Vision Values

Vision Values Holdings Limited

Stock Code : 862

INTERIM REPORT 2018/2019

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Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I hereby present to the shareholders the interim results of Vision Values Holdings Limited (the "**Company**") and its subsidiaries, (collectively the "**Group**") for the six months period ended 31 December 2018 (the "**Financial Period**").

Financial Results Summary

- Revenue for the Financial Period was HK$23.3 million (2017: HK$13.3 million).
- Loss attributable to owners of the Company was HK$27.8 million (2017: Profit of HK$10.4 million).
- Basic loss per share attributable to owners of the Company was HK cents 0.71 (2017: Basic earnings per share of 0.27 cents).

Management Discussion and Analysis

Business Review

I. Network Solutions and Project Services ("NSPS")

The unfavourable business environment affecting NSPS is remain unchanged. The revenue achieved during the Financial Period was approximately HK$7.5 million (2017: HK$10.8 million).

A breakdown of the revenue arising from NSPS was as follows:

(i) telecom solutions was HK$2.5 million (2017: HK$3.0 million);

(ii) enterprise solutions was HK$1.8 million (2017: HK$1.7 million);

(iii) project services was HK$2.6 million (2017: HK$5.6 million); and

(iv) system maintenance was HK$0.6 million (2017: HK$0.5 million).

The underperformance of revenue generation was due to the delay in revenue recognition in respect of a cellular site installation project at Tai Ho San Tsuen for a mobile operator. The related installation work was completed during the Financial Period but the necessary approval document from the Building Department was not yet granted. The absence of this essential approval document had rendered the mobile operator failed to commence its internal project acceptance procedure. Accordingly, the related revenue of approximately HK$3.0 million could not be recognised in the Financial Period.

2. Property Investment

The policy of the Group's investment properties is holding to earn rentals and/or for capital appreciation. The management will review the Group's property portfolio from time to time in order to achieve this policy. The investment properties during the Financial Period were fully rented out except for the following:

(a) House No. 2B, Beijing Riviera, 1 Xiang Jiang North Road, Beijing, PRC. After the previous tenant moved out, we found that certain necessary renovation works must be carried out in order to restore the property's condition to meet market standard; and

(b) 17/F., Henan Building, Wan Chai, Hong Kong (the "**Office**"). According to the latest Hong Kong Property Review issued by the Hong Kong Rating and Valuation Department, Grade B offices in 2017 had a negative take-up of 25,700 square meters. The year-end vacancy as at 31 December 2017, amounting to 286,200 square meters, recorded a rise to 10.4% of the Grade B stock (setting a record high since 2013). 36% of the vacant spaces was found in the core districts. We believe such market trend for Grade B offices is still applicable in 2018. Besides, uncertainties arising from the US and China trade war had led to a slowdown in rental activities and a curb of capital value growth of commercial properties in the second half of 2018.

3. Yacht Construction and Trading

During the Financial Period, the building team was still concentrating in the interior decoration works. Originally, the building team is strived to complete the construction of the first yacht in 2019. However, a contractor has failed to honour his contractual obligation on time. This contractor is responsible for the provision of installation work of a propeller with tailor made stern axle shaft and supporting v-brackets, engines and their gearboxes and other relating installation work. The management is still accessing the impact on the building time table and will take swift remedial actions.

4. Exploration and Evaluation of Mineral Resources

FVSP LLC ("**FVSP**"), a 51% owned indirect subsidiary, had surrendered two exploration licenses because of absence of development potentials to Mongolian government. An inside information announcement was published by the Company on 19 November 2018.

For the remaining two exploration licenses, FVSP had completed significant exploration works during 2018 on several of its metal prospects in the larger district, which was now known to host the full spectrum of arc-related base and precious metal systems, including gold-silver and polymetallic (gold-silver-copper-lead-zinc), volcanogenic massive sulfide-type deposits, and epithermal gold-silver systems. The discovery of new high-grade mineralized bodies in a target area covered by the license 13593 suggested the deposit hosted a much higher average polymetallic grade than originally believed.

FVSP technical team has now received all sample assay results from its 2018 exploration program and has been implementing various technical studies. Compilation and interpretation of those results in 2018 will lead to the development of 2019 exploration plans in the first quarter of 2019 and commencement of the 2019 exploration program in early second quarter of 2019. Of particular importance in the establishment of the 2019 program will be follow-up drilling to further evaluate the high-grade gold-silver mineralization in the aforementioned target area and to make a geological resource modelling (if applicable).

5. Private Jet Management Services

Vision Values Aviation Services Limited ("**VVAS**"), a non-wholly owned subsidiary, is responsible to carry on the business of private jet management services. For a typical aircraft management contract, the services to be provided by VVAS including (i) aircraft scheduling support such as itinerary planning, crew scheduling, hotel and ground transportation arrangements for passengers and crew, catering and other procurement requests, fuel supplies, flight clearances and follow up works for each trip; (ii) arranging aircraft base and hangar; (iii) provision of operational reports covering aircraft usage and a detailed accounting of all aircraft related expenses; (iv) to source dedicated experienced and professional aircraft pilots and flight attendants and (v) planning and supervising all the aircraft's maintenance to ensure they are properly documented. Since established in May 2018, VVAS is currently managing a Gulfstream 300, 650 and a Bombardier Global 6000 under aircraft management contracts. In addition, VVAS is also providing ad hoc operational support services to another two aircrafts.

Financial Review

1. Results Analysis

During the Financial Period, the Group's revenue increased to HK$23.3 million (2017: HK$13.3 million). During the Financial Period, there was a shift of weighting between different business streams in terms of revenue. Around 54.7% (2017: Nil) of the Group's revenue was generated from the newly established private jet management services. The Group's traditional core business of NSPS was dropped to 32.1% (2017: 81.4%) and the remaining was generated by property investment of 13.2% (2017: 18.6%).

The surge in other loss was due to the loss of HK$9.9 million (2017: Nil) on written off of exploration and evaluation assets. During the Financial Period, two exploration licenses in Mongolia without potential of future developments were surrendered to the Mongolia government. For details, please refer to the Company's announcement date 19 November 2018.

The fair values of the Group's investment properties at the end of the Financial Period were valued by an independent qualified valuer. The net decrease in carrying values consisted of (i) fair value loss on investment properties of HK$6.9 million (2017: fair value gain of HK$24.9 million) and (ii) loss on currency translation of HK$1.3 million on our investment properties in China (2017: gain of HK$1.1 million).

The increase of employee benefit expenses was due to (i) increase in total number of employees as a result of the new business of private jet management services; and (ii) share based payment expenses of HK$3.7 million in respect of vesting period fell within the Financial Period (2017: HK$0.2 million) in relation to the options granted on 19 June 2018.

2. Liquidity and Financial Resources

As at 31 December 2018, the capital and reserves attributable to the shareholders of the Company was HK$489.9 million (30 June 2018: HK$515.3 million).

In 2017, the Company completed a rights issue of 1,295,919,446 shares of HK$0.1 each at a subscription price of HK$0.18 each (the "**Rights Issue**"). The balance of unused Rights Issue proceeds as at 30 June 2018 was approximately HK$18.0 million and they were fully utilised during the Financial Period as general working capital for settlement of corporate expenses, mineral exploration and yacht building costs. The aforementioned uses are consistent with the intended use of the Rights Issue proceeds as disclosed in the prospectus and announcement of the Company dated 6 March 2017 and 12 July 2017 respectively.

As at 31 December 2018, the Group had no bank or other borrowings (2017: Nil).

3. Gearing

The Group had no gearing as at 31 December 2018 (2017: Nil).

4. Foreign Exchange

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

5. Contingent Liabilities

As at 31 December 2018, the Group did not have material contingent liabilities (2017: Nil).

Business Outlook and Development

The business segment of private jet management services becomes the revenue driver of the Group. We strive to grow the aircraft management business in 2019. The used aircraft market has been adjusted significantly since the fourth quarter of 2017. We are paying close attention to the market trends and studying the opportunity to invest in aircraft charter market.

For the NSPS, the total contract on hand as at 31 December 2018 was HK$14.9 million. Among this total contract sum, HK$11.0 million belongs to the project services whilst the remaining HK$3.9 million belongs to the enterprise solutions and maintenance contracts.

Looking forward, we expect the business of NSPS is still difficult and challenging. NSPS is struggling to stand out in a crowded market but the trade war between US and China has worsened the situation. Many decision makers have putting their capital expenditure plans on hold pending the outcome of the trade war. Despite the difficulties ahead, the management of NSPS will use their experience and expertise to identify niche markets to expand its revenue base.

After the Financial Period, the Group has completed the acquisition of 51% equity interest in a sino-foreign equity joint venture from independent third parties. The consideration of the acquisition was approximately RMB6.6 million and the registered capital of the joint venture company is RMB20.0 million. The Group is also required to contribute in proportion to its equity interest of approximately RMB3.6 million towards the unpaid registered capital of the joint venture company. The major asset of the joint venture company is an exploration license in Heilongjiang, PRC with preliminary identification of graphite resources. The Group plans to continue exploration for assessing future commercial development potentials in the licenced area.

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, 26 February 2019

Corporate Governance and Other Information

Interim Dividend

The Board has resolved not to declare any interim dividend for the Financial Period (2017: Nil).

Directors' Interests and Short Positions in Shares of the Company and its associated corporation

As at 31 December 2018, the interests or short positions of the directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares			Number of underlying shares			
Name of Directors	Personal interests	Spouse interests	Corporate interests	Personal Interests pursuant to share options	Corporate interests	Total interests	Percentage of shareholding
Mr. Lo Lin Shing, Simon ("**Mr. Lo**")	1,755,000	—	1,246,054,889 (Note)	33,777,894	—	1,281,587,783	32.66%
Mr. Ho Hau Chong, Norman	17,821,973	—	—	13,647,368	—	31,469,341	0.80%
Ms. Yvette Ong	—	—	—	5,000,000	—	5,000,000	0.13%
Mr. Lo, Rex Cze Kei	—	—	—	17,294,737	—	17,294,737	0.44%
Mr. Tsui Hing Chuen, William *JP*	4,365,131	—	—	8,647,368	—	13,012,499	0.33%
Mr. Lau Wai Piu	—	—	—	8,647,368	—	8,647,368	0.22%
Mr. Lee Kee Wai, Frank	6,404,605	—	—	8,647,368	—	15,051,973	0.38%

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

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 31 December 2018, none of the directors, chief executives and their respective associates (as defined under the Listing Rules) had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at 31 December 2018, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

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

Name	Number of shares and/or underlying shares				Percentage of nominal value of issued share capital
	Beneficial/ Personal interests	Spouse interests	Corporate interests	Total interests	
Ms. Ku Ming Mei, Rouisa (Note)	—	1,281,587,783	—	1,281,587,783	32.66%
Moral Glory	1,246,054,889	—	—	1,246,054,889	31.75%

Note: Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she was deemed to be interested in all the shares in which Mr. Lo was interested by virtue of the SFO.

Save as disclosed above and those disclosed under "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES**", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 December 2018.

Share Option Scheme

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

Details of the movement in outstanding share option, which had been granted under the 2011 Option Scheme, during the Financial Period were as follows:

					Number of shares subject to options				
Name or category of participants	Date of grant	Exercise price HK$	Exercise period	Vesting period	As at 1 July 2018	Granted during the Financial Period	Lapsed during the Financial Period	Exercised during the Financial Period	As at 31 December 2018
Mr. Lo	05/03/2014	0.601	05/03/2014 to 04/03/2019	N/A	8,267,368	—	—	—	8,267,368
	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	8,510,526	—	—	—	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	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	3,647,368	—	—	—	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	10,000,000	—	—	—	10,000,000
Ms. Yvette Ong	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	5,000,000	—	—	—	5,000,000
Mr. Lo, Rex Cze Kei	05/03/2014	0.601	05/03/2014 to 04/03/2019	N/A	7,294,737	—	—	—	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*	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	3,647,368	—	—	—	3,647,368
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	5,000,000	—	—	—	5,000,000

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 2018	Granted during the Financial Period	Lapsed during the Financial Period	Exercised during the Financial Period	As at 31 December 2018
Mr. Lau Wai Piu	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	3,647,368	—	—	—	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	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	3,647,368	—	—	—	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)	05/03/2014	0.601	05/03/2014 to 04/03/2019	N/A	7,294,737	—	—	—	7,294,737
	20/05/2015	0.560	20/05/2015 to 19/05/2020	N/A	46,710,631	—	—	—	46,710,631
	19/10/2016	0.338	19/07/2017 to 18/10/2018	19/10/2016 to 18/07/2017	3,039,474	—	(3,039,474)	—	—
	19/10/2016	0.338	19/01/2018 to 18/10/2018	19/10/2016 to 18/01/2018	3,039,474	—	(3,039,474)	—	—
	07/04/2017	0.290	07/04/2017 to 06/04/2022	N/A	63,000,000	—	—	—	63,000,000
	19/06/2018	0.496	19/12/2018 to 18/06/2023	19/06/2018 to 18/12/2018	6,250,000	—	—	—	6,250,000
	19/06/2018	0.496	19/06/2019 to 18/06/2023	19/06/2018 to 18/06/2019	6,250,000	—	—	—	6,250,000
	19/06/2018	0.496	19/12/2019 to 18/06/2023	19/06/2018 to 18/12/2019	6,250,000	—	—	—	6,250,000
	19/06/2018	0.496	19/06/2020 to 18/06/2023	19/06/2018 to 18/06/2020	6,250,000	—	—	—	6,250,000
Total					**243,746,419**	**—**	**(6,078,948)**	**—**	**237,667,471**

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

The Board recognises the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibility to maintain the interest of the shareholders and 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 the shareholders and investors.

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

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

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

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

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

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

The Company has not set up a nomination committee as required. The Board considers that it should be the responsibility of the full Board to review these matters and make decisions from time to time. The Board has already set out the criteria for selection of a director under its internal policy. According to the Articles, 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, the Chairman of the Board did not attend the 2018 AGM. An executive director had chaired the 2018 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 2018 AGM.

Compliance with Model Code for Securities Transactions

The Company has adopted its own Code for Securities Transactions by the directors (the "**Code**"), which are on terms no less exacting than those set out in the Model Code. The 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. During the Financial Period, no incident of non-compliance with the Employees' Guidelines by the employees was noted by the Company.

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

Employees and Remuneration Policy

As at 31 December 2018, the Group had a total of 36 full-time employees (30 June 2018: 34). Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and the performance of the Group and individual staff (including directors). The remuneration policy and remuneration packages of the executive directors and senior management of the Group are reviewed by the Remuneration Committee.

Review of Interim Results

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive directors, namely Mr. Tsui Hing Chuen, William *JP*, Mr. Lee Kee Wai, Frank and Mr. Lau Wai Piu (chairman of the Audit Committee). The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2018.

Board of Directors

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

Executive Directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Mr. Ho Hau Chong, Norman
Ms. Yvette Ong
Mr. Lo, Rex Cze Kei

Independent Non-executive Directors

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

Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	4	**23,299**	13,288
Other (loss)/income, net	5	**(9,658)**	1,272
Changes in inventories of finished goods and work in progress		**(3,469)**	(3,737)
Subcontracting fees for project services		**(2,133)**	(4,846)
Direct operating costs for private jet management services		**(6,612)**	—
Fair value (loss)/gains on investment properties	9(b)	**(6,872)**	24,896
Employee benefit expenses		**(16,703)**	(9,333)
Depreciation		**(464)**	(392)
Other expenses	6	**(10,946)**	(10,975)
(Loss)/profit before income tax		**(33,558)**	10,173
Income tax expense	7	**(210)**	(898)
(Loss)/profit for the period		**(33,768)**	9,275
(Loss)/profit attributable to:			
Owners of the Company		**(27,822)**	10,403
Non-controlling interest		**(5,946)**	(1,128)
		(33,768)	9,275
(Loss)/earnings per share attributable to owners of the Company for the period (HK cents)	8		
— Basic		**(0.71)**	0.27
— Diluted		**(0.71)**	0.26

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(33,768)**	9,275
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
— Currency translation differences	**(1,278)**	1,127
Total comprehensive (loss)/income for the period	**(35,046)**	10,402
Attributable to:		
Owners of the Company	**(29,100)**	11,530
Non-controlling interest	**(5,946)**	(1,128)
Total comprehensive (loss)/income for the period	**(35,046)**	10,402

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December 2018 HK$'000 (unaudited)	As at 30 June 2018 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9(a)	**6,545**	5,153
Investment properties	9(b)	**341,864**	350,012
Exploration and evaluation assets	10	**67,736**	69,890
		416,145	425,055
Current assets			
Inventories	11	**71,298**	59,253
Trade receivables	12	**4,193**	12,143
Prepayments, deposits and other receivables		**11,260**	10,761
Contract assets		**3,571**	—
Cash and bank balances		**45,937**	71,921
		136,259	154,078
Total assets		**552,404**	579,133

	Note	As at 31 December 2018 HK$'000 (unaudited)	As at 30 June 2018 HK$'000 (audited)
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	**39,242**	39,242
Other reserves		**495,981**	494,364
Accumulated losses		**(45,313)**	(18,326)
		489,910	515,280
Non-controlling interest		**34,328**	35,082
Total equity		**524,238**	550,362
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**2,965**	2,939
Current liabilities			
Trade payables	13	**4,404**	7,545
Accrued charges and other payables		**15,639**	18,287
Contract liabilities		**5,158**	—
		25,201	25,832
Total liabilities		**28,166**	28,771
Total equity and liabilities		**552,404**	579,133
Net current assets		**111,058**	128,246

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

	Note	Unaudited Six months ended 31 December 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash used in operations		**(21,850)**	(19,744)
Income tax refund		**64**	—
Net cash used in operating activities		**(21,786)**	(19,744)
Cash flows from investing activities			
Purchase of property, plant and equipment	9(a)	**(1,857)**	(209)
Purchase of investment properties		**—**	(154,694)
Additions to exploration and evaluation assets	10	**(7,707)**	(9,657)
Proceeds from disposal of property, plant and equipment	9(a)	**—**	20
Interest received		**176**	1,355
Net cash used in investing activities		**(9,388)**	(163,185)
Cash flows from financing activities			
Proceeds from exercise of share options	14	**—**	4,358
Contribution from a non-controlling interest		**5,192**	3,724
Net cash generated from financing activities		**5,192**	8,082
Net decrease in cash and cash equivalents		**(25,982)**	(174,847)
Cash and cash equivalents at beginning of the period		**71,921**	220,614
Effect on foreign exchange rate changes		**(2)**	2
Cash and cash equivalents at end of the period		**45,937**	45,769

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018 (audited)	39,242	443,727	2,366	48,895	(624)	(18,326)	515,280	35,082	550,362
Comprehensive loss:									
— Loss for the period	—	—	—	—	—	(27,822)	(27,822)	(5,946)	(33,768)
Other comprehensive loss:									
— Currency translation differences	—	—	—	—	(1,278)	—	(1,278)	—	(1,278)
Total comprehensive loss for the period	—	—	—	—	(1,278)	(27,822)	(29,100)	(5,946)	(35,046)
Share-based payment	—	—	—	3,730	—	—	3,730	—	3,730
Share options lapsed	—	—	—	(835)	—	835	—	—	—
Total contributions by owners of the Company recognised directly in equity	—	—	—	2,895	—	835	3,730	—	3,730
Contribution from non-controlling interests	—	—	—	—	—	—	—	5,192	5,192
Total transactions with owners recognized directly in equity	—	—	—	2,895	—	835	3,730	5,192	8,922
At 31 December 2018 (unaudited)	39,242	443,727	2,366	51,790	(1,902)	(45,313)	489,910	34,328	524,238

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 31 December 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017 (audited)	38,878	433,620	2,366	52,063	(1,300)	(28,145)	497,482	28,195	525,677
Comprehensive income:									
— Profit for the period	—	—	—	—	—	10,403	10,403	(1,128)	9,275
Other comprehensive income:									
— Currency translation differences	—	—	—	—	1,127	—	1,127	—	1,127
Total comprehensive income for the period	—	—	—	—	1,127	10,403	11,530	(1,128)	10,402
Exercise of share options (Note 14)	197	6,524	—	(2,363)	—	—	4,358	—	4,358
Share-based payment	—	—	—	196	—	—	196	—	196
Total contributions by owners of the Company recognised directly in equity	197	6,524	—	(2,167)	—	—	4,554	—	4,554
Contribution from non-controlling interests	—	—	—	—	—	—	—	3,724	3,724
Total transactions with owners recognized directly in equity	197	6,524	—	(2,167)	—	—	4,554	3,724	8,278
At 31 December 2017 (unaudited)	39,075	440,144	2,366	49,896	(173)	(17,742)	513,566	30,791	544,357

Notes to the Condensed Consolidated Financial Statements

1. General Information

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

The Company is a limited liability company incorporated in the Cayman Islands. The address of its principal place of business is Unit 902, 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**").

The condensed consolidated interim financial information (the "**Interim Financial Information**") is presented in Hong Kong dollar ("**HK$**"), unless otherwise stated.

2. Basis of Preparation and Accounting Policies

Interim Financial Information for the six months ended 31 December 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It should be read in conjunction with the annual financial statements for the year ended 30 June 2018, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**")

The Interim Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are stated at fair value.

The accounting policies applied in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 30 June 2018, except the adoption of new and amended standards as set out below.

2. Basis of Preparation and Accounting Policies (Continued)

(a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 July 2018 and currently relevant to the Group:

Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarification to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed in Note 3 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

2. Basis of Preparation and Accounting Policies (Continued)

(b) The following new and amended standards and interpretation to standards have been issued but are not effective for the financial period beginning 1 July 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's assessment of the impact of these new and amended standards and interpretation to standards is set out below:

HKFRS 16 "Leases"

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated 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 the Group's operating leases.

The standard is mandatory for financial year beginning on or after 1 January 2019. 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 and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" on the Group's condensed consolidated financial information and also disclose the new accounting policies that have been applied from 1 July 2018.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but any difference are recognised in the opening consolidated statement of financial position on 1 July 2018.

(a) HKFRS 9 Financial instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 "Financial Instruments" from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 3(b) below.

(i) Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss ("**ECL**") model include cash and cash equivalents, trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

3. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial instruments — Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Critical accounting estimate and judgement

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While other receivables and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) HKFRS 9 Financial instruments — Accounting policies

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement category:

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9 Financial instruments — Accounting policies (Continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are one measurement category into which the Group classifies its debt instruments:

— Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iii) Impairment

The Group's significant financial assets which are subject to the new ECL model include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

While cash and cash equivalents and short-term bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month ECL which is close to zero.

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9 Financial instruments — Accounting policies (Continued)

(iii) Impairment (Continued)

For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 July 2018.

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses in the 2018 financial year. Thus, the comparative figures have not been restated.

As a result of the changes in the Group's accounting policies, certain reclassifications are not reflected in the condensed consolidated statement of financial position as at 30 June 2018, but are recognised in the opening condensed consolidated statement of financial position on 1 July 2018.

3. Changes in Accounting Policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Opening balance — HKAS 18 HK$'000	Reclassification HK$'000	Opening balance — HKFRS 15 HK$'000
Current assets			
Prepayments, deposits and other receivables	10,761	(1)	10,760
Contract assets	—	1	1
Current liabilities			
Accrued charges and other payables	18,287	(4,764)	13,523
Contract liabilities	—	4,764	4,764

As at 1 July 2018, unbilled account receivables of HK$1,000 in respect of sales contracts previously included in prepayments, deposits and other receivables were reclassified to contract assets. Advances from customers of HK$4,764,000 in respect of sales contracts previously included in accrued charges and other payables were reclassified to contract liabilities.

Except for the above, the application of HKFRS 15 has no other significant impact to the condensed consolidated financial statements.

3. Changes in Accounting Policies (Continued)

(d) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

The Group is principally engaged in the provision of network solutions and project services, property investment, yacht building in Hong Kong, minerals exploration in Mongolia and provision of private jet management services in Hong Kong. Under HKFRS 15, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates and enhances an asset that the customer controls as the Group performs; or

— do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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 over time by employing input method that based on the entity's efforts to satisfy the performance obligation.

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

Revenue derived from private jet management services is recognised when the services are rendered. Services provided pursuant to a contract are either recognized over the contract period or upon completion of elements specified in the contract depending on the terms of contract.

4. Turnover and Segment Information

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

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

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

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

There are no sales or other transactions between business segments.

The segment revenue and results for the six months ended 31 December 2018

	Network solutions and project services HK$'000	Property investment HK$'000	Yacht building HK$'000	Minerals exploration HK$'000	Private jet management services HK$'000	Total HK$'000
Segment revenue	7,467	3,082	—	—	12,750	23,299
Segment results	1,470	2,562	—	—	5,550	9,582
Depreciation of property, plant and equipment	(56)	—	(21)	(101)	(99)	(277)
Fair value loss on investment properties	—	(6,872)	—	—	—	(6,872)
Unallocated expenses (Note)						(36,167)
Interest income						176
Loss before income tax						(33,558)

Note: Unallocated expenses mainly include unallocated employee benefit expenses, operating lease rentals for land and buildings and reimbursement of sharing of administrative services incurred at corporate level.

4. Turnover and Segment Information (Continued)

The segment revenue and results for the six months ended 31 December 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	10,816	2,472	—	—	13,288
Segment results	1,688	2,054	—	—	3,742
Depreciation of property, plant and equipment	(55)	(81)	(57)	(114)	(307)
Fair value gains on investment properties	—	24,896	—	—	24,896
Unallocated expenses (Note)					(19,430)
Interest income					1,272
Profit before income tax					10,173

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

4. Turnover and Segment Information (Continued)

Segment Assets

For the period ended 31 December 2018

	Network solutions and project services HK$'000	Property investment HK$'000	Yacht building HK$'000	Minerals exploration HK$'000	Private jet management services HK$'000	Total HK$'000
Total segment assets	9,587	342,309	72,598	67,954	7,881	500,329
Unallocated:						
Cash and bank balances						45,937
Other unallocated assets						6,138
Consolidated total assets						552,404

For the year ended 30 June 2018

	Network solutions and project services HK$'000	Property investment HK$'000	Yacht building HK$'000	Minerals exploration HK$'000	Private jet management services HK$'000	Total HK$'000
Total segment assets	13,920	350,708	65,588	70,211	1,335	501,762
Unallocated:						
Cash and bank balances						71,921
Other unallocated assets						5,450
Consolidated total assets						579,133

5. Other (Loss)/Income, Net

	Six months ended 31 December 2018 HK$'000	2017 HK$'000
Interest income	**176**	1,272
Sundry income	**27**	—
Impairment of exploration and evaluation assets (Note 10)	**(9,861)**	—
	(9,658)	1,272

6. Other Expenses

Major expenses included in other expenses are analysed as follows:

	Six months ended 31 December 2018 HK$'000	2017 HK$'000
Auditor's remuneration	**1,040**	740
Direct operating expenses from investment properties that generate rental income	**520**	418
Exchange losses — net	**311**	238
Operating lease rentals for land and buildings	**1,713**	1,162
Legal and professional fee	**1,288**	1,220
Reimbursement of sharing of administrative services (Note 17(a))	**2,733**	4,527

7. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Current tax		
— Hong Kong profits tax	**184**	—
Deferred tax		
— Origination of temporary differences	**26**	898
Total income tax expense	**210**	898

8. (Loss)/Earnings Per Share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 December	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(27,822)**	10,403
Weighted average number of ordinary shares in issue (in thousands)	**3,924,190**	3,895,673
Basic (loss)/earnings per ordinary share (HK cents)	**(0.71)**	0.27

8. (Loss)/Earnings Per Share (Continued)

(b) Diluted

Diluted (loss)/earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	Six months ended 31 December	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(27,822)**	10,403
Weighted average number of ordinary shares in issue (in thousands)	**3,924,190**	3,895,673
Adjustment for share options (in thousands)	**—**	78,309
Weighted average number of ordinary shares for diluted (loss)/earnings per ordinary share (in thousands)	**3,924,190**	3,973,982
Diluted (loss)/earnings per ordinary share (HK cents)	**(0.71)**	0.26

During the period ended 31 December 2018, the share options granted by the Company were not assumed to be exercised as they would have anti-dilutive impact to the basic loss per share.

9. Movements in Property, Plant and Equipment and Investment Properties

(a) Property, plant and equipment

During the period ended 31 December 2018, the Group spent approximately HK$314,000 (2017: HK$209,000) on furniture, fixtures and equipment, HK$199,000 (2017: HK$Nil) on computer equipment, HK$797,000 (2017: HK$Nil) on motor vehicle and HK$547,000 (2017: HK$Nil) on leasehold improvement. The Group disposed of office equipment with net book value of HK$20,000 for the period ended 31 December 2017 at consideration of HK$20,000.

(b) Investment properties

The Group's investment properties were revalued on an open market value basis by an independent professional qualified valuer who hold a recognised relevant professional qualification and has relevant experience in the locations and segments of the investment properties valued and the fair values of the investment properties of the Group were updated by this valuer using the direct comparison valuation techniques (30 June 2018: same). As a result, the investment properties were revalued to approximately HK$341,864,000 at 31 December 2018 (30 June 2018: HK$350,012,000), which represents their recoverable amount, and fair value losses of approximately HK$6,872,000 was recorded in the condensed consolidated income statement for the period ended 31 December 2018 (2017: fair value gain of HK$24,896,000).

10. Exploration and Evaluation Assets

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

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
At beginning of the period/year	**69,890**	57,267
Additions	**7,707**	12,623
Impairment (Note)	**(9,861)**	—
At end of the period/year	**67,736**	69,890

Note: During the period ended 31 December 2018, the Group surrendered two exploration licenses, which had no potential of future economic developments after due assessment by the directors, to the Mongolian government and impairment was made in respect of the respective licences.

11. Inventories

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
Raw materials	**694**	694
Work in progress	**70,132**	57,990
Finished goods	**472**	569
	71,298	59,253

12. Trade Receivables

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

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
1 – 30 days	**2,603**	9,903
31 – 60 days	**738**	622
61 – 90 days	**670**	58
Over 90 days	**182**	1,560
	4,193	12,143

As of 31 December 2018, trade receivables of HK$1,520,000 (30 June 2018: HK$2,251,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

13. Trade Payables

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

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
0 – 30 days	**2,496**	2,843
31 – 60 days	**285**	610
61 – 90 days	**76**	342
91 – 180 days	**1,547**	3,750
	4,404	7,545

14. Share Capital

	No. of shares	HK$'000
Authorised:		
At 1 July 2017, 30 June 2018 and 31 December 2018	20,000,000,000	200,000
Issued and fully paid:		
At 1 July 2017	3,887,758,338	38,878
Exercise of share options (Note)	36,432,129	364
At 30 June 2018 and 31 December 2018	3,924,190,467	39,242

At 31 December 2018 and 30 June 2018, the total authorised number of ordinary shares is 20 billion shares with a par value of HK$0.01 per share.

Note: During the period ended 31 December 2017, share options were exercised to subscribe for 19,780,156 ordinary shares of the Company at a consideration of approximately HK$4,358,000 of which approximately HK$197,000 was credited to share capital and approximately HK$4,161,000 was credited to the share premium account. As a result of the exercise of share options, share option reserve of HK$2,363,000 had been transferred to the share premium account.

15. Operating Lease Commitments

At 31 December 2018, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
No later than 1 year	**934**	397
Later than 1 year and no later than 5 years	**212**	—
	1,146	397

At 31 December 2018 and 30 June 2018, the Company had no future aggregate minimum lease payment under non-cancellable operating lease.

15. Operating Lease Commitments (Continued)

During the period ended 31 December 2018, seven out of nine investment properties (30 June 2018: eight out of nine) 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:

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
No later than 1 year	**5,481**	3,828
Later than 1 year and no later than 5 years	**5,449**	3,874
	10,930	7,702

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

16. 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 31 December 2018 was HK$Nil (30 June 2018: HK$12,507,000). Such capital expenditure of exploration activities were contributed by equity holders of Mission Wealth Group on a pro-rata basis and the commitment of the Company amounts to HK$Nil (30 June 2018: HK$6,378,000).

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

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
Exploration drilling	**—**	9,294
Yacht building	**5,372**	6,280
	5,372	15,574

17. Related Party Transactions

The Group is controlled by Moral Glory International Limited ("**Moral Glory**") (incorporated in the British Virgin Islands), whereas the ultimate controlling party of Moral Glory is Mr. Lo Lin Shing, Simon ("**Mr. Lo**") and Mr. Lo collectively owns 31.8% of the Company's shares. The remaining 68.2% of the shares are widely held.

The Directors are of the view that the following entities were related parties that had transactions or balances with the Group during the period/year.

Name	Relationship with the Group
Mongolia Energy Corporation (Greater China) Limited ("MEC (Great China)")	A company of which Mr. Lo and Ms. Yvette Ong are the directors
Island Oasis Shipbuilding Limited	A company of which Mr. Lo and Mr. Lo, Rex Cze Kei is the director and Mr. Lo is the beneficial owner
Mongolia Energy Corporation Limited ("MEC")	Except Mr. Ho Hau Chong, Norman, the Board of Directors of the Company and the related company are the same
Cambo Management Limited	A company of which Mr. Lo is the director and beneficial owner
Vision Aviation Services Limited	A company of which a director of a subsidiary of the Group is the director and beneficial owner

17. Related Party Transactions (Continued)

(a) Other than transactions disclosed in the Interim Financial Information, 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:

	Six months ended 31 December	
	2018 **HK$'000**	2017 HK$'000
Operating lease rental income from a related company		
— MEC (Greater China)	**158**	158
Service fee income from a related company		
— Vision Aviation Services Limited	**1,068**	—
Acquisition of fixed assets from a related company		
— Vision Aviation Services Limited	**1,241**	—
Operating lease rental expenses to related companies		
— Island Oasis Shipbuilding Limited	**558**	558
— Cambo Management Limited	**691**	92
Reimbursement of sharing of administrative services to a related company (Note)		
— MEC	**2,733**	4,527

Note: The administrative service is reimbursed at actual cost incurred.

17. Related Party Transactions (Continued)

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

	As at 31 December 2018 (unaudited) HK$'000	As at 30 June 2018 (audited) HK$'000
Amounts due from related companies		
— Island Oasis Shipbuilding Limited	**130**	130
— Cambo Management Limited	**50**	50
— MEC	**61**	—
Amounts due to related companies		
— MEC (Greater China)	**(53)**	(53)
— MEC	**—**	(261)

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

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

	Six months ended 31 December 2018 HK$'000	Six months ended 31 December 2017 HK$'000
Salaries and other employee benefits	**4,257**	3,339