

Details of the judgement and assumptions have been disclosed in Note 15.

#### (b) Impairment of Exploration and Evaluation Assets

An entity shall assess at each reporting date whether there is an indication, based on either internal or external sources of information, that the carrying value of exploration and evaluation assets acquired may be impaired. If an indication is identified, the Group shall undertake an impairment assessment. This assessment will determine whether the exploration and evaluation assets are impaired which requires an estimation of the recoverable amount of the cash-generating unit to which the exploration and evaluation assets have been allocated, by value in use and fair value less costs to sell approaches. The assessment will estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No indicator of impairment was identified and no impairment loss was recognised in the consolidated statement of profit or loss for the year ended 30 June 2017 (2016: HK\$507,000).

#### (c) Revenue Recognition

The Group uses the stage of completion method to account for its fixed-price contracts to deliver project services. The use of the stage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased/decreased by HK\$668,233 (2016: increased/decreased by HK\$667,047).

## Notes to the Financial Statements (Continued)

### 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

#### (d) Write-down of Inventories to Net Realisable Value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

#### (e) Provision of Current and Deferred Income Tax

The Group is subject to income taxes in various jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

#### (f) Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(b)(iii). The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18). Adjustments will be made if the actual performance differs from the original estimates.

Goodwill before impairment amounting to a total of approximately HK\$3,334,000 (2016: HK\$3,334,000) was subject to an impairment test as at 30 June 2017. No impairment charge has been recognised in the consolidated statement of profit or loss for the year ended 30 June 2017 (2016: nil).

### 6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017 HK\$'000	2016 HK\$'000
Network solutions and project services fee	19,896	25,030
Rental income	2,316	1,321
	22,212	26,351

## Notes to the Financial Statements (Continued)

### 7. SEGMENT INFORMATION

The Group's reportable operating segments are: (i) network solutions and project services; (ii) property investment; (iii) yacht building; and (iv) minerals 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 year ended 30 June 2017

	Network solutions and project services HK\$'000	Property investment HK\$'000	Yacht building HK\$'000	Minerals exploration HK\$'000	Total HK\$'000
Segment revenue	19,896	2,316	—	—	22,212
Segment results	3,785	1,943	—	—	5,728
Depreciation of property, plant and equipment	(94)	—	(112)	(264)	(470)
Fair value gains on investment properties	—	5,248	—	—	5,248
Unallocated expenses (Note a)					(59,995)
Interest income					2,111
Loss before taxation					(47,378)
Other segment information:					
Capital expenditure (Note b)	2	114,837	8	7,219	122,066
Unallocated capital expenditure					128
					122,194

## Notes to the Financial Statements (Continued)

### 7. SEGMENT INFORMATION (Continued)

Notes:

- (a) Unallocated expenses mainly include unallocated employee benefit expenses, share-based payment and reimbursement of sharing of administrative services incurred at corporate level.
- (b) This relates to additions to property, plant and equipment, investment properties and exploration and evaluation assets.

#### The segment revenue and results 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
Segment revenue	25,030	1,321	—	—	26,351
Segment results	5,673	1,009	—	—	6,682
Depreciation of property, plant and equipment	(94)	—	(92)	(340)	(526)
Fair value gains on investment properties	—	1,008	—	—	1,008
Write-off of exploration and evaluation assets	—	—	—	(507)	(507)
Unallocated expenses (Note a)					(36,515)
Interest income					841
Loss before taxation					(29,017)
Other segment information:					
Capital expenditure (Note b)	25	—	177	18,847	19,049
Unallocated capital expenditure					61
					19,110

Notes:

- (a) Unallocated expenses mainly include unallocated employee benefit expenses and reimbursement of sharing of administrative services incurred at corporate level.
- (b) This relates to additions to property, plant and equipment and exploration and evaluation assets.

## Notes to the Financial Statements (Continued)

### 7. SEGMENT INFORMATION (Continued)

#### Segment Assets

For the year ended 30 June 2017

	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	7,632	149,971	47,635	57,786	263,024
Unallocated:					
Cash and bank balances					220,614
Other unallocated assets					57,385
Consolidated total assets					541,023

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

## Notes to the Financial Statements (Continued)

### 7. SEGMENT INFORMATION (Continued)

#### Segment Assets (Continued)

The Company is domiciled in Hong Kong and the Group is operating in three main geographical areas:

Hong Kong : Network solutions and project services, property investment and yacht building

Mainland China : Property investment

Mongolia : Mineral exploration

There are neither sales nor other transactions between the geographical areas.

	Non-current assets		Revenue	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	180,100	67,159	21,329	25,452
Mainland China	25,875	19,656	883	899
Mongolia	57,753	50,798	—	—
	<b>263,728</b>	137,613	<b>22,212</b>	26,351

The Group's revenue by geographical location is determined by the places/countries in which the customers are located. The Group's non-current assets by geographical location are determined by the places/countries in which the assets are located.

Revenue of approximately HK\$11,882,000 (2016: HK\$11,541,000) is derived from a single (2016: a single) largest customer who accounted for 10% or more of the Group's revenue. The revenue is attributable to the segment of network solutions and project services in Hong Kong.

### 8. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Interest income	2,111	841
Sundry income	7	2
	<b>2,118</b>	843

## Notes to the Financial Statements (Continued)

### 9. OTHER EXPENSES

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration		
— Audit services	1,490	1,360
— Overprovision in prior year	—	(10)
— Non-audit services	23	22
Direct operating expenses from investment properties that generate rental income	373	312
Exchange loss/(gain) — net	459	(11)
Write-off of exploration and evaluation assets (Note 16)	—	507
Operating lease rentals for land and buildings	2,307	2,507
Share-based payment (excluding directors and employee)	9,292	—
Legal and professional fee	3,199	5,141
Reimbursement of sharing of administrative services (Note 30(a))	10,415	9,486
Release of reserve upon deregistration of a subsidiary (Note)	(3,023)	—

Note: During the year ended 30 June 2017, the Group deregistered a subsidiary, Beijing New World CyberBase Company Limited. A gain in connection with the deregistration of HK\$3,023,000 was recognised in the consolidated statement of profit or loss, which mainly arose from the release of exchange reserve credited to the consolidated statement of profit or loss.

### 10. EMPLOYEE BENEFIT EXPENSES (INCLUDING BENEFITS AND INTEREST OF DIRECTORS)

	2017 HK\$'000	2016 HK\$'000
Wages and salaries	18,056	13,164
Share-based payment	12,353	226
Pension costs — defined contribution plans	376	358
	<b>30,785</b>	13,748

The retirement benefit costs under MPF Scheme charged to the consolidated statement of profit or loss represent the net contribution after netting off with forfeited contributions. There were no forfeited contributions for both years. At 30 June 2017, no contribution was outstanding to the scheme and there were no unutilised forfeited contributions (2016: nil).



## Notes to the Financial Statements (Continued)

### 11. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' and Chief Executive's Emoluments

The aggregate amounts of emoluments paid and payable to Directors and Chief Executive of the Company during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Fees	622	560
Other emoluments	15,239	1,505
	<b>15,861</b>	2,065

Neither the Chief Executive nor any of the Directors of the Company waived any emoluments during the year (2016: nil).

Details of the emoluments paid and payable to the Directors and the Chief Executive of the Company are as follows:

#### Year ended 30 June 2017

Name of Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Share-based payment HK\$'000	Pension costs — defined contribution plans HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Mr. Lo Lin Shing, Simon ("Mr. Lo")	100	6,000	3,014	18	9,132
Mr. Ho Hau Chong, Norman	100	—	1,773	—	1,873
<i>Non-executive Director</i>					
Mr. Lo Rex Cze Kei	62	—	1,773	—	1,835
<i>Independent Non-executive Directors</i>					
Mr. Lau Wai Piu	120	—	887	—	1,007
Mr. Tsui Hing Chuen, William JP	120	—	887	—	1,007
Mr. Lee Kee Wai, Frank	120	—	887	—	1,007
	<b>622</b>	<b>6,000</b>	<b>9,221</b>	<b>18</b>	<b>15,861</b>

## Notes to the Financial Statements (Continued)

### 11. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (a) Directors' and Chief Executive's Emoluments (Continued)

Year ended 30 June 2016					
Name of Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Share-based payment HK\$'000	Pension costs — defined contribution plans HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Mr. Lo	100	1,500	—	5	1,605
Mr. Ho Hau Chong, Norman	100	—	—	—	100
<i>Independent Non-executive Directors</i>					
Mr. Lau Wai Piu	120	—	—	—	120
Mr. Tsui Hing Chuen, William JP	120	—	—	—	120
Mr. Lee Kee Wai, Frank	120	—	—	—	120
	560	1,500	—	5	2,065

Mr. Lo is also the Chief Executive of the Company and his emoluments disclosed above include those for the services rendered by him as the Chief Executive.

#### (b) Directors' Retirement Benefits

None of the directors received or will receive any retirement benefits during the year (2016: nil).

#### (c) Directors' Termination Benefits

None of the directors received or will receive any termination benefits during the year (2016: nil).

#### (d) Consideration Provided to Third Parties for Making Available Directors' Services

During the year ended 30 June 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: nil).

#### (e) Information About Loans, Quasi-Loans and Other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with such Directors

During the year ended 30 June 2017, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors (2016: nil).

## Notes to the Financial Statements (Continued)

### 11. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (f) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### (g) Five Highest Paid Individuals

Four of the Directors was included in the five highest paid individuals for the year ended 30 June 2017 (2016: One). The emoluments payable to the remaining one (2016: four) individual during the year were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	3,370	4,813
Share-based payment	622	—
Pension costs — defined contribution plans	—	54
	<b>3,992</b>	4,867

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK\$100,001 to HK\$500,000	—	1
HK\$500,001 to HK\$1,000,000	—	2
HK\$3,000,001 to HK\$3,500,000	—	1
HK\$3,500,001 to HK\$4,000,000	1	—
	<b>1</b>	4

## Notes to the Financial Statements (Continued)

### 12. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided (2016: nil) as the Group did not have assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2017 HK\$'000	2016 HK\$'000
Current tax		
— Over-provision in prior year	12	—
Deferred tax		
— Origination of temporary differences (Note 23)	(1,172)	(151)
<b>Total income tax expense</b>	<b>(1,160)</b>	(151)

The tax on the Group's operating loss differs from the theoretical amount that would arise using the Hong Kong taxation rate, as follows:

	2017 HK\$'000	2016 HK\$'000
Loss before taxation	47,378	29,017
Calculated at a taxation rate of 16.5% (2016: 16.5%)	7,817	4,787
Effect of different taxation rates in other countries	(296)	(89)
Income not subject to tax	632	270
Expenses not deductible for tax purposes	(7,971)	(3,215)
Tax losses not recognised	(1,550)	(1,965)
Over-provision in prior year	(12)	—
Utilisation of previously unrecognised tax losses	220	61
<b>Income tax expense</b>	<b>(1,160)</b>	(151)

## Notes to the Financial Statements (Continued)

### 13. LOSS PER SHARE

#### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2017 HK\$'000	2016 HK\$'000
Loss attributable to owners of the Company	(46,055)	(26,803)
Weighted average number of ordinary shares in issue (in thousands)	3,252,722	(Restated) (Note) 3,040,760

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 30 June 2016 have been adjusted for the bonus element of the rights issue completed on 29 March 2017.

#### (b) Diluted

The calculation of the diluted loss per share for the years ended 30 June 2017 and 2016 is based on the loss for the year attributable to equity holders of the Company, adjusted to assume exercise of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share option. The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the year, as used in the basic 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 share option.

The share options issued by the Company were not assumed to be exercised as they would have anti-dilutive impact to the basic loss per share for the years ended 30 June 2017 and 2016.

## Notes to the Financial Statements (Continued)

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 July 2015	5,050	340	159	2,097	1,669	9,315
Additions	—	—	119	165	—	284
At 30 June 2016	5,050	340	278	2,262	1,669	9,599
<b>Additions</b>	<b>—</b>	<b>68</b>	<b>—</b>	<b>70</b>	<b>—</b>	<b>138</b>
<b>Written off</b>	<b>—</b>	<b>(303)</b>	<b>—</b>	<b>(13)</b>	<b>—</b>	<b>(316)</b>
<b>At 30 June 2017</b>	<b>5,050</b>	<b>105</b>	<b>278</b>	<b>2,319</b>	<b>1,669</b>	<b>9,421</b>
<b>Accumulated depreciation</b>						
At 1 July 2015	124	243	55	1,556	402	2,380
Charge for the year	158	75	84	215	334	866
At 30 June 2016	282	318	139	1,771	736	3,246
<b>Charge for the year</b>	<b>162</b>	<b>36</b>	<b>79</b>	<b>197</b>	<b>335</b>	<b>809</b>
<b>Written off</b>	<b>—</b>	<b>(303)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(303)</b>
<b>At 30 June 2017</b>	<b>444</b>	<b>51</b>	<b>218</b>	<b>1,968</b>	<b>1,071</b>	<b>3,752</b>
<b>Net book value</b>						
At 30 June 2016	4,768	22	139	491	933	6,353
<b>At 30 June 2017</b>	<b>4,606</b>	<b>54</b>	<b>60</b>	<b>351</b>	<b>598</b>	<b>5,669</b>

Leasehold land and building of HK\$4,606,000 (2016: HK\$4,768,000) is located in Hong Kong and held under a medium-term lease of 10 to 50 years.

## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	29,426	29,660
Addition through acquisition of subsidiaries (Note 27)	114,837	—
Fair value gains on investment properties	5,248	1,008
Currency translation differences	(336)	(1,242)
At end of the year	149,175	29,426

(a) Amounts recognised in profit and loss for investment properties

	2017 HK\$'000	2016 HK\$'000
Rental income	2,316	1,321
Direct operating expenses from properties that generated rental income	(373)	(312)
	1,943	1,009

### Fair Value Hierarchy

Under HKFRS 13 "Fair Value Measurement", the fair value measurement should be illustrated based on the three-level fair value hierarchy and the classification is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES (Continued)

#### Fair Value Hierarchy (Continued)

Fair value hierarchy for recurring fair value measurements:

	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 30 June 2017</b>				
<b>Investment properties:</b>				
— Residential property — Beijing	—	—	13,685	13,685
— Office unit — Beijing	—	—	12,190	12,190
— Office unit — Hong Kong	—	111,300	—	111,300
— Industrial property — Hong Kong	—	8,700	—	8,700
— Carpark — Hong Kong	—	3,300	—	3,300
	—	123,300	25,875	149,175
<b>At 30 June 2016</b>				
<b>Investment properties:</b>				
— 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

The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The transfer from level 2 to 3 in the current year is due to the lack of observable market data of comparable property transactions relating to the residential property in Beijing.

The transfer from level 3 to 2 in the current year is due to the available of observable market data of comparable property transactions relating to the industrial properties in Hong Kong.



## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES (Continued)

#### Fair Value Hierarchy (Continued)

The following table presents the changes in level 3 assets for the year ended 30 June 2017.

	Residential properties — Beijing HK\$'000	Office unit — Beijing HK\$'000	Industrial properties — Hong Kong HK\$'000	Total HK\$'000
At 1 July 2016	—	10,062	3,800	13,862
Transfer from Level 2 fair value measurement	9,594	—	—	9,594
Transfer to Level 2 fair value measurement	—	—	(4,100)	(4,100)
Fair value gains	4,091	2,128	300	6,519
At 30 June 2017	13,685	12,190	—	25,875

#### Valuation Processes of the Group

The Group's investment properties were valued at 30 June 2017 and 2016 by independent professionally qualified valuers, Eidea Professional Services Company Limited (2016: DTZ Cushman & Wakefield Limited), whom hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

#### Valuation Techniques

##### Fair value measurements using significant unobservable inputs

Fair values of the investment properties of the Group were supported by valuations performed by an independent external valuer and are generally derived using the direct comparison method (2016: direct comparison method and investment approach). The valuations of residential property and office unit in Beijing were dependent on certain key assumptions that required significant management judgement, including fair market price and age.

## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES (Continued)

#### Valuation techniques (Continued)

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

The ranges of unobservable input are similar between the residential properties, office unit (2016: office unit and industrial properties). These significant unobservable inputs include:

As at 30 June 2017:

	Fair value at 30 June 2017	Valuation technique	Unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value
Residential properties — Beijing	HK\$13,685,000	Direct comparison method	Price per square metre (RMB)	RMB42,196 to RMB43,636	The higher the fair market price, the higher the property value
Office unit — Beijing	HK\$12,190,000	Direct comparison method	Price per square metre (RMB)	RMB32,000 to RMB35,000	The higher the fair market price, the higher the property value

As at 30 June 2016:

	Fair value at 30 June 2016	Valuation technique	Unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value
Office unit — Beijing	HK\$10,062,000	Investment approach	Rental value	RMB165 – RMB180 per month per square meter	The higher the rental value, the higher the value
			Market yield or discount rate	6.50%	The higher the discount rate, the lower the value
Industrial properties — Hong Kong	HK\$3,800,000	Investment approach	Rental value	HK\$11.00 – HK\$15.00 per month per square feet	The higher the rental value, the higher the value
			Market yield or discount rate	4.00%	The higher the discount rate, the lower the value

Valuation techniques is changed during the year after considering the current market and industry information.

## Notes to the Financial Statements (Continued)

### 15. INVESTMENT PROPERTIES (Continued)

#### Valuation Techniques (Continued)

Fair value measurements using significant unobservable inputs (Continued)

The locations and lease terms of the investment properties are analysed as follows:

	2017 HK\$'000	2016 HK\$'000
In Hong Kong, held on medium-term leases	123,300	9,770
In Mainland China, held on medium-term leases	25,875	19,656
	149,175	29,426

### 16. 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.

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	50,048	31,729
Additions	7,219	18,826
Written off (Note)	—	(507)
At end of the year	57,267	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 this licence and the related exploration costs.

## Notes to the Financial Statements (Continued)

### 17. PARTICULARS OF SUBSIDIARIES

All of the subsidiaries of the Company were incorporated/established as limited liability companies. Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation	Particulars of issued share capital	Percentage of equity interest attributable to the Company		Percentage of equity interest attributable to the Company		Principal activities and place of operation
			Direct	Indirect	Direct	Indirect	
			2017		2016		
Cyber On-Air (Asia) Limited	Hong Kong	100 ordinary shares of total HK\$100 and 100,000 non-voting deferred shares of total HK\$100,000	—	100%	—	100%	Provision of network solutions and project services in Hong Kong
Jetco Technologies Limited	Hong Kong	1,250,000 ordinary shares of total HK\$1,250,000	—	100%	—	100%	Property investment in Mainland China
Lipro Prosper Limited	Hong Kong	2 ordinary shares of total HK\$2	—	100%	—	100%	Property investment in Mainland China
Greenham Development Limited	Hong Kong	2 ordinary shares of total HK\$2	—	100%	—	100%	Property investment in Hong Kong
Star Bright (HK) Holdings Limited	Hong Kong	1,600 ordinary shares of total HK\$1,600	—	100%	—	—	Property investment in Hong Kong
Power Able Enterprises Limited	Hong Kong	1 ordinary share of total HK\$1	—	100%	—	—	Property investment in Hong Kong
Vision Values Group Management Limited	Hong Kong	2 ordinary shares of total HK\$2	—	100%	—	100%	Provision of management services in Hong Kong
Vision Values Security Services Limited	Hong Kong	2 ordinary share of total HK\$3,000,000	100%	—	100%	—	Provision of property management services in Hong Kong
Silver Value Global Limited	Hong Kong	1 ordinary share of HK\$1	100%	—	100%	—	Yacht building in Hong Kong
FVSP LLC	Mongolia	100,000 ordinary shares of US\$1 each	—	51%	—	51%	Mineral exploration in Mongolia

## Notes to the Financial Statements (Continued)

### 17. PARTICULARS OF SUBSIDIARIES (Continued)

#### Material Non-Controlling interest

The non-controlling interest for the year ended 30 June 2017 is HK\$2,483,000 (2016: HK\$2,365,000) of which is solely for the Mission Wealth Holdings Limited and its subsidiaries (collectively the "Mission Wealth Group").

#### Summarised statement of financial position

	2017 HK\$'000	2016 HK\$'000
<b>Current</b>		
Assets	302	1,956
Liabilities	(70,357)	(59,973)
<b>Total current net liabilities</b>	<b>(70,055)</b>	(58,017)
<b>Non-current</b>		
Assets	60,162	53,191
<b>Net liabilities</b>	<b>(9,893)</b>	(4,826)

#### Summarised statement of profit or loss

	2017 HK\$'000	2016 HK\$'000
Revenue	—	—
Loss before taxation	(5,068)	(4,827)
Income tax expense	—	—
Other comprehensive loss	—	—
<b>Total comprehensive loss</b>	<b>(5,068)</b>	(4,827)
<b>Total comprehensive loss allocated to non-controlling interest</b>	<b>(2,483)</b>	(2,365)

## Notes to the Financial Statements (Continued)

### 17. PARTICULARS OF SUBSIDIARIES (Continued)

#### Material Non-Controlling interest (Continued)

##### Summarised statement of cash flows

	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>		
Cash used in operations	(4,779)	(3,997)
Income tax paid	—	—
Net cash used in operating activities	(4,779)	(3,997)
Net cash used in investing activities	(7,219)	(18,848)
Net cash generated from financing activities	10,360	20,495
<b>Net decrease in cash and cash equivalents</b>	(1,638)	(2,350)
Cash and cash equivalents at the beginning of year	1,857	4,207
<b>Cash and cash equivalents at end of year</b>	219	1,857

The information above is the amount before inter-company eliminations.

### 18. GOODWILL

	2017 HK\$'000	2016 HK\$'000
At beginning and end of the year	3,334	3,334

The recoverable amount was based on value-in-use exceeded carrying value as at 30 June 2017 and 2016.

#### Impairment tests for goodwill

The Group reperformed annual impairment test for goodwill allocated to the Group's CGU as disclosed below by comparing the recoverable amount to the carrying amount at the end of the reporting period. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations are cash flow projections based on financial budgets approved by management covering 5 years (2016: 5 years). Cash flows beyond 2022 are extrapolated using the estimated growth rate stated below.

## Notes to the Financial Statements (Continued)

### 18. GOODWILL (Continued)

The key assumptions used for value-in-use calculations are as follows:

	2017 Network solutions and project services	2016 Network solutions and project services
Gross margin	28%	28%
Growth rate	5%	5%
Discount rate	12%	12%

If discount rate increased to 16.4% or growth rate fell to 0%, all changes taken in isolation, the remaining headroom would be removed.

### 19. HELD-TO-MATURITY FINANCIAL ASSETS

	2017 HK\$'000	2016 HK\$'000
<b>Listed securities:</b>		
— Corporate bonds with fixed interest rate of 3.375% and maturity date of 26 October 2027 — Hong Kong	16,036	16,059
— Corporate bonds with fixed interest rate of 4.375% and maturity date of 30 November 2022 — Hong Kong	32,247	32,393
	48,283	48,452

The fair value of the held-to-maturity financial assets, which is based on quoted market bid prices, is HK\$48.3 million (2016: HK\$48.6 million).

Held-to-maturity financial assets are denominated in US\$.

## Notes to the Financial Statements (Continued)

### 20. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Raw materials	694	2,438
Work in progress	41,523	25,897
Finished goods	188	182
	<b>42,405</b>	28,517

The cost of inventories recognised as expense in the consolidated statement of profit or loss amounted to approximately HK\$5,070,000 (2016: HK\$6,575,000).

### 21. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	6,828	8,625

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

	2017 HK\$'000	2016 HK\$'000
1–30 days	3,582	5,505
31–60 days	476	630
61–90 days	996	324
Over 91 days	1,774	2,166
	<b>6,828</b>	8,625

As of 30 June 2017, trade receivables of HK\$3,126,000 (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 except for a trade receivables amounted to approximately HK\$1,524,000 (2016: HK\$1,524,000) which are in litigation proceedings to recover the disputed amount from a customer relating to owed payment of the works performed from 2011 to 2013. Management considers this amount is highly probable to be recovered based on external legal advice. The aging analysis by date of these trade receivables is as follows:



## Notes to the Financial Statements (Continued)

### 21. TRADE RECEIVABLES (Continued)

The ageing analysis by due date of these trade receivables is as follows:

	2017 HK\$'000	2016 HK\$'000
Past due 1–30 days	1,444	572
Past due 31–60 days	55	256
Past due 61–90 days	61	435
Past due over 90 days	1,566	1,629
	<b>3,126</b>	2,892

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK\$	6,528	7,840
US\$	5	423
RMB	295	254
EURO ("EUR")	—	108
	<b>6,828</b>	8,625

None of the trade receivables were impaired as at 30 June 2017 (2016: nil) and the carrying amounts of trade receivables approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

## Notes to the Financial Statements (Continued)

### 22. CASH AND BANK BALANCES

	2017 HK\$'000	2016 HK\$'000
Cash at bank and on hand	<b>220,614</b>	157,565

The cash and bank balances of certain subsidiaries of the Group as at 30 June 2017 included balances with banks in the Mainland China totalling approximately HK\$41,000 (2016: HK\$129,000) which were denominated in RMB and US\$. The remittance of these balances outside the Mainland China is subject to foreign exchange control rules and regulations of Mainland China.

The weighted average effective interest rate on short-term bank deposits was 0.46% (2016: 0.62%) per annum. The maturity days of the short-term bank deposit was ranged from one week to three months (2016: one week to three months).

### 23. DEFERRED INCOME TAX LIABILITIES

	Accumulated depreciation HK\$'000	Fair value gain on investment properties HK\$'000	Total HK\$'000
At 1 July 2015	4	743	747
Charged to consolidated statement of profit or loss (Note 12)	2	149	151
At 30 June 2016	6	892	898
<b>Charged to consolidated statement of profit or loss (Note 12)</b>	<b>517</b>	<b>655</b>	<b>1,172</b>
<b>At 30 June 2017</b>	<b>523</b>	<b>1,547</b>	<b>2,070</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. In this regard, the Group has estimated tax losses of approximately HK\$62,616,000 (2016: HK\$54,559,000) to carry forward against future taxation income. Except for the tax losses of approximately HK\$1,639,179 (2016: HK\$2,804,627) expiring within 5 years, the balance has no expiry date. These tax losses have not been recognised due to uncertainty of their future recoverability. The potential deferred tax losses which have not been recognised amounted to approximately HK\$10,471,000 (2016: HK\$9,241,000).

## Notes to the Financial Statements (Continued)

### 24. TRADE PAYABLES

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

	2017 HK\$'000	2016 HK\$'000
0–30 days	2,928	2,487
31–60 days	831	183
61–90 days	17	653
91–180 days	2,112	2,377
	<b>5,888</b>	5,700

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK\$	5,513	5,168
US\$	367	449
RMB	8	8
EUR	—	75
	<b>5,888</b>	5,700

The carrying amounts of trade payables approximate their fair values.

### 25. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised:		
At 1 July 2015 and 30 June 2016	20,000,000,000	2,000,000
Share capital reduction (Note b)	—	(1,800,000)
At 30 June 2017	20,000,000,000	200,000
Issued and fully paid:		
At 1 July 2015 and 30 June 2016	2,591,838,892	259,184
Issuance of ordinary shares by		
— rights issue (Note a)	1,295,919,446	129,592
Share capital reduction (Note b)	—	(349,898)
At 30 June 2017	3,887,758,338	38,878

# Notes to the Financial Statements (Continued)

## 25. SHARE CAPITAL (Continued)

The total authorised number of ordinary shares is 20,000 million (2016: 20,000 million) shares. The authorised share capital is reduced from HK\$2,000,000,000 to HK\$200,000,000 with a par value reduced from HK\$0.10 to HK\$0.01 per share (2016: HK\$0.10 per share).

Note:

- (a) On 29 March 2017, the Company completed a rights issue of 1,295,919,446 ordinary shares of HK\$0.10 each at a subscription price of HK\$0.18 per share (the “**Rights Issue**”). These new shares rank pari passu in all respect with the existing shares. The net proceeds from the Rights Issue amounted to approximately HK\$227,395,000. The difference between the net proceeds and the nominal value of HK\$97,803,000 is charged to share premium.
- (b) On 20 April 2017, the Company completed the capital reduction. The par value of each issued share was reduced from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each issued share (“**Capital Reduction**”) and the credit arising from the Capital Reduction amounted to HK\$192,958,000 was offset against the accumulated losses of the Company and balance of HK\$156,601,000 was transferred to the share premium account of the Company.

### Share Option Scheme

The share option scheme for the Group is valid and effective for a period of 10 years commencing on 23 November 2011 (the “**Share Option Scheme**”). The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

An option may be exercised in accordance with the terms of the scheme at any time during the period as the Board of Directors at their absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The Directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.00 as consideration for the grant. The subscription price of a share in respect of any option granted shall be determined by the board of Directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

## Notes to the Financial Statements (Continued)

### 25. SHARE CAPITAL (Continued)

#### Share Option Scheme (Continued)

Movements in the number of share options outstanding under Share Option Scheme and their related weighted average exercise prices are as follows:

	2017		2016	
	Weighted average exercise price per share HK\$	Number of share options	Weighted average exercise price per share HK\$	Number of share options
At beginning of the year	0.578	97,960,713	0.586	107,960,713
Adjustment for rights Issue	0.003	22,217,835	—	—
Granted	0.292	135,000,000	—	—
Lapsed	—	—	0.660	(10,000,000)
At end of the year	0.378	255,178,548	0.578	97,960,713

Share options outstanding under the Share Option Scheme at the end of the year have the following exercise periods and exercise prices:

Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options	
			2017	2016
11-1-2013	0.149 (Note)	11-1-2013 to 10-1-2018	26,432,129 (Note)	21,740,713
05-3-2014	0.601 (Note)	05-3-2014 to 04-3-2019	22,856,842 (Note)	18,800,000
20-5-2015	0.560 (Note)	20-5-2015 to 19-5-2020	69,810,629 (Note)	57,420,000
19-10-2016	0.338 (Note)	19-7-2017 to 18-10-2018	3,039,474 (Note)	—
19-10-2016	0.338 (Note)	19-1-2018 to 18-10-2018	3,039,474 (Note)	—
7-4-2017	0.290	7-4-2017 to 6-4-2022	130,000,000	—

Note: The exercise price and number of share options were adjusted pursuant to the rights issue of the Company completed on 29 March 2017.

## Notes to the Financial Statements (Continued)

### 25. SHARE CAPITAL (Continued)

#### Share Option Scheme (Continued)

The fair values of options granted were determined as follows:

	11 January 2013	5 March 2014	20 May 2015	19 October 2016	19 October 2016	7 April 2017
Option value (at grant date)	HK\$5,899,000	HK\$7,654,000	HK\$24,455,660	HK\$415,975	HK\$418,775	HK\$21,022,540
Fair value per option (at grant date)	HK\$0.09	HK\$0.41	HK\$0.36	HK\$0.17	HK\$0.17	HK\$0.16
Significant inputs into the valuation model:						
Exercise price at grant date	HK\$0.19	HK\$0.73	HK\$0.68	HK\$0.41	HK\$0.41	HK\$0.29
Share price at grant date	HK\$0.19	HK\$0.73	HK\$0.68	HK\$0.39	HK\$0.39	HK\$0.29
Expected volatility	70.76%	84.27%	80.19%	82.89%	82.89%	90.11%
Risk-free interest rate	0.424%	1.231%	1.155%	0.448%	0.448%	1.887%
Life of options	5 years	5 years	5 years	2 years	2 years	5 years
Expected dividend yield	0%	0%	0%	0%	0%	0%
Valuation model applied	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial

Note: The share options were granted to the Directors, employees and other eligible person.

### 26. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash used in operations:

	2017 HK\$'000	2016 HK\$'000
Loss before taxation	<b>(47,378)</b>	(29,017)
Depreciation of property, plant and equipment	<b>809</b>	866
Write-off of property, plant and equipment	<b>13</b>	—
Write-off of exploration and evaluation assets	<b>—</b>	507
Fair value gains on investment properties	<b>(5,248)</b>	(1,008)
Release of reserve upon deregistration of a subsidiary	<b>(3,023)</b>	—
Interest income	<b>(2,111)</b>	(841)
Share-based payment	<b>21,645</b>	226
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
— trade receivables	<b>1,797</b>	(3,179)
— prepayments, deposits and other receivables	<b>(725)</b>	(841)
— inventories	<b>(13,888)</b>	(12,958)
— trade payables	<b>188</b>	2,078
— accrued charges and other payables	<b>(1,505)</b>	(1,999)
Cash used in operations	<b>(49,426)</b>	(46,166)

## Notes to the Financial Statements (Continued)

### 27. ACQUISITION OF INVESTMENT PROPERTIES THROUGH ACQUISITION OF SUBSIDIARIES

On 3 October 2016 and 16 December 2016, Comet Eagle Limited and Star Power Global Limited, the wholly-owned subsidiaries of the Company entered into agreements to acquire 100% equity interest of Star Bright (HK) Holdings Limited (“**Star Bright**”) and Power Able Enterprises Limited (“**Power Able**”) from independent third parties for cash considerations of HK\$62,513,000 and HK\$51,011,000 respectively (the “**Transactions**”). Star Bright owns solely an office premise and a car parking space located in Central, Hong Kong and Power Able owns solely an office premise located in Wanchai, Hong Kong. The Transactions were completed on 15 November 2016 and 18 January 2017 respectively.

The relative fair values of the assets and liabilities of Power Able and Star Bright at the completion date of acquisition were as follows:

	Power Able HK\$'000	Star Bright HK\$'000
<b>Consideration:</b>		
Cash consideration paid including transaction costs	51,712	63,289
<b>Fair value recognised on acquisition</b>		
Investment properties	51,701	63,136
Deposits and prepayments	20	43
Income tax recoverable	—	158
Cash and bank balances	—	472
Accruals charges and other payable	(9)	(520)
	51,712	63,289
Net cash outflow arising on acquisitions:		
Cash considerations paid		115,001
Cash and bank balances acquired		(472)
		114,529

The Transactions were considered as asset acquisitions and the Group allocated the costs of the Group’s assets and liabilities to the individual identifiable assets and liabilities on the basis of their fair values at the date of completion. In this regard, the initial costs of the investment properties amount included (i) the consideration paid, (ii) direct costs incurred directly attributable for the acquisition, and (iii) fair value of cash and bank balances and net liabilities of Star Bright and Power Able acquired/assumed at the completion date. Direct costs incurred directly attributable for the acquisition included commission and legal expenses for approximately HK\$1,313,000. Total initial costs incurred for the acquisition of investment properties that were capitalised upon completion of the acquisition amounted to approximately HK\$114,837,000.

## Notes to the Financial Statements (Continued)

### 28. OPERATING LEASE COMMITMENTS

At 30 June 2017, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 HK\$'000	2016 HK\$'000
No later than 1 year	780	271
Later than 1 year and no later than 5 years	77	—
	<b>857</b>	271

At 30 June 2017 and 2016, the Company had no future aggregate minimum lease payment under non-cancellable operating lease.

During the year ended 30 June 2017, six out of seven of the investment properties (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:

	2017 HK\$'000	2016 HK\$'000
No later than 1 year	2,044	944
Later than 1 year and no later than 5 years	487	171
	<b>2,531</b>	1,115

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



## Notes to the Financial Statements (Continued)

### 29. CAPITAL COMMITMENTS

The total capital expenditure of exploration activities in Mongolia which was authorised by management of the Group but not contracted for as at 30 June 2017 amounted to HK\$14,887,000 (2016: HK\$18,516,000). Such capital expenditure of exploration activities were contributed by equity holders of the Mission Wealth Group on a pro-rata basis and the commitment of the Company amounts to HK\$7,592,000 (2016: HK\$9,443,000).

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

	Group	
	2017 HK\$'000	2016 HK\$'000
Exploration drilling	1,404	5,742
Yacht building	6,759	5,849
	8,163	11,591

The Company did not have any other capital expenditure contracted for at the end of the year but not yet incurred (2016: nil).

### 30. 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. Moral Glory and Mr. Lo collectively owns 32.10% of the Company's shares. The remaining 67.90% of the shares are widely held.



## Notes to the Financial Statements (Continued)

### 30. RELATED PARTY TRANSACTIONS (Continued)

- (a) Other than transactions disclosed in elsewhere in the financial statements, 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:

	2017 HK\$'000	2016 HK\$'000
Operating lease rental income from a related company (Note i)	348	422
Operating lease rental expenses to a related company (Note i)	—	183
Operating lease rental expenses to related companies (Note ii)	1,296	1,216
Reimbursement of sharing of administrative services to a related company (Note i and iii)	10,415	9,486

Notes:

- (i) Related companies are companies in which Mr. Lo is the director.
- (ii) Mr. Lo is the director and beneficial owner.
- (iii) The service is reimbursed at actual cost incurred.
- (b) 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:

	2017 HK\$'000	2016 HK\$'000
Amounts due from related companies	145	145
Amounts due to related companies	(101)	(70)

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 year is as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other employee benefits	6,641	2,065

## Notes to the Financial Statements (Continued)

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### Statement of Financial Position of the Company

		As at 30 June	
	Note	2017 HK\$'000	2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		242,858	108,506
Held-to-maturity financial assets		48,283	48,452
		<b>291,141</b>	156,958
<b>Current assets</b>			
Prepayments, deposits and other receivables		371	1,134
Cash and bank balances		214,071	149,558
		<b>214,442</b>	150,692
<b>Total assets</b>		<b>505,583</b>	307,650
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		38,878	259,184
Other reserves	31(a)	485,683	209,634
Accumulated losses	31(a)	(50,978)	(192,958)
<b>Total equity</b>		<b>473,583</b>	275,860
<b>LIABILITY</b>			
<b>Current liabilities</b>			
Amounts due to subsidiaries		29,320	29,616
Accrued charges and other payables		2,680	2,174
<b>Total liabilities</b>		<b>32,000</b>	31,790
<b>Total equity and liabilities</b>		<b>505,583</b>	307,650
<b>Net current assets</b>		<b>182,442</b>	118,902

## Notes to the Financial Statements (Continued)

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share Premium (Note) HK\$'000	Share option reserve HK\$'000	Sub-total HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2015	179,216	33,111	212,327	(158,877)	53,450
Loss for the year	—	—	—	(37,000)	(37,000)
Share-based payment	—	226	226	—	226
Share option lapsed	—	(2,919)	(2,919)	2,919	—
At 30 June 2016	179,216	30,418	209,634	(192,958)	16,676
<b>Loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(50,978)</b>	<b>(50,978)</b>
<b>Share-based payment</b>	<b>—</b>	<b>21,645</b>	<b>21,645</b>	<b>—</b>	<b>21,645</b>
<b>Rights issue (Note 25)</b>	<b>97,803</b>	<b>—</b>	<b>97,803</b>	<b>—</b>	<b>97,803</b>
<b>Share capital reduction</b>	<b>156,601</b>	<b>—</b>	<b>156,601</b>	<b>192,958</b>	<b>349,559</b>
<b>At 30 June 2017</b>	<b>433,620</b>	<b>52,063</b>	<b>485,683</b>	<b>(50,978)</b>	<b>434,705</b>

Note: The share premium is to be distributed when the Directors of the Company consider appropriate, subject to the compliance with the laws of the Cayman Islands.

### 32. EVENT AFTER THE REPORTING PERIOD

On 12 July 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement for acquisition of a property located in 19th Floor otherwise known as 15th Floor above the car park podium and two car park spaces nos. 64 and 65 on the 3rd Floor of Fortis Bank Tower, Nos. 77–79 Gloucester Road, Hong Kong (the "Acquisition"), at a consideration of HK\$141,525,000 subject to the fulfillment of the conditions set out in the agreement. The Acquisition was approved by the shareholders of the Company on 13 September 2017 and was completed on 22 September 2017.

# Five-Year Financial Summary

The historical figures represent financial information of the Group for the years from 2013 to 2017.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 30 June				
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue	37,284	22,289	22,032	26,351	<b>22,212</b>
Profit/(loss) attributable to owners of the Company	7,557	(14,080)	(45,189)	(26,803)	<b>(46,055)</b>
Basic earnings/(loss) per share (HK cents)	(Restated) (Note a and b) 0.44	(Restated) (Note b) (0.52)	(Restated) (Note b) (1.52)	(Restated) (Note b) (0.88)	<b>(1.42)</b>

Notes:

- (a) As a result of the rights issue completed in the year of 2014, figure for the year of 2013 have been restated for comparative purpose.
- (b) As a result of the rights issue completed in the year of 2017, figures for the years from 2013 to 2016 have been restated for comparative purpose.

## Five-Year Financial Summary (Continued)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 30 June				
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	770	2,192	6,935	6,353	5,669
Investment properties	37,586	37,635	29,660	29,426	149,175
Exploration and evaluation assets	—	9,001	31,729	50,048	57,267
Goodwill	3,334	3,334	3,334	3,334	3,334
Held-to-maturity financial assets	—	—	—	48,452	48,283
<b>Total non-current assets</b>	<b>41,690</b>	<b>52,162</b>	<b>71,658</b>	<b>137,613</b>	<b>263,728</b>
<b>Net current assets</b>	<b>124,365</b>	<b>282,847</b>	<b>273,036</b>	<b>187,206</b>	<b>264,019</b>
<b>Total assets less current liabilities</b>	<b>166,055</b>	<b>335,009</b>	<b>344,694</b>	<b>324,819</b>	<b>527,747</b>
<b>Equity</b>					
Capital and reserves attributable to owners of the Company					
Share capital	141,038	253,557	259,184	259,184	38,878
Other reserves	115,715	181,209	218,010	214,059	486,749
Accumulated losses	(91,895)	(105,975)	(151,164)	(175,048)	(28,145)
	164,858	328,791	326,030	298,195	497,482
Non-controlling interest	—	5,015	17,917	25,726	28,195
<b>Total equity</b>	<b>164,858</b>	<b>333,806</b>	<b>343,947</b>	<b>323,921</b>	<b>525,677</b>
<b>Non-current liabilities</b>	<b>1,197</b>	<b>1,203</b>	<b>747</b>	<b>898</b>	<b>2,070</b>
Deferred income tax liabilities	166,055	335,009	344,694	324,819	527,747
	As at 30 June				
	2013	2014	2015	2016	2017
Net asset value per share attributable to owners of the Company (HK\$)	0.12	0.13	0.13	0.12	0.14
Number of shares issued (in thousand)	1,410,381	2,535,571	2,591,839	2,591,839	3,887,758

# Schedule of Investment Properties

## INVESTMENT PROPERTIES AS AT 30 JUNE 2017

Location	Usage	Term of lease
House No. 2B, Beijing Riviera 1 Xiang Jiang North Road Chaoyang District Beijing, PRC	Residential	Medium term
Office Unit 1002, 10th Floor Jinyun Building No. 43 Xizhimen North Avenue Jia Haidian District Beijing, PRC	Commercial	Medium term
Unit 2, Ground Floor, Fanling Industrial Centre 21 On Kui Street, On Lok Tsuen Fanling, New Territories Hong Kong	Commercial	Medium term
Unit 13, 2nd Floor, Fanling Industrial Centre 21 On Kui Street, On Lok Tsuen Fanling, New Territories Hong Kong	Commercial	Medium term
Car park space P4, 1st Floor Fanling Industrial Centre 21 On Kui Street, On Lok Tsuen Fanling, New Territories Hong Kong	Commercial	Medium term
13th Floor, Wyndham Place No. 44 Wyndham Street Hong Kong	Commercial	Medium term
Carpark No. C15 3rd Carparking Floor, Wyndham Place No. 44 Wyndham Street Hong Kong	Commercial	Medium term
17th Floor, Henan Building Nos. 90 and 92 Jaffe Road Nos. 15, 17 and 19 Luard Road Hong Kong	Commercial	Medium term