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VISION VALUES HOLDINGS LIMITED

遠見控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 862)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of Vision Values Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2019 (the “**Financial Period**”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019

		Six months ended 31 December	
	Note	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	33,804	23,299
Other gains/(losses), net	4	622	(9,658)
Changes in inventories of finished goods and work in progress		(1,359)	(3,469)
Subcontracting fees for project services		(5,915)	(2,133)
Direct operating costs for private jet management services		(13,854)	(6,612)
Fair value losses on investment properties		(6,800)	(6,872)
Employee benefit expenses		(15,353)	(16,703)
Depreciation		(1,280)	(464)
Other expenses	5	(10,406)	(10,946)
Finance costs	6	(588)	—
Loss before income tax		(21,129)	(33,558)
Income tax expense	7	(573)	(210)
Loss for the period		<u>(21,702)</u>	<u>(33,768)</u>
Loss attributable to:			
Owners of the Company		(20,872)	(27,822)
Non-controlling interest		<u>(830)</u>	<u>(5,946)</u>
		<u>(21,702)</u>	<u>(33,768)</u>
Loss per share attributable to owners of the Company for the period (HK cents)	8		
– Basic		<u>(0.53)</u>	<u>(0.71)</u>
– Diluted		<u>(0.53)</u>	<u>(0.71)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(21,702)	(33,768)
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss:		
– Currency translation differences	(654)	(1,278)
Total comprehensive loss for the period	<u>(22,356)</u>	<u>(35,046)</u>
Attributable to:		
Owners of the Company	(21,526)	(29,100)
Non-controlling interest	<u>(830)</u>	<u>(5,946)</u>
Total comprehensive loss for the period	<u>(22,356)</u>	<u>(35,046)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December 2019 HK\$'000 (unaudited)	As at 30 June 2019 HK\$'000 (audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	9(a)	7,243	7,226
Right-of-use assets	9(a)	1,859	–
Investment properties	9(b)	335,112	342,564
Exploration and evaluation assets	10	52,079	32,531
Rental deposits		203	75
		<u>396,496</u>	<u>382,396</u>
Current assets			
Inventories		95,692	84,301
Trade receivables	11	5,039	10,280
Prepayments, deposits and other receivables		10,373	9,404
Contract assets		6,662	6,620
Cash and bank balances		24,771	26,755
		<u>142,537</u>	<u>137,360</u>
Total assets		<u>539,033</u>	<u>519,756</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		39,242	39,242
Other reserves		490,706	490,282
Accumulated losses		(97,322)	(76,450)
		<u>432,626</u>	<u>453,074</u>
Non-controlling interest		27,422	19,204
Total equity		<u>460,048</u>	<u>472,278</u>

		As at 31 December 2019 HK\$'000 (unaudited)	As at 30 June 2019 HK\$'000 (audited)
	Note		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,155	2,922
Lease liabilities		<u>448</u>	<u>—</u>
		<u>3,603</u>	<u>2,922</u>
Current liabilities			
Trade payables	12	4,943	3,964
Accrued charges and other payables		29,272	29,220
Contract liabilities		1,731	5,872
Bank borrowings	13	38,000	5,500
Lease liabilities		<u>1,436</u>	<u>—</u>
		<u>75,382</u>	<u>44,556</u>
Total liabilities		<u><u>78,985</u></u>	<u><u>47,478</u></u>
Total equity and liabilities		<u><u>539,033</u></u>	<u><u>519,756</u></u>
Net current assets		<u><u>67,155</u></u>	<u><u>92,804</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Interim Financial Information for the six months ended 31 December 2019 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 2019, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

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 2019, except the adoption of new and amended standards as set out below.

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 July 2019 and currently relevant to the Group:

Amendments to Annual Improvements Project	Annual improvements 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The impact of the adoption of HKFRS 16 “Leases” is disclosed in Note 2 below.

Apart from aforementioned HKFRS 16, 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.

- (b) The following new and amended standards have been issued but are not effective for the financial period beginning 1 July 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKFRS 3 (Revised)	Definition of a business	1 January 2020
Amendments to HKAS 1 & HKAS 8 HKFRS 17	Definition of Material Insurance contracts	1 January 2020 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

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16, “Leases” on the Group’s condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 July 2019.

The Group elected to adopt HKFRS 16 without restating comparatives as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognised in the opening consolidated statement of financial position on 1 July 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On the adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.2%.

	2019 HK\$’000
Operating lease commitments disclosed as at 30 June 2019	<u>3,117</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	3,017
Less: short-term leases recognised on a straight-line basis as expense	<u>(388)</u>
Lease liability recognised as at 1 July 2019	<u>2,629</u>
Of which are:	
Current lease liabilities	1,555
Non-current lease liabilities	<u>1,074</u>
	<u>2,629</u>

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of use assets recognised upon the date of initial application were measured at the amount equal to the lease liability.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 HK\$'000	1 July 2019 HK\$'000
Buildings	<u>1,859</u>	<u>2,629</u>

(i) Impact on segment disclosures

Segment assets and segment liabilities as at 31 December 2019 increased and segment results for the period ended 31 December 2019 decreased as a result of the change in accounting policy. Right-of-use assets and lease liabilities are now included in segment assets and liabilities respectively.

	Segment results HK\$'000	Segment asset HK\$'000	Segment liability HK\$'000
Network solutions and project services	(2)	195	(197)
Private jet Management services	<u>(58)</u>	<u>1,664</u>	<u>(1,687)</u>
	<u>(60)</u>	<u>1,859</u>	<u>(1,884)</u>

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- exempting operating leases for which the underlying assets are of low value;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

As a lessee

The Group leases various offices and car parks. Rental contracts are typically made for fixed periods of 2 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option (if any).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received (if any);
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As a lessor

The Group leases out its various buildings under non-cancellable operating lease arrangements. The lease terms are between 1 and 3 years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the year ended 30 June 2019. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

3. 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 2019

	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	<u>8,913</u>	<u>3,195</u>	<u>-</u>	<u>-</u>	<u>21,696</u>	<u>33,804</u>
Segment results	<u>1,366</u>	<u>2,512</u>	<u>-</u>	<u>-</u>	<u>7,842</u>	11,720
Depreciation	(194)	-	(10)	(105)	(824)	(1,133)
Fair value loss on investment properties	-	(6,800)	-	-	-	(6,800)
Unallocated expenses (Note)						(24,939)
Interest income						<u>23</u>
Loss before income tax						<u>(21,129)</u>

Note:

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

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	<u>7,467</u>	<u>3,082</u>	<u>-</u>	<u>-</u>	<u>12,750</u>	<u>23,299</u>
Segment results	<u>1,470</u>	<u>2,562</u>	<u>-</u>	<u>-</u>	<u>5,550</u>	9,582
Depreciation	(56)	-	(21)	(101)	(99)	(277)
Fair value loss on investment properties	-	(6,872)	-	-	-	(6,872)
Unallocated expenses (Note)						(36,167)
Interest income						<u>176</u>
Loss before income tax						<u>(33,558)</u>

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.

Segment Assets

As at 31 December 2019

	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	<u>5,621</u>	<u>335,599</u>	<u>98,409</u>	<u>53,120</u>	<u>15,507</u>	508,256
Unallocated:						
Cash and bank balances						24,771
Other unallocated assets						<u>6,006</u>
Consolidated total assets						<u>539,033</u>

As at 30 June 2019

	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	<u>10,170</u>	<u>342,958</u>	<u>86,452</u>	<u>33,301</u>	<u>11,591</u>	484,472
Unallocated:						
Cash and bank balances						26,755
Other unallocated assets						<u>8,529</u>
Consolidated total assets						<u>519,756</u>

4. OTHER GAINS/(LOSSES), NET

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest income	23	176
Sundry income	599	27
Impairment of exploration and evaluation assets (Note 10)	—	(9,861)
	<u>622</u>	<u>(9,658)</u>

5. OTHER EXPENSES

Major expenses included in other expenses are analysed as follows:

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Auditor's remuneration	1,050	1,040
Direct operating expenses from investment properties that generate rental income	682	520
Exchange losses – net	162	311
Legal and professional fees	985	1,288
Reimbursement of sharing of administrative services	<u>3,311</u>	<u>2,733</u>

6. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest on bank loan	506	—
Interest on lease liabilities	<u>82</u>	<u>—</u>
	<u>588</u>	<u>—</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 jurisdiction in which the Group operates.

	Six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	350	184
– Over-provision in prior year	(10)	–
Deferred tax		
– Origination of temporary differences	<u>233</u>	<u>26</u>
Total income tax expense	<u>573</u>	<u>210</u>

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Six months ended	
	31 December	
	2019	2018
Loss attributable to owners of the Company, as used in the calculation of basic and diluted loss per share (HK\$'000)	<u>20,872</u>	<u>27,822</u>
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share (in thousands)	<u>3,924,190</u>	<u>3,924,190</u>

The computation of diluted loss per share for both periods did not assumed the exercise of share options since assuming the exercise of the share options would result in a decrease in loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

(a) Property, plant and equipment and right-of-use assets

During the period ended 31 December 2019, the Group spent approximately HK\$391,000 (2018: HK\$314,000) on furniture, fixtures and equipment, HK\$136,000 (2018: HK\$199,000) on computer equipment, HK\$Nil (2018: HK\$797,000) on motor vehicle and HK\$Nil (2018: HK\$547,000) on leasehold improvement. The Group wrote off office equipment with net book value of HK\$4,000 during the period ended 31 December 2019. On the date of transition to HKFRS 16 as at 1 July 2019, the Group recognised right-of-use assets of HK\$2,629,000 and lease liabilities of HK\$2,629,000.

(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 2019: same). As a result, the investment properties were revalued to approximately HK\$335,112,000 at 31 December 2019 (30 June 2019: HK\$342,564,000), which represents their recoverable amount, and fair value losses of approximately HK\$6,800,000 was recorded in the condensed consolidated income statement for the period ended 31 December 2019 (2018: fair value loss of HK\$6,872,000).

10. EXPLORATION AND EVALUATION ASSETS

The Group owns mineral exploration licence 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 2019 (unaudited) HK\$'000	As at 30 June 2019 (audited) HK\$'000
At beginning of the period/year	32,531	69,890
Additions	19,548	20,161
Acquisition of a subsidiary	–	48,792
Disposal of subsidiaries	–	(49,709)
Impairment loss (Note)	–	(56,603)
At end of the period/year	52,079	32,531

Note:

During the year ended 30 June 2019, the Group had returned three exploration licenses to the Mongolian Government and recognised an impairment loss of HK\$56.6 million.

11. TRADE RECEIVABLES

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

	As at 31 December 2019 (unaudited) HK\$'000	As at 30 June 2019 (audited) HK\$'000
1 – 30 days	3,623	8,998
31 – 60 days	1,294	408
61 – 90 days	–	685
Over 90 days	122	189
	<u>5,039</u>	<u>10,280</u>

None of the trade receivables were impaired as at 31 December 2019 (30 June 2019: Nil) and the carrying amounts of trade receivables approximate their fair values.

12. TRADE PAYABLES

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

	As at 31 December 2019 (unaudited) HK\$'000	As at 30 June 2019 (audited) HK\$'000
0 – 30 days	2,642	2,301
31 – 60 days	379	382
61 – 90 days	137	447
91 – 180 days	1,785	834
	<u>4,943</u>	<u>3,964</u>

13. BANK BORROWINGS

	As at 31 December 2019 (unaudited) HK\$'000	As at 30 June 2019 (audited) HK\$'000
Secured:		
Bank loan – within 1 year	<u>38,000</u>	<u>5,500</u>

The bank loan is secured by first legal charge over the Group's investment properties regarding to an office premise and two car parking spaces located at Wan Chai. The interest rate is charged at 1.8% per annum over HIBOR or 0.5% per annum over cost of fund of the bank, whichever is higher.

14. 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 2019 was HK\$Nil (30 June 2019: HK\$12,490,000). 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 2019: HK\$6,370,000).

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

	As at 31 December 2019 (unaudited) HK\$'000	As at 30 June 2019 (audited) HK\$'000
Exploration drilling and geological studies	4,241	18,997
Yacht building	<u>2,612</u>	<u>2,048</u>
	<u>6,853</u>	<u>21,045</u>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Financial Period (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The revenue achieved by NSPS during the Financial Period was HK\$8.9 million (2018: HK\$7.5 million). A modest improvement from last corresponding period.

A breakdown of the revenue from NSPS was as follows:

- (i) Telecom solutions was HK\$0.7 million (2018: HK\$2.5 million)
- (ii) Enterprise solutions was HK\$0.7 million (2018: HK\$1.8 million)
- (iii) Project services was HK\$6.8 million (2018: HK\$2.6 million)
- (iv) System maintenance was HK\$0.7 million (2018: HK\$0.6 million)

Telecom solutions segment experienced a significant dropped in sales volume during the Financial Period because the telecom operators in Hong Kong were reluctant to invest in their network infrastructure pending the outcomes of the trade war between the USA and China as well as the local social unrest. Besides, they are now trying to source directly from equipment manufacturers to cut fees payable to local distributors or system integrators. This trend undermines our ability to sell our products and solutions to the telecommunication clients. In addition, the persistent keen market competition in the enterprise segment is also forcing our sales teams to lower profit margin in their quotations in order to win new orders.

For the project services, one of our clients is in active preparation to roll out its 5G network commercial operation in Hong Kong. Therefore, NSPS has received various work orders to upgrade this operator's existing 4G base stations to meet the new 5G requirement. This accounted for the sharp increase in revenue from project services.

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 revenue for the Financial Period was HK\$3.2 million (2018: HK\$3.1 million). At the end of the Financial Period, all the investment properties were renting out except for the commercial building at 17/F., Henan Building, Wan Chai, Hong Kong. The rental market sentiment for grade B office was hit by the social disturbance in Hong Kong during the Financial Period.

3. *Yacht Construction and Trading*

During the Financial Period, the construction team was still concentrating in the final stage of interior decoration works and the installation of electronic equipment related to the helm and others.

4. *Exploration and Evaluation of Mineral Resources*

FVSP LLC ("**FVSP**"), a 51% owned indirect subsidiary, currently holds an exploration license number 13593 (the "**Exploration License**") with an area of approximately 50,360 hectares in Mongolia. The Exploration License is due to expire in April 2020. During the Financial Period, FVSP was focusing on the preparation works and studies prior to an application for a mining license in respect of certain part of the Exploration License area.

The following documents and works are now undertaken by FVSP:

- (a) Geological and resource estimation report;
- (b) General environment impact assessment;
- (c) Pre-feasibility study; and
- (d) Metallurgical test work at laboratory.

To receive a mining license, FVSP must submit the application to the Mineral Resources Authority of Mongolia together with, among other documents, a pre-feasibility study report and a geological resource report. Tentatively, FVSP plans to apply for a mining license in March 2020 provided that the above documents or reports could be prepared in smooth sailing.

5. *Private Jet Management Services (“PJM”)*

At the beginning of the Financial Period, there were five private jets under aircraft management contracts and two aircrafts under ad hoc operational support services (the “**Ad Hoc aircrafts**”). The revenue for the Financial Period was HK\$21.7 million (2018: HK\$12.8 million). The sharp increase in revenue was due to two more aircrafts under management contracts when compared to last corresponding period. During the Financial Period, PJM was not immune to the negative impacts arising from the slowing global economic growth, trade war between China and US plus social unrest in Hong Kong by which all came together to create a tougher than anticipated business environment. During the Financial Period, the service contracts for the Ad Hoc aircrafts were terminated.

Financial Review

1. *Results Analysis*

During the Financial Period, the Group’s revenue increased to HK\$33.8 million (2018: HK\$23.3 million). Around 64.2% (2018: 54.7%) of the Group’s revenue was generated from the private jet management services. The Group’s traditional core business of NSPS was dropped to 26.4% (2018: 32.1%) and the remaining was generated by property investment of 9.4% (2018: 13.2%).

Other income was HK\$0.6 million (2018: loss of HK\$9.7 million). In 2018, FVSP surrendered two exploration licenses to Mongolian government and the related impairment loss of HK\$9.9 million in the exploration and evaluation assets was recognized.

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\$6.8 million (2018: fair value loss of HK\$6.9 million) and (ii) loss on currency translation of HK\$0.7 million on our investment properties in China (2018: loss of HK\$1.3 million). Our PRC property portfolio recognized a slight increase in their fair values but the Hong Kong properties were in general suffered a decrease in fair values in particular the commercial properties in the Wan Chai area.

2. *Liquidity and Financial Resources*

The Group had a short-term revolving bank loan facility totaling HK\$38.0 million as at 31 December 2019 (30 June 2019: HK\$38.0 million), of which HK\$38.0 million (30 June 2019: HK\$5.5 million) had been drawn and outstanding. The bank loan facility is secured by an office premise and two parking spaces under the Group’s investment properties portfolio.

3. *Gearing*

As at 31 December 2019, the gearing ratio of the Group was 7.0% (30 June 2019: 1.1%) which was calculated based on the Group's total borrowings to total assets.

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 2019, the Group did not have material contingent liabilities (30 June 2019: nil).

Business Outlook & Development

Looking ahead, the Hong Kong economy is clouded by several uncertain factors. The uncertainties are mainly arising from the unknown outcome from the execution of the US-China phase one trade deal signed in January 2020, the on-going development of the social unrest in Hong Kong since mid-2019 and the recent outbreak of novel coronavirus in mainland China. In particular, the actual impact of novel coronavirus epidemic on Hong Kong's economy depends on its developments but the outlook is not optimistic. Due to the coronavirus outbreak, the Group adopts flexible working arrangements since early February 2020 as interim measures including our employees to work from home or flexible working hours. These interim measures will affect our work efficiency in particular on yacht building. The Group is going to face a tough business environment in the remaining period of this financial year.

For NSPS, the total contract values on hand as at 31 December 2019 was HK\$7.2 million. Among this total contract sum, approximately HK\$6.5 million belonged to the project services and the rest mainly belonged to the solution sales for both telecom and enterprise segments. Except for the business of project services relating to the installation works to upgrade 4G base stations into 5G base stations for a local telecommunication operator in Hong Kong, all other business from telecom operators and other enterprises are coming in at a very slow pace.

For the private jet management services, the owner of an aircraft under management contract has decided after the Financial Period to downgrade the full management services contract to ad hoc support service only. In view of the current business environment, the business of private jet management services is suffering from downward pressure.

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 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 separated and should not be performed by the same individual.

Mr. Lo Lin Shing, Simon (“**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 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 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 2019 AGM. An executive director had chaired the 2019 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 2019 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 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. During the Financial Period, no incident of non-compliance with the Employees’ Guidelines by the employees was noted.

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 2019, the Group had a total of 40 full-time employees (30 June 2019: 39). 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 2019.

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

Hong Kong, 28 February 2020

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