



(incorporated in the Cayman Islands with limited liability)

STOCK CODE : 402

INTERIM REPORT 2016

**Technology** Surrounding  
the World



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## **CORPORATE INFORMATION**

### ***Board of Directors***

#### ***Executive Directors***

- Mr. GUAN Hongliang (Chairman)  
Mr. WANG Zheng (Chief Executive Officer)  
Mr. ZHU Dong  
(Deputy Chief Executive Officer)  
Mr. FENG Tao (Chief Financial Officer)  
Mr. ZHANG Chuanjun  
(Resigned as Deputy Chairman and  
Executive Director on 1 April 2016)

#### ***Independent Non-Executive Directors***

- Mr. ZHANG Songlin  
Mr. ZHAI Shenggang  
Mr. KANG Hua  
Mr. HUI Yat On  
(Resigned on 21 July 2016)

### ***Authorised Representatives***

- Mr. ZHU Dong  
Mr. LAU Ka Ho  
(Appointed on 17 June 2016)  
Mr. CHENG Hoo  
(Resigned on 17 June 2016)

### ***Company Secretary***

- Mr. LAU Ka Ho  
(Appointed on 17 June 2016)  
Mr. CHENG Hoo  
(Resigned on 17 June 2016)

### ***Audit Committee***

- Mr. ZHANG Songlin (Chairman)  
Mr. ZHAI Shenggang  
Mr. KANG Hua  
(Appointed as member on 21 July 2016)  
Mr. HUI Yat On  
(Resigned on 21 July 2016)

### ***Nomination Committee***

- Mr. ZHANG Songlin (Chairman)  
Mr. ZHU Dong  
Mr. ZHAI Shenggang

### ***Remuneration Committee***

- Mr. ZHANG Songlin (Chairman)  
Mr. ZHU Dong  
Mr. ZHAI Shenggang

### ***Executive Committee***

- Mr. GUAN Hongliang (Chairman)  
Mr. WANG Zheng  
(Appointed as member on 1 April 2016)  
Mr. ZHU Dong  
Mr. ZHANG Chuanjun  
(Resigned on 1 April 2016)

## ***Registered Office***

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## ***Principal Place of Business***

Rooms 2807-08, 28th Floor  
Bank of America Tower  
No. 12 Harcourt Road  
Hong Kong

## ***Legal Advisers as to Hong Kong Law***

Nixon Peabody CWL  
50th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

Sidley Austin  
Level 39  
Two International Finance Centre  
Central  
Hong Kong

## ***Auditor***

SHINEWING (HK) CPA Limited  
Certified Public Accountants  
43rd Floor, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

## ***Principal Bankers***

China Merchants Bank Co., Limited  
Bank of Jiangsu Co., Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited

## ***Principal Share Registrar in the Cayman Islands***

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## ***Branch Share Registrar in Hong Kong***

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

## ***Stock Code***

402

## ***Website***

<http://www.peacemap.com.hk>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### *Business Related to Geographic Information Industry*

For the six months ended 30 June 2016 (the “**Period under Review**”), Peace Map Holding Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) continued to commit to developing its business relating to the geographic information industry, which mainly consists of the geospatial business application and services, data collection as well as development and sales of equipment.

#### *Business Application and Services*

The Group has accumulated extensive experience and leading competence in data processing and software development in the People’s Republic of China (the “**PRC**”). As the first domestic enterprise introducing the “Pixel Factory” data-processing system, the Group currently owns three sets of “Pixel Factory” data-processing systems with processing capacity that reach leading international standard. The Group is therefore able to realize the automated processing of massive image data, and process raw geographic image data into “4D” data with diversified purposes, including digital orthophoto model (DOM), digital elevation model (DEM), digital line graphics (DLG) and digital raster graphics (DRG).

During the Period under Review, the Group’s businesses mainly focused on the following business categories for the business application and services segment: fundamental planning, property title management and emergency and public security. Among these, fundamental planning mainly covered surveying and mapping, planning, national geographic conditions and the construction of smart cities; property title management mainly referred to the application of geographic information data in sectors such as state territory, agriculture, forestry, water resources, electricity power, oil, transportation and real estate; and emergency and public security mainly referred to emergency, public security, environmental protection, meteorological phenomena and urban management, etc. During the Period under Review, this segment recorded a turnover of approximately HK\$88.99 million, with an increase of 49.95% on a year-on-year basis, which was mainly attributable to the increase in income from technology consulting and services, digital management network and data processing.



## **Data Collection**

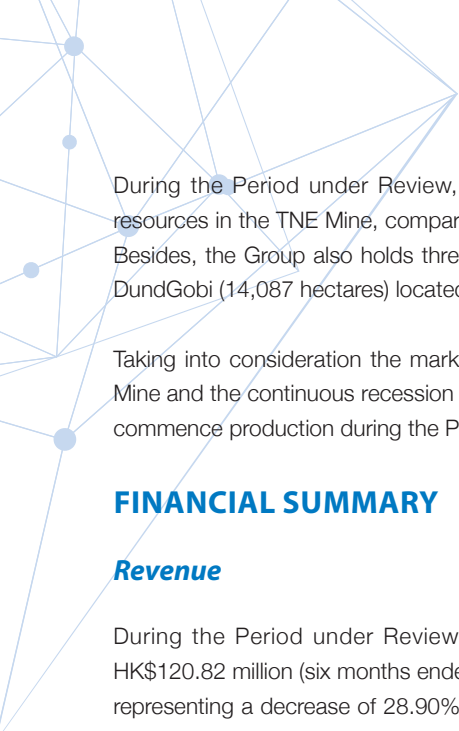
For a long time, the Group has had strong data acquisition capabilities for geospatial information data collection. In terms of both the introduction of aerial photogrammetry equipment and aerial and aerospace remote sensing data, and the street view data and unmanned aerial vehicles low altitude remote sensing data acquisition, the Group has accumulated a large number of talents and industrial experiences. Currently, the Group has established the biggest aerial remote sensing center nationwide, the biggest unmanned aerial vehicle remote sensing center nationwide and the world's largest pixel factory data automatic processing center which together combine aerospace remote sensing, aerial remote sensing, unmanned aerial vehicle low altitude remote sensing, oblique photography and street view with data collection and processing supplementing each other, and finally has formed a full color, color and color infrared high resolution earth observation system which has the broadest coverage, most advanced technology, fastest data collection, largest scale, most comprehensive system and most authoritative data nationwide. During the Period under Review, the data collection segment recorded a turnover of approximately HK\$27.67 million, with a decrease of 59.58% on a year-on-year basis, which was mainly due to the decreasing income resulting from the weaker demand for various geographic information data collections.

## **Development and Sales of Equipment**

To closely meet market demands, the Group has developed and manufactured high-end surveying and mapping equipment with independent intellectual property rights, such as laser panoramic photogrammetry vehicles, professional aerial surveying and mapping unmanned aerial vehicles and geographic information emergency surveillance vehicles, etc. and has been a franchisee distributor of Ultracam series aerial camera products developed by Microsoft Corporation. During the Period under Review, the development and sales of equipment segment recorded a turnover of approximately HK\$4.17 million, with a decrease of 90.11% on a year-on-year basis, which was mainly attributable to the decrease in income from agent sales of street view car and camera.

## **Mining and Exploration Business in Mongolia**

The Group currently holds four coal mining licences covering a 1,114-hectare coal mine at Tugrug Valley (the “**TNE Mine**”). Based on a report from an independent technical advisor issued in 2010, the TNE Mine has approximately 64.0 million tonnes of measured and indicated resources and an additional 27.9 million tonnes of inferred resources.



During the Period under Review, there was no material change in the amount of resources in the TNE Mine, compared with that in the six months ended 30 June 2015. Besides, the Group also holds three exploration licences in respect of coal deposits in DundGobi (14,087 hectares) located in Mongolia.

Taking into consideration the market price of coal, the cost of production of the TNE Mine and the continuous recession of foreign investment in Mongolia, the Group did not commence production during the Period under Review.

## **FINANCIAL SUMMARY**

### ***Revenue***

During the Period under Review, the Group recorded revenue of approximately HK\$120.82 million (six months ended 30 June 2015: approximately HK\$169.93 million), representing a decrease of 28.90% compared to the six months ended 30 June 2015. The Group's operations consist of geospatial business application and services, data collection and the development and sales of equipment, contributing 73.65%, 22.90% and 3.45% of the revenue for the Period under Review, respectively (six months ended 30 June 2015: contributing 34.92%, 40.28% and 24.80% of the revenue for the period, respectively).

### ***Gross Profit***

During the Period under Review, the Group recorded gross profit decreased by 26.09% to approximately HK\$23.09 million (six months ended 30 June 2015: approximately HK\$31.24 million). Gross profit margin slightly increased by 0.73% to 19.11% (six months ended 30 June 2015: 18.38%).

### ***Other Income***

During the Period under Review, the Group generated other income of approximately HK\$0.88 million (six months ended 30 June 2015: approximately HK\$3.68 million), representing an decrease of 76.09% compared with the six months ended 30 June 2015, mainly due to the absence of exchange gain and government grants.

## ***Administrative and Other Operating Expenses***

During the Period under Review, the Group's administrative and other operating expenses amounted to approximately HK\$54.88 million (six months ended 30 June 2015: approximately HK\$49.36 million), accounting for approximately 45.42% of the total revenue (six months ended 30 June 2015: approximately 29.04%), mainly due to increasing rental expense, legal and professional fees and exchange loss.

## ***Finance Costs***

During the Period under Review, the Group recorded finance costs of approximately HK\$25.32 million (six months ended 30 June 2015: approximately HK\$41.47 million), representing a decrease of 38.94% compared with the six months ended 30 June 2015. The sharp decrease was due to decreasing bank loans interest expenses and imputed interest expenses.

## ***(Loss) Profit Attributable to Shareholders***

During the Period under Review, loss attributable to shareholders amounted to approximately HK\$38.92 million (six months ended 30 June 2015: profit of approximately HK\$1.47 million). This was mainly due to the absence of a fair value gain on the Derivative Component of the Convertible Note I which amounted to approximately HK\$64.13 million during the Period under Review.


## ***Capital Expenditure***

During the Period under Review, the Group incurred approximately HK\$7.41 million for the acquisition of property, plant and equipment in Hong Kong and the mainland (six months ended 30 June 2015: approximately HK\$3.18 million).

## ***Liquidity & Financial Resources***

As at 30 June 2016, the Group's net current assets value was approximately HK\$242.86 million (as at 31 December 2015: net current assets value was approximately HK\$271.97 million). As at 30 June 2016, the Group's cash at banks and in hand and pledged bank deposits reached approximately HK\$213.52 million (as at 31 December 2015: approximately HK\$335.82 million). As at 30 June 2016, total





borrowings, including convertible notes issued in the years 2013, 2014 and 2015, borrowings and amounts due to non-controlling shareholders, were approximately HK\$588.21 million (as at 31 December 2015: approximately HK\$629.40 million). Details of the borrowings and the convertible notes as at 30 June 2016 are set out in note 17 and note 18 to the interim financial statements respectively. The Group's current ratio, being the ratio of current assets to current liabilities, was 1.57 times (as at 31 December 2015: 1.60 times), and its gearing ratio, in terms of total borrowings net of bank balances and cash and pledged bank deposits to total equity, stood at 41.45% (as at 31 December 2015: 29.72%).

### ***Foreign Exchange Risk Management***

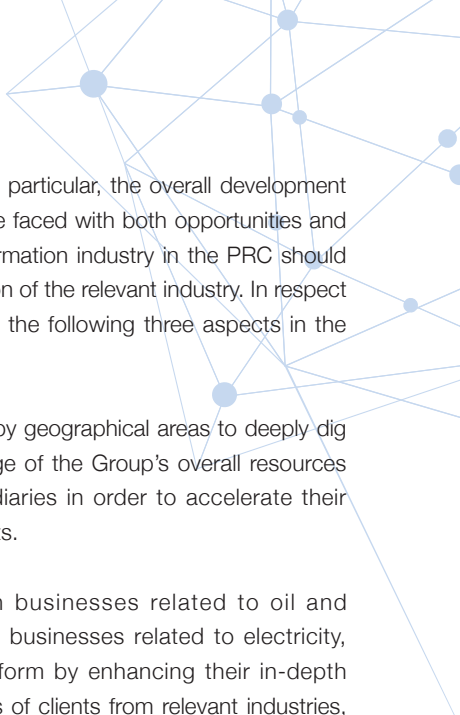
The Group's transactions are primarily denominated in Renminbi and Hong Kong Dollar. The Group has not implemented any formal hedging policy. However, the Group monitors its foreign exchange exposure continuously and, when it considers appropriate and necessary, will consider hedging significant foreign exchange exposure by way of forward foreign exchange contracts.

### ***Human Resources***

As at 30 June 2016, the Group had 510 employees (as at 30 June 2015: 562 employees). Total staff costs, including directors' emoluments for the Period under Review, amounted to approximately HK\$30.10 million (six months ended 30 June 2015: approximately HK\$33.97 million). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident funds, medical insurance and the use of share option schemes to recognise and acknowledge contributions made or potentially to be made to the business development of the Group by its employees.

## **PROSPECTS**

In the first half of 2016, the Group has continuously sought development opportunities following the development directions established at the beginning of the year. In the second half of 2016, the Group will remain focused on various business activities, such as real estate registration projects of various types, the construction of smart cities and industry assets survey and relevant asset management. The year 2016 is characterized



by complicated global economic conditions, and in particular, the overall development of geographical information industry continues to be faced with both opportunities and challenges. All businesses in the geographical information industry in the PRC should join force in facilitating the development and transition of the relevant industry. In respect of business layout, the Group will mainly focus on the following three aspects in the second half of the year:

- Regional layout: dividing each sales region by geographical areas to deeply dig into client resources, while taking advantage of the Group's overall resources to foster the regional affiliates and subsidiaries in order to accelerate their businesses deeply rooted in the local markets.
- Industry layout: preparing to establish businesses related to oil and petrochemical and strengthening existing businesses related to electricity, unmanned aerial vehicles and cloud platform by enhancing their in-depth understanding and leveraging on the needs of clients from relevant industries, and accordingly seek to thoroughly integrate various industry solutions and platform based application softwares provided by the Group with clients' daily use, to strengthen clients' loyalties to the Company, and finally to capture more market shares.
- International cooperation and overseas expansion: continuing to strengthen exchanges and communication in various aspects, learn and introduce advanced production criterions and technologies for geographic information products, as well as seize any opportunities to expand overseas mapping and geographic information markets, building on existing cooperations with overseas and domestic partners.

Looking forward, the board of directors of the Company (the "**Board**") believes that through executing the above development strategy, the Group will be able to capitalize on existing advantages and keep abreast of the major development trends of domestic geographic information industry. Meanwhile, the Group will keep a conservative attitude in the mining business in Mongolia and closely monitor the market conditions as well as consider other options such as realization of the investment should the opportunities arise. The Group will strive to deliver satisfactory returns to shareholders of the Company.

## SUPPLEMENTARY INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the directors of the Company (the “**Directors**”) and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Division 7 and 8 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”):

(a) Long position in the ordinary shares of HK\$0.25 each of the Company (the “**Shares**”)

| Name of Director   | Notes | Capacity/<br>Nature of interest       | Number of<br>Shares held | Approximate<br>percentage of<br>shareholding in<br>the Company<br>(Note 2) |
|--------------------|-------|---------------------------------------|--------------------------|--|
| Mr. GUAN Hongliang | 1     | Interest in controlled<br>corporation | 350,652,000              | 4.30%  |

Notes:

- (1) The 350,652,000 Shares are registered in the name of Broadlink Enterprises Limited (“**Broadlink**”), of which Mr. GUAN Hongliang is entitled to exercise or control the exercise of 95.77% of the voting power at general meetings of Broadlink. Hence Broadlink is a controlled corporation (within the meaning of the SFO) of Mr. GUAN Hongliang, who is therefore deemed to be interested in these Shares under the SFO.
- (2) The percentage represents the aggregate number of Shares held over the total issued Shares of 8,156,781,091 Shares as at 30 June 2016.

## (b) Long position in the underlying shares and debentures of the Company

### Share Options

Pursuant to the share option scheme adopted by the Company on 25 February 2006 (details are set out in note 21 to the interim financial statements), certain Directors were granted share options to subscribe for Shares. Details of the share options outstanding and exercisable as at 30 June 2016 were as follows:

| Name of Director   | Date of grant     | Capacity         | Number of underlying shares comprised in the share options | Exercisable period                  | Exercise Price per Share |
|--------------------|-------------------|------------------|--|-------------------------------------|--------------------------|
| Mr. GUAN Hongliang | 26 September 2014 | Beneficial owner | 65,000,000   | 16 October 2014 to 31 December 2017 | HK\$0.26                 |
| Mr. WANG Zheng     | 26 September 2014 | Beneficial owner | 65,000,000   | 16 October 2014 to 31 December 2017 | HK\$0.26                 |
| Mr. ZHU Dong       | 26 September 2014 | Beneficial owner | 65,000,000   | 16 October 2014 to 31 December 2017 | HK\$0.26                 |
| Mr. FENG Tao       | 26 September 2014 | Beneficial owner | 65,000,000   | 16 October 2014 to 31 December 2017 | HK\$0.26                 |

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive, had any interests or short positions 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) that was required to be recorded in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company and its associated corporations" above and note 20 to the interim financial statements, at no time during the Period under Review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by any of them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such benefits.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of the SFO shows that as at 30 June 2016, so far as the Directors and the chief executive of the Company are aware, the following persons or corporations (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares, underlying shares and debentures of the Company of 5% or more of the Company's issued share capital:

| Name of substantial shareholder         | Capacity/Nature of interest        | Notes | Number of Shares/ underlying shares held | Approximate percentage of shareholding in the Company (Note 3) |
|---|------------------------------------|-------|--|--|
| Aviation Industry Corporation of China  | Interest in controlled corporation | 1     | 2,268,080,000                            | 27.81%   |
| AVIC International Holding Corporation  | Interest in controlled corporation | 1     | 2,268,080,000                            | 27.81%   |
| AVIC International (HK) Group Limited   | Interest in controlled corporation | 1     | 2,268,080,000                            | 27.81%   |
| Best Pine Investment Limited            | Beneficial owner                   | 1     | 552,100,000                              | 6.77%  |
| Tacko International Limited             | Interest in controlled corporation | 1     | 1,161,900,000                            | 14.24%   |
| AVIC International Holding (HK) Limited | Interest in controlled corporation | 1     | 1,161,900,000                            | 14.24%   |
| Kingspot Investment Limited             | Beneficial owner                   | 1     | 1,133,000,000                            | 13.89%   |
| Billirich Investment Limited            | Beneficial owner                   | 1     | 28,900,000                               | 0.35%  |
| AVIC Joy Holdings (HK) Limited          | Interest in controlled corporation | 1, 2  | 554,080,000                              | 6.79%  |
| Light Pearl Holdings Limited            | Interest in controlled corporation | 1, 2  | 554,080,000                              | 6.79%  |
| Tongda Information Technology Limited   | Interest in controlled corporation | 1, 2  | 554,080,000                              | 6.79%  |
| Smarty Capital Investments Limited      | Beneficial owner                   | 1, 2  | 554,080,000                              | 6.79%  |

Notes:

1. Aviation Industry Corporation of China ("**AVIC**") is interested in 2,268,080,000 Shares, underlying shares and convertible notes of the Company through Best Pine Investment Limited ("**Best Pine**"), Billirich Investment Limited ("**Billirich**"), Smarty Capital Investments Limited ("**Smarty Capital**") and Kingspot Investment Limited ("**Kingspot**").

AVIC holds 62.52% interest in AVIC International Holding Corporation which in turn holds 100% interest in AVIC International (HK) Group Limited ("**AVIC Int'l Group**") which in turn holds 8.49% interest in AVIC Joy Holdings (HK) Limited ("**AVIC Joy**").

AVIC Int'l Group also holds 100% interest in Tacko International Limited which in turn holds 34.34% interest in AVIC International Holding (HK) Limited ("**AVIC Int'l**") which in turn holds 100% interest in Billirich which in turn holds 17.38% interest in AVIC Joy. AVIC Int'l Group also holds 100% interest in Best Pine which holds 552,100,000 Shares. Billirich also holds 28,900,000 Shares.

AVIC Joy holds 100% interest in Light Pearl Holdings Limited ("**Light Pearl**") which in turn holds 100% interest in Tongda Information Technology Limited ("**Tongda**") which in turn holds 100% interest in Smarty Capital which holds 554,080,000 Shares.

AVIC Int'l holds 100% interest in Kingspot which is interested in (i) 733,000,000 Shares and (ii) convertible notes that may be converted into 400,000,000 Shares.

2. Mr. ZHU Dong is a director of Light Pearl, Tongda and Smarty Capital; and an executive director and chairman of AVIC Joy.
3. The percentage represents the aggregate number of Shares held over the total issued Shares of 8,156,781,091 Shares as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, the Company has not been notified of any other person or corporation who had an interest directly or indirectly or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the Period under Review, none of the Directors had any competing interests in any business or had any interests in any business that may constitute direct or indirect competition with the Group.

## **SHARE OPTIONS**

Details of the Company's share option scheme are set out in note 21 to the interim financial statements.

## **INTERIM DIVIDEND**

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

Other than the disposal of a subsidiary as set out in note 25 to the interim financial statements, the Group had no significant investments, material acquisitions and disposals of its subsidiaries and associated companies during the Period under Review.

## **PLEDGE OF ASSETS**

As at 30 June 2016, other than bank deposits of approximately HK\$58,375,000 pledged to secure the bank's borrowings, the Group had no significant assets under pledge (as at 31 December 2015: approximately HK\$119,370,000).

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group had no material contingent liabilities (as at 31 December 2015: nil).



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

During the Period under Review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

## CORPORATE GOVERNANCE

The Board considers that good corporate governance is essential for enhancing accountability and transparency of a company to the investment public and other shareholders. The Directors are dedicated to maintain high standard corporate governance practices. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfill its commitment to excellence in corporate governance.

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in appendix 14 to the Listing Rules for the Period under Review, except for the compliance with code provision E.1.2 of the CG Code which states that the chairman of the board should attend the annual general meeting. Mr. GUAN Hongliang, the Chairman of the Board, did not attend the annual general meeting of the Company held on 26 May 2016 due to other overseas business engagement. In his absence, Mr. ZHU Dong, an executive Director and the Deputy Chief Executive Officer of the Company, acted as the chairman of the meeting. Mr. ZHU Dong is also a member of both the remuneration committee of the Company (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”). Mr. HUI Yat On, the then independent non-executive Director and member of the audit committee of the Company (the “**Audit Committee**”), and the external auditor, SHINEWING (HK) CPA Limited, were invited to attend the meeting to answer questions from shareholders. The Board believes that the absence of Mr. GUAN Hongliang at the annual general meeting did not hinder the maintaining of an on-going dialogue with shareholders of the Company.

## MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. The obligations to comply with the Listing Rules are set out in the terms of the service contracts or the letters of appointment (as applicable) of each Director. The Company has made specific enquiries with the Directors, and all Directors have confirmed that they have complied with the requirements as set out in the Model Code for the Period under Review.



## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information on Directors for the six months ended 30 June 2016 and up to the date of this report are set out as below:

| <b>Name of Director</b> | <b>Details of changes</b>  |
|-------------------------|--|
| Mr. GUAN Hongliang      | resigned as the general manager of 北京天下圖信息技術有限公司 (Beijing Peace Map Information and Technology Limited*) (" <b>Beijing Peace Map Information</b> ") with effect from 13 January 2016   |
| Mr. WANG Zheng          | resigned as the deputy general manager of Beijing Peace Map Information with effect from 13 January 2016<br><br>appointed as the general manager and an executive director of Beijing Peace Map Information with effect from 13 January 2016 |
| Mr. ZHU Dong            | resigned as the deputy chief financial officer of AVIC Int'l Group with effect from 1 February 2016  |

Save as disclosed above, the Company is not aware of other changes in the biographical details of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

*\* For identification purpose only*

## **BOARD COMMITTEES**

### ***Audit Committee***

As at the date of this report, the Audit Committee comprises three independent non-executive Directors. The Audit Committee together with the Company's management and the independent auditor of the Company, SHINEWING (HK) CPA Limited, have reviewed the internal control and financial reporting matters of the Company and the unaudited condensed consolidated interim results of the Group for the Period under Review before submitting such results to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

### ***Remuneration Committee***

As at the date of this report, the Remuneration Committee comprises three members, a majority of whom are independent non-executive Directors. The key responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the policy and structure for the remuneration of the Directors and the senior management and determine the remuneration package of the executive Directors and the senior management.

### ***Nomination Committee***

As at the date of this report, the Nomination Committee comprises three members, a majority of whom are independent non-executive Directors. The main function of the Nomination Committee is to assist and make recommendations to the Board to ensure that all the nominations are fair and transparent.



## **Executive Committee**

As at the date of this report, the executive committee of the Company (the “**Executive Committee**”) comprises three executive Directors. On 1 April 2016, Mr. ZHANG Chuanjun resigned as an executive Director. Upon the resignation of Mr. ZHANG Chuanjun, Mr. WANG Zheng, an executive Director and the Chief Executive Officer of the Company, was appointed as a member of the Executive Committee. The main role and functions of the Executive Committee are to advise and assist the Board in formulating policies and to monitor the performance of management in carrying out and implementing the policies laid down by the Board for the Group.

## **APPRECIATION**

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our customers, suppliers, shareholders and other stakeholders of the Company for their continuous support.

On behalf of the Board

**Peace Map Holding Limited**

**GUAN Hongliang**

*Chairman*

Hong Kong, 25 August 2016

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## To The Board of Directors of Peace Map Holding Limited

(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Peace Map Holding Limited (the “**Company**”) and its subsidiaries set out on pages 21 to 64, which comprise the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

### **Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong

25 August 2016

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016

|   | Notes | Six months ended<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000<br>(Restated) |
|---|-------|--|---|
| Revenue                                       | 4     | <b>120,822</b>   | 169,934                                       |
| Cost of revenue                               |       | <b>(97,737)</b>  | (138,696)                                     |
| Gross profit                                  |       | <b>23,085</b>  | 31,238  |
| Other income                                  | 6     | <b>881</b>   | 3,679   |
| Selling and distribution expenses             |       | <b>(5,471)</b>   | (5,051)                                       |
| Administrative and other operating expenses   |       | <b>(54,882)</b>  | (49,357)                                      |
| Equity-settled share-based payment expenses   | 21    | <b>-</b>   | (8,761)                                       |
| Share of results of associates                |       | <b>1,032</b>   | 17  |
| Other gain and losses, net                    | 7     | <b>(514)</b>   | 65,899  |
| Operating (loss) profit                       |       | <b>(35,869)</b>  | 37,664  |
| Finance costs                                 | 8     | <b>(25,319)</b>  | (41,474)                                      |
| Loss before taxation                          | 9     | <b>(61,188)</b>  | (3,810)                                       |
| Income tax credit                             | 10    | <b>2,827</b>   | 1,346   |
| Loss for the period                           |       | <b>(58,361)</b>  | (2,464)                                       |
| (Loss) profit for the period attributable to: |       |  |   |
| Owners of the Company                         |       | <b>(38,915)</b>  | 1,471   |
| Non-controlling interests                     |       | <b>(19,446)</b>  | (3,935)                                       |
|   |       | <b>(58,361)</b>  | (2,464)                                       |
| <b>(Loss) earnings per share (HK cents)</b>   |       |  |   |
| – Basic                                       | 12    | <b>(0.48)</b>  | 0.02  |
| – Diluted                                     | 12    | <b>(0.48)</b>  | 0.02  |

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

for the six months ended 30 June 2016

|   | Six months ended<br>30 June            |                                 |
|---|--|---------------------------------|
|   | 2016<br><b>(Unaudited)</b><br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000 |
| Loss for the period   | <b>(58,361)</b>                        | (2,464)                         |
| <b>Other comprehensive (expense) income for the period</b>                  |  |                                 |
| Item that may be reclassified subsequently to profit or loss:               |  |                                 |
| Exchange difference arising from translation of overseas operations         | <b>(28,928)</b>                        | 884                             |
| <b>Total comprehensive expense for the period</b>                           | <b>(87,289)</b>                        | (1,580)                         |
| <b>Total comprehensive (expense) income for the period attributable to:</b> |  |                                 |
| Owners of the Company   | <b>(66,925)</b>                        | 2,042                           |
| Non-controlling interests   | <b>(20,364)</b>                        | (3,622)                         |
|   | <b>(87,289)</b>                        | (1,580)                         |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

|   | Notes | As at<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|---|-------|---|---|
| <b>Non-current assets</b>                       |       |   |   |
| Property, plant and equipment                   | 13    | 57,658  | 58,576  |
| Interests in associates                         |       | 8,775   | 4,816   |
| Goodwill  |       | 622,267   | 635,634   |
| Mining licences                                 |       | -   | -   |
| Exploration and evaluation assets               |       | -   | -   |
| Other intangible assets                         | 14    | 479,210   | 505,939   |
| Available-for-sale investment                   |       | 8,173   | 8,356   |
| Deferred tax assets                             | 19    | 50  | 137   |
|   |       | <b>1,176,133</b>                                    | <b>1,213,458</b>                                      |
| <b>Current assets</b>                           |       |   |   |
| Inventories                                     |       | 8,534   | 10,585  |
| Amounts due from customers<br>of contract works |       | 259,398   | 218,312   |
| Trade and other receivables                     | 15    | 183,094   | 175,169   |
| Finance lease receivables                       |       | 2,102   | 2,149   |
| Tax recoverable                                 |       | -   | 6   |
| Pledged bank deposits                           |       | 60,623  | 122,678   |
| Bank balances and cash                          |       | 152,895   | 213,141   |
|   |       | <b>666,646</b>                                      | <b>742,040</b>  |
| <b>Current liabilities</b>                      |       |   |   |
| Amounts due to customers of<br>contract works   |       | -   | 5,738   |
| Trade and other payables                        | 16    | 230,422   | 218,469   |
| Amounts due to non-controlling<br>shareholders  |       | 74,606  | 69,285  |
| Amount due to an associate                      |       | 35,049  | 28,132  |
| Tax payables                                    |       | 2,564   | 4,339   |
| Borrowings                                      | 17    | 81,150  | 144,103   |
|   |       | <b>423,791</b>                                      | <b>470,066</b>  |
| <b>Net current assets</b>                       |       | <b>242,855</b>                                      | <b>271,974</b>  |
| <b>Total assets less current liabilities</b>    |       | <b>1,418,988</b>                                    | <b>1,485,432</b>                                      |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

as at 30 June 2016

|  | Notes | As at<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>Non-current liabilities</b>               |       |   |   |
| Amount due to a non-controlling shareholder  |       | <b>8,727</b>  | 11,251  |
| Convertible notes                            | 18    | <b>444,599</b>                                      | 421,466   |
| Deferred income                              |       | <b>4,689</b>  | 4,658   |
| Deferred tax liabilities                     | 19    | <b>57,044</b>                                       | 60,212  |
|  |       | <b>515,059</b>                                      | 497,587   |
| <b>Net assets</b>                            |       |   |   |
|  |       | <b>903,929</b>                                      | 987,845   |
| <b>Equity</b>                                |       |   |   |
| Share capital                                | 20    | <b>2,039,195</b>                                    | 2,039,195   |
| Reserves                                     | 22    | <b>(1,180,428)</b>                                  | (1,113,503)   |
| Equity attributable to owners of the Company |       | <b>858,767</b>                                      | 925,692   |
| Non-controlling interests                    |       | <b>45,162</b>                                       | 62,153  |
| <b>Total equity</b>                          |       | <b>903,929</b>                                      | 987,845   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016

|   | Equity attributable to owners of the Company |                          |                          |                          |                            |                          |                          |                         |                    |           | Non-controlling interests | Total equity |
|---|--|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|-------------------------|--------------------|-----------|---------------------------|--------------|
|   | Share capital                                | Share premium            | Merger reserve           | Share option reserve     | Capital redemption reserve | Statutory reserve        | Translation reserve      | Convertible note equity | Accumulated losses | Total     |                           |              |
|   | HK\$'000<br>(note 22(a))                     | HK\$'000<br>(note 22(a)) | HK\$'000<br>(note 22(b)) | HK\$'000<br>(note 22(c)) | HK\$'000<br>(note 22(d))   | HK\$'000<br>(note 22(e)) | HK\$'000<br>(note 22(f)) | HK\$'000<br>(note 18)   | HK\$'000           | HK\$'000  |                           |              |
| At 1 January 2015 (Audited)   | 1,676,652                                    | 998,372                  | 13,805                   | 51,918                   | 6,629                      | 12,694                   | 77,363                   | 349,409                 | (2,604,163)        | 552,669   | 85,078                    | 637,747      |
| Profit (loss) for the period  | -  | -                        | -                        | -                        | -                          | -                        | -                        | -                       | 1,471              | 1,471     | (3,935)                   | (2,464)      |
| Other comprehensive income for the period                             |  |                          |                          |                          |                            |                          |                          |                         |                    |           |                           |              |
| - Exchange difference arising from translation of overseas operations | -  | -                        | -                        | -                        | -                          | -                        | 571                      | -                       | -                  | 571       | 313                       | 884          |
| Total comprehensive income (expense) for the period                   | -  | -                        | -                        | -                        | -                          | -                        | 571                      | -                       | 1,471              | 2,042     | (3,622)                   | (1,580)      |
| Issue of placing shares (note 20(d))                                  | 237,500                                      | 76,000                   | -                        | -                        | -                          | -                        | -                        | -                       | -                  | 313,500   | -                         | 313,500      |
| Shares issue expenses (note 20(d))                                    | -  | (5,723)                  | -                        | -                        | -                          | -                        | -                        | -                       | -                  | (5,723)   | -                         | (5,723)      |
| Appropriation of statutory reserve funds                              | -  | -                        | -                        | -                        | -                          | 461                      | -                        | -                       | (461)              | -         | -                         | -            |
| Shares issued upon exercise of share options (note 20(a))             | 55,415                                       | 15,904                   | -                        | (13,778)                 | -                          | -                        | -                        | -                       | -                  | 57,543    | -                         | 57,543       |
| Recognition of equity-settled share-based payments                    | -  | -                        | -                        | 8,761                    | -                          | -                        | -                        | -                       | -                  | -         | 8,761                     | 8,761        |
| Maturity of Convertible Note I  | -  | -                        | -                        | -                        | -                          | -                        | -                        | (290,561)               | 290,561            | -         | -                         | -            |
| Renewal of Convertible Note I   | -  | -                        | -                        | -                        | -                          | -                        | -                        | 139,915                 | -                  | 139,915   | -                         | 139,915      |
| Conversion of Convertible Note I (note 20(c))                         | 3,628  | 18,051                   | -                        | -                        | -                          | -                        | -                        | (8,275)                 | -                  | 13,404    | -                         | 13,404       |
| Conversion of Convertible Note II (note 20(c))                        | 66,000                                       | 14,663                   | -                        | -                        | -                          | -                        | -                        | (33,470)                | -                  | 47,193    | -                         | 47,193       |
| At 30 June 2015 (Unaudited)   | 2,039,195                                    | 1,087,267                | 13,805                   | 46,903                   | 6,629                      | 13,145                   | 77,934                   | 156,998                 | (2,312,572)        | 1,129,304 | 81,456                    | 1,210,760    |
| At 1 January 2016 (Audited)   | 2,039,195                                    | 1,087,267                | 13,805                   | 46,903                   | 6,629                      | 14,836                   | 11,977                   | 156,998                 | (2,451,918)        | 925,692   | 62,153                    | 987,845      |
| Loss for the period   | -  | -                        | -                        | -                        | -                          | -                        | -                        | -                       | (38,915)           | (38,915)  | (19,446)                  | (58,361)     |
| Other comprehensive expense for the period                            |  |                          |                          |                          |                            |                          |                          |                         |                    |           |                           |              |
| - Exchange difference arising from translation of overseas operations | -  | -                        | -                        | -                        | -                          | -                        | (28,010)                 | -                       | -                  | (28,010)  | (918)                     | (28,928)     |
| Total comprehensive expense for the period                            | -  | -                        | -                        | -                        | -                          | -                        | (28,010)                 | -                       | (38,915)           | (66,925)  | (20,364)                  | (87,289)     |
| Deregistration of a subsidiary  | -  | -                        | -                        | -                        | -                          | -                        | -                        | -                       | -                  | -         | 3,373                     | 3,373        |
| Forfeiture of share options (note 21)                                 | -  | -                        | -                        | (1,982)                  | -                          | -                        | -                        | -                       | 1,982              | -         | -                         | -            |
| At 30 June 2016 (Unaudited)   | 2,039,195                                    | 1,087,267                | 13,805                   | 44,921                   | 6,629                      | 14,836                   | (16,033)                 | 156,998                 | (2,488,851)        | 858,767   | 45,162                    | 903,929      |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2016

|  | Six months ended<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000 |
|--|--|---------------------------------|
| <b>OPERATING ACTIVITIES</b>  |  |                                 |
| Cash used in operations  | (59,095)   | (43,192)                        |
| Interest paid on bank loans and<br>other loans   | (720)  | (4,249)                         |
| Interest received  | 345  | 101                             |
| Income tax paid  | (1,860)  | (5,315)                         |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(61,330)</b>  | (52,655)                        |
| <b>INVESTING ACTIVITIES</b>  |  |                                 |
| Payments to acquire other intangible assets  | (16,393)   | (25,638)                        |
| Payments to acquire property, plant and equipment  | (7,405)  | (3,180)                         |
| Acquisition of investments in associates   | (3,089)  | -                               |
| Payments to acquire exploration and evaluation assets  | (175)  | -                               |
| Placement of pledged bank deposits   | -  | (64,871)                        |
| Deposit paid for acquisition of a property   | -  | (3,924)                         |
| Capital injection in an associate  | -  | (1,514)                         |
| Proceeds from disposal of a subsidiary   | 5,756  | -                               |
| Withdrawal of pledged bank deposits  | 60,409   | 753                             |
| <b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>  | <b>39,103</b>  | (98,374)                        |
| <b>FINANCING ACTIVITIES</b>  |  |                                 |
| New bank borrowings raised   | 16,897   | 66,176                          |
| Advance from (repayment to) an associate   | 7,668  | (1,204)                         |
| Government grant received  | 7,584  | 1,722                           |
| Advance from non-controlling shareholders  | 1,560  | 776                             |
| Proceeds from issuance of shares through placing   | -  | 313,500                         |
| Proceeds from issuance of shares through<br>exercise of share option                                     | -  | 57,543                          |
| Share issue expenses   | -  | (5,723)                         |
| Repayment of bank borrowings   | (77,742)   | (59,410)                        |
| <b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>  | <b>(44,033)</b>  | 373,380                         |
| <b>NET (DECREASE) INCREASE IN CASH AND<br/>CASH EQUIVALENTS</b>  | <b>(66,260)</b>  | 222,351                         |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE PERIOD</b>                                      | <b>213,141</b>   | 103,539                         |
| Effect of foreign exchange rate changes  | 6,014  | 5,729                           |
| <b>CASH AND CASH EQUIVALENTS<br/>AT THE END OF THE PERIOD,<br/>represented by bank balances and cash</b> | <b>152,895</b>   | 331,619                         |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Peace Map Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 25 May 2004 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its principal place of business is Rooms 2807-08, 28th Floor, Bank of America Tower, 12 Harcourt Road, Hong Kong.

The Company and its subsidiaries (collectively referred as the “**Group**”) are principally engaged in geographic information business in the People’s Republic of China (the “**PRC**”) including aerial photography and remote sensing image data collection (the “**data collection**”, formerly known as “**data collection and processing**”), provision of geographic information system (“**GIS**”) software and solutions (the “**business application and services**”) and development and sales of high-end surveying and mapping equipment (the “**development and sales of equipment**”) as well as mining and exploration of mineral resources in Mongolia (the “**mining and exploration business**”).

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**revised HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2016:

|  |  |
|--|--|
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 Cycle                        |
| Amendments to HKAS 1                         | Disclosure Initiative  |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants   |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements                       |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to HKFRS 11                       | Accounting for Acquisitions of Interests in Joint Operations         |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The application of the above revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 4. REVENUE

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

|                                    | Six months ended<br>30 June     |                                 |
|------------------------------------|---------------------------------|---------------------------------|
|                                    | 2016<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000 |
| Business application and services  | 88,989                          | 59,347                          |
| Data collection                    | 27,667                          | 68,444                          |
| Development and sales of equipment | 4,166                           | 42,143                          |
| <b>Total</b>                       | <b>120,822</b>                  | 169,934                         |

### 5. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chairman of the board of directors, being the chief operating decision-maker, for the purposes of resource allocation, strategic decisions making and assessment of segment performance focuses on services provided are as follows:

- (1) Business application and services;
- (2) Data collection;
- (3) Development and sales of equipment; and
- (4) Mining and exploration business.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 5. SEGMENT INFORMATION *(Continued)*

### *Segment revenue and results*

The following is an analysis of the Group's revenue and results by reportable and operating segment:

#### **For the six months ended 30 June 2016 (Unaudited)**

|   | Business<br>application<br>and services<br>HK\$'000 | Data<br>collection<br>HK\$'000 | Development<br>and sales<br>of equipment<br>HK\$'000 | Mining and<br>exploration<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--------------------------------|--|---|-------------------|
| Revenue from external customers                               | 88,989  | 27,667                         | 4,166  | -   | 120,822           |
| Segment profit (loss) before<br>amortisation and depreciation | 16,349  | 1,632                          | (8,806)  | (641)   | 8,534             |
| Amortisation and depreciation                                 | (21,167)  | (6,580)                        | (944)  | -   | (28,691)          |
| Segment loss  | (4,818)   | (4,948)                        | (9,750)  | (641)   | (20,157)          |
| Other income  |   |                                |  |   | 881               |
| Share of results of associates                                |   |                                |  |   | 1,032             |
| Gain on disposal of a subsidiary                              |   |                                |  |   | 5,756             |
| Loss on deregistration of a subsidiary                        |   |                                |  |   | (4,718)           |
| Finance costs   |   |                                |  |   | (25,319)          |
| Central administrative costs                                  |   |                                |  |   | (18,663)          |
| Loss before taxation  |   |                                |  |   | (61,188)          |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 5. SEGMENT INFORMATION *(Continued)*

### *Segment revenue and results (Continued)*

For the six months ended 30 June 2015 (Unaudited)

|   | Business<br>application<br>and services<br>HK\$'000 | Data<br>collection<br>HK\$'000 | Development<br>and sales<br>of equipment<br>HK\$'000 | Mining and<br>exploration<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--------------------------------|--|---|-------------------|
| Revenue from external customers   | 59,347  | 68,444                         | 42,143   | -   | 169,934           |
| Segment (loss) profit before<br>amortisation and depreciation               | (582)   | 26,745                         | 2,030  | (2,595)   | 25,598            |
| Amortisation and depreciation   | (12,875)  | (14,790)                       | (9,165)  | -   | (36,830)          |
| Segment (loss) profit   | (13,457)  | 11,955                         | (7,135)  | (2,595)   | (11,232)          |
| Other income  |   |                                |  |   | 1,957             |
| Equity-settled share-based<br>payment expenses                              |   |                                |  |   | (8,761)           |
| Share of result of an associate   |   |                                |  |   | 17                |
| Fair value gain on the Derivative<br>Component of<br>the Convertible Note I |   |                                |  |   | 64,125            |
| Finance costs   |   |                                |  |   | (41,474)          |
| Central administrative costs  |   |                                |  |   | (8,442)           |
| Loss before taxation  |   |                                |  |   | (3,810)           |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss from)/profit earned by each segment without allocation of central administrative costs, directors' salaries, certain other income, fair value gain on the Derivative Component of the Convertible Notes I, gain on disposal of a subsidiary, loss on deregistration of a subsidiary, finance costs, equity-settled share-based payment expenses and share of results of associates. This is the measure reported to the chairman of the board of directors, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

There were no inter-segment sales between different business segments for the six months ended 30 June 2016 and 30 June 2015.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 5. SEGMENT INFORMATION *(Continued)*

#### *Segment assets and liabilities*

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

|                                    | <b>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2015<br>(Audited)<br>HK\$'000 |
|------------------------------------|--|--|
| <b>Segment assets</b>              |  |  |
| Business application and services  | <b>502,763</b>                                       | 582,881                                      |
| Data collection                    | <b>884,335</b>                                       | 798,151                                      |
| Development and sales of equipment | <b>114,159</b>                                       | 131,338                                      |
| Mining and exploration business    | <b>10</b>  | 10   |
| Total segment assets               | <b>1,501,267</b>                                     | 1,512,380                                    |
| Unallocated corporate assets       | <b>341,512</b>                                       | 443,118                                      |
| Total assets                       | <b>1,842,779</b>                                     | 1,955,498                                    |
| <b>Segment liabilities</b>         |  |  |
| Business application and services  | <b>120,104</b>                                       | 86,073                                       |
| Data collection                    | <b>39,711</b>  | 57,116                                       |
| Development and sales of equipment | <b>11,444</b>  | 14,814                                       |
| Mining and exploration business    | <b>4,689</b>   | 4,658  |
| Total segment liabilities          | <b>175,948</b>                                       | 162,661                                      |
| Unallocated corporate liabilities  | <b>762,902</b>                                       | 804,992                                      |
| Total liabilities                  | <b>938,850</b>                                       | 967,653                                      |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 5. SEGMENT INFORMATION *(Continued)*

#### *Segment assets and liabilities (Continued)*

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, available-for-sale investment, deferred tax assets, tax recoverable, certain corporate assets, pledged bank deposits and bank balances and cash as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- all liabilities are allocated to operating segments other than tax payables, amounts due to non-controlling shareholders, amount due to an associate, deferred tax liabilities, borrowings, convertible notes and certain corporate liabilities as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

### 6. OTHER INCOME

|                            | <b>Six months ended</b> |             |
|----------------------------|-------------------------|-------------|
|                            | <b>30 June</b>          |             |
|                            | <b>2016</b>             | 2015        |
|                            | <b>(Unaudited)</b>      | (Unaudited) |
|                            | <b>HK\$'000</b>         | HK\$'000    |
| Bank interest income       | <b>345</b>              | 101         |
| Government grants (note i) | <b>–</b>                | 1,722       |
| Rental income              | <b>316</b>              | –           |
| Sundry income              | <b>220</b>              | 357         |
| Exchange gain, net         | <b>–</b>                | 1,499       |
| <b>Total</b>               | <b>881</b>              | 3,679       |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 6. OTHER INCOME *(Continued)*

Note:

- (i) During the six months ended 30 June 2015, government grants of approximately HK\$1,722,000 (equivalent to approximately RMB1,363,000) (six months ended 30 June 2016: nil) were received in respect of certain research projects, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income. No government grant recognised as deferred income was utilised during both periods.

### 7. OTHER GAIN AND LOSSES, NET

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30 June</b>          |             |
|  | <b>2016</b>             | 2015        |
|  | <b>(Unaudited)</b>      | (Unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| Gain on disposal of a subsidiary (note 25)   | <b>5,756</b>            | –           |
| Loss on deregistration of a subsidiary   | <b>(4,718)</b>          | –           |
| Reversal of impairment loss<br>of trade receivables  | <b>5,881</b>            | –           |
| Impairment loss of trade receivables   | <b>(7,258)</b>          | –           |
| Reversal of loss on uncertainty in respect<br>of collectibility of amounts due<br>from customers of contract works | –                       | 1,774       |
| Fair value gain on the Derivative Component<br>of the Convertible Note I (note 18(a))                              | –                       | 64,125      |
| Impairment loss of exploration<br>and evaluation assets  | <b>(175)</b>            | –           |
| <b>Total</b>   | <b>(514)</b>            | 65,899      |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 8. FINANCE COSTS

|  | <b>Six months ended<br/>30 June</b>      |                                 |
|--|--|---------------------------------|
|  | <b>2016<br/>(Unaudited)<br/>HK\$'000</b> | 2015<br>(Unaudited)<br>HK\$'000 |
| Interest charges on:   |  |                                 |
| – Bank loans   | <b>720</b>                               | 3,171                           |
| – Other loans  | <b>1,466</b>                             | 1,475                           |
|  | <b>2,186</b>                             | 4,646                           |
| Imputed interest on unsecured other loans                        | –  | 1,041                           |
| Imputed interest on Extended Convertible Note I (note 18(a)(iv)) | <b>19,310</b>                            | 1,268                           |
| Imputed interest on Convertible Note I (note 18(a)(i))           | –  | 29,671                          |
| Imputed interest on Convertible Note II (note 18(b)(i))          | <b>3,823</b>                             | 4,848                           |
| <b>Total</b>   | <b>25,319</b>                            | 41,474                          |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 9. LOSS BEFORE TAXATION

Loss before taxation for the period has been arrived at after charging (crediting):

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30 June</b>          |             |
|  | <b>2016</b>             | 2015        |
|  | <b>(Unaudited)</b>      | (Unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| Staff costs (including directors' emoluments)                                  |                         |             |
| – salaries, allowances and benefits in kind                                    | <b>25,576</b>           | 20,770      |
| – retirement benefits scheme contributions (defined contribution plan)         | <b>4,522</b>            | 4,438       |
| – equity-settled share-based payment expenses                                  | –                       | 8,761       |
|  | <b>30,098</b>           | 33,969      |
| Cost of inventories sold   | <b>1,850</b>            | 41,330      |
| Amortisation of other intangible assets  | <b>22,488</b>           | 31,350      |
| Depreciation of property, plant and equipment                                  | <b>6,203</b>            | 5,480       |
| Exchange losses (gain), net  | <b>3,028</b>            | (1,499)     |
| Impairment loss of exploration and evaluation assets                           | <b>175</b>              | –           |
| Write-off of inventories (included in the cost of revenue)                     | <b>304</b>              | –           |
| Impairment loss of trade receivables   | <b>7,258</b>            | –           |
| Write-off of property, plant and equipment (note 13)                           | <b>1,024</b>            | 647         |
| Minimum lease payments under operating leases in respect of land and buildings | <b>10,303</b>           | 3,664       |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 10. INCOME TAX CREDIT

|                                     | Six months ended<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000 |
|-------------------------------------|--|---------------------------------|
| Current tax                         |  |                                 |
| – PRC Enterprise income tax (“EIT”) | <b>205</b>   | 2,260                           |
| Deferred tax                        |  |                                 |
| – Current period (note 19)          | <b>(3,032)</b>   | (3,606)                         |
| <b>Income tax credit</b>            | <b>(2,827)</b>   | (1,346)                         |

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI for the six months ended 30 June 2016 and 30 June 2015.

No provision for Hong Kong Profits Tax has been made as there was no assessable profit generated from Hong Kong for the six months ended 30 June 2016 and 30 June 2015.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards. Accordingly, provision for PRC EIT for the PRC subsidiaries was calculated at 25% on the estimated assessable profits for the six months ended 30 June 2016 and 30 June 2015, except for the followings:

A subsidiary of the Company, 北京天下圖信息技術有限公司 (Beijing Peace Map Information and Technology Limited\*) was confirmed to be recognised as a software enterprise and therefore is entitled to a tax concession of full exemption from EIT from 1 January 2012 to 31 December 2013 and followed by half reduction in EIT rate of 12.5% from 1 January 2014 to 31 December 2016. The income tax rate applicable is 12.5% for the six months ended 30 June 2016 (six months ended 30 June 2015: 12.5%).

\* For identification purpose only

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 10. INCOME TAX CREDIT *(Continued)*

A subsidiary of the Company, 北京天下圖數據技術有限公司 (Peace Map Co., Ltd\*) was recognised as an approved high technology enterprise and therefore is entitled to a tax concession period of reduction in EIT rate of 15% in 2016 and 2015. The income tax rate applicable is 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).

A subsidiary of the Company, 北京海澄華圖科技有限公司 (Beijing Haicheng Huatu Technology Limited\*) was recognised as a software enterprise in 2013 and therefore is entitled to a tax concession of full exemption from EIT from 1 January 2013 to 31 December 2014 and followed by half reduction in EIT rate of 12.5% from 1 January 2015 to 31 December 2017. The income tax rate applicable is 12.5% for the six months ended 30 June 2016 (six months ended 30 June 2015: 12.5%).

A subsidiary of the Company, 北京勝和幢科技有限責任公司 (Beijing Shenghezhuang Technology Limited\*) ("**Shenghezhuang**") was recognised as an approved high technology enterprise in 2014 and therefore is entitled to a tax concession period of reduction in EIT rate of 15% from 1 January 2014 to 31 December 2016. The income tax rate applicable is 15% for the six months ended 30 June 2015. Shenghezhuang was no longer entitled to the tax concession from 3 December 2015 since it had applied deregistration and the deregistration had been completed in March 2016.

Subsidiaries incorporated in Mongolia are subject to Mongolian income tax which is calculated at the rate of 10% on the first 3 billion Mongolian Tugrik of taxable income and 25% on the amount in excess thereof. No provision for income tax has been made as these Mongolian subsidiaries have not derived any taxable income during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

\* For identification purpose only

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 11. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2016, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2015: nil).

### 12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

#### (Loss) earnings

|  | <b>Six months ended<br/>30 June</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2016</b>                         | 2015        |
|  | <b>(Unaudited)</b>                  | (Unaudited) |
|  | <b>HK\$'000</b>                     | HK\$'000    |
| (Loss) earnings for the purpose of basic (loss) earnings per share | <b>(38,915)</b>                     | 1,471       |

#### Number of shares

|   | <b>Six months ended<br/>30 June</b> |           |
|---|-------------------------------------|-----------|
|   | <b>2016</b>                         | 2015      |
|   | <b>'000</b>                         | '000      |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share   | <b>8,156,781</b>                    | 7,216,298 |
| Effect of share options   | <b>-</b>                            | 132,078   |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <b>8,156,781</b>                    | 7,348,376 |



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 12. (LOSS) EARNINGS PER SHARE *(Continued)*

The computation of diluted loss per share for the six months ended 30 June 2016 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares.

The computation of diluted earnings per share for the six months ended 30 June 2015 did not assume the exercise of the Company's share options granted in 2012 and 2014 as the exercise prices of the share options were higher than the average market price for shares.

The computation of diluted (loss) earnings per share for the six months ended 30 June 2016 and 30 June 2015 did not assume the conversion of the Company's outstanding convertible notes as the conversion of the convertible notes would result in a decrease in loss per share or an increase in earnings per share respectively.

### 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with a cost of approximately HK\$7,405,000 (six months ended 30 June 2015: approximately HK\$3,180,000). The Group has written off property, plant and equipment with a net carrying value of approximately HK\$1,024,000, resulting in a loss on written off of approximately HK\$1,024,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$647,000).

No depreciation for mine development assets was provided for as the production of the coal mine site had not yet commenced during the six months ended 30 June 2016 and 30 June 2015.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 14. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2016, the Group incurred capital expenditure of approximately HK\$16,393,000 (six months ended 30 June 2015: approximately HK\$23,671,000) in respect of deferred development cost.

### 15. TRADE AND OTHER RECEIVABLES

|   | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|---|--|---|
| Trade receivables                             |  |   |
| – from third parties                          | <b>73,411</b>  | 81,535  |
| – from a non-controlling shareholder          | <b>14,314</b>  | 14,636  |
|   | <b>87,725</b>  | 96,171  |
| Less: accumulated impairment loss             | <b>(12,843)</b>  | (11,748)  |
|   | <b>74,882</b>  | 84,423  |
| Amounts due from non-controlling shareholders | <b>3,220</b>   | 3,292   |
| Amount due from an associate                  | <b>1,756</b>   | 2,489   |
| Prepayments and deposits                      | <b>47,416</b>  | 34,178  |
|   | <b>127,274</b>   | 124,382   |
| Other receivables                             | <b>57,445</b>  | 52,449  |
| Less: accumulated impairment loss             | <b>(1,625)</b>   | (1,662)   |
|   | <b>55,820</b>  | 50,787  |
| <b>Total trade and other receivables</b>      | <b>183,094</b>   | 175,169   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 15. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has a policy of allowing credit period to its customers, ranging from 90 to 180 days as at 30 June 2016 (31 December 2015: 90 to 180 days). The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period of certain government related entities which is normally over 1 year for its low default risk.

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date, as at the end of the reporting period:

|                 | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|-----------------|--|---|
| Within 90 days  | <b>12,515</b>  | 25,377  |
| 91 to 180 days  | <b>2,522</b>   | 12,238  |
| 181 to 365 days | <b>27,891</b>  | 18,413  |
| Over 365 days   | <b>31,954</b>  | 28,395  |
|                 | <b>74,882</b>  | 84,423  |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 16. TRADE AND OTHER PAYABLES

Details of the trade and other payables including an ageing analysis of trade payables presented, based on invoice date, as at the end of the reporting period are as follows:

|                                       | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|---|
| Within 90 days                        | <b>75,314</b>  | 65,251  |
| 91 to 180 days                        | <b>27,860</b>  | 10,343  |
| 181 to 365 days                       | <b>35,544</b>  | 24,251  |
| Over 365 days                         | <b>32,542</b>  | 52,420  |
|                                       | <b>171,260</b>   | 152,265   |
| Other payables and accruals           | <b>59,162</b>  | 66,204  |
| <b>Total trade and other payables</b> | <b>230,422</b>   | 218,469   |

The credit period granted by suppliers and sub-contractors is normally 90 to 180 days as at 30 June 2016 (31 December 2015: 90 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 17. BORROWINGS

|                                      | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|---|
| Secured bank loan (note a)           | <b>58,375</b>  | 119,370   |
| Unsecured bank loans (notes b and c) | <b>22,775</b>  | 24,733  |
| <b>Total borrowings</b>              | <b>81,150</b>  | 144,103   |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 17. BORROWINGS *(Continued)*

Notes:

- (a) As at 30 June 2016, a secured bank loan of RMB50,000,000 (equivalent to approximately HK\$58,375,000) is secured by the Group's pledged bank deposit with carrying amount of RMB50,000,000 (equivalent to approximately HK\$58,375,000) and the loan carried interest at the RMB Benchmark Interest Rate quoted by the People's Bank of China per annum and were repayable within one year for the purpose of general working capital.

As at 31 December 2015, secured bank loans of RMB100,000,000 (equivalent to approximately HK\$119,370,000) were secured by the Group's pledged bank deposits with carrying amounts of RMB100,000,000 (equivalent to approximately HK\$119,370,000), and the loans carried interest at the RMB Benchmark Interest Rate quoted by the People's Bank of China per annum and were repayable within one year for the purpose of general working capital.

- (b) As at 30 June 2016, the unsecured bank loans amounted to RMB15,000,000 (equivalent to approximately HK\$17,512,000) (31 December 2015: RMB20,719,000 (equivalent to approximately HK\$24,733,000)) carried interest at variable market rates at 110% to 130% per annum of the RMB Benchmark Interest Rate quoted by the People's Bank of China and were repayable within one year (31 December 2015: variable market rates at 110% to 130% per annum of the RMB Benchmark Interest Rate quoted by the People's Bank of China).

As at 30 June 2016, the unsecured bank loans of RMB15,000,000 (equivalent to approximately HK\$17,512,000) (31 December 2015: RMB20,315,000 (equivalent to approximately HK\$24,250,000)) were guaranteed and indemnified by a director of the Company and a subsidiary of the Group.

- (c) As at 30 June 2016, other unsecured bank loans of approximately RMB4,508,000 (equivalent to approximately HK\$5,263,000) (31 December 2015: nil) carried interest at a fixed rate of 5.66% per annum.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. CONVERTIBLE NOTES

|                                 | As at<br><b>30 June<br/>2016</b><br><b>(Unaudited)</b><br><b>HK\$'000</b> | As at<br>31 December<br>2015<br><b>(Audited)</b><br><b>HK\$'000</b> |
|---------------------------------|---|---|
| Convertible Note I (note a)     |   |   |
| Liability component             | <b>362,777</b>  | 343,467   |
| Equity component                | <b>139,915</b>  | 139,915   |
|                                 | <b>502,692</b>  | 483,382   |
| Convertible Note II (note b)    |   |   |
| Liability component             | <b>81,822</b>   | 77,999  |
| Equity component                | <b>17,083</b>   | 17,083  |
|                                 | <b>98,905</b>   | 95,082  |
|                                 | <b>601,597</b>  | 578,464   |
| Analysed for reporting purpose: |   |   |
| Non-current portion:            |   |   |
| Liability component             | <b>444,599</b>  | 421,466   |
| Equity component                | <b>156,998</b>  | 156,998   |
|                                 | <b>601,597</b>  | 578,464   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. CONVERTIBLE NOTES *(Continued)*

Notes:

- (a) On 17 June 2010 (the “**Issue Date I**”), the Company issued a five-year zero coupon convertible note in principal amount of HK\$954,100,000 (the “**Convertible Note I**”) as part of the consideration for acquiring 100% interest in MIG Resources Limited (formerly known as “**Well Delight Holdings Limited**”). The Convertible Note I was matured on 17 June 2015 (the “**Maturity I**”), subject to an option of the holder of the Convertible Note I (“**Noteholder I**”) to convert the whole or part of the principal amount of the Convertible Note I into ordinary shares of the Company at a conversion price of HK\$1.10 per share (adjusted from HK\$0.22 per share as a result of the share consolidation on 20 November 2012 and which may be subject to further adjustment). The Convertible Note I is non-redeemable prior to the maturity date. The Company has the right to extend the maturity date in respect of the outstanding amount of the Convertible Note I for another five years (the “**Derivative Component**”), which has been exercised on Maturity I.

The Convertible Note I was stated at fair value on the Issue Date I which amounted to approximately HK\$948,237,000. The Convertible Note I contains three components – liability component, equity component and the Derivative Component. The fair value of the liability component of the Convertible Note I was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component and the Derivative Component was determined based on the valuation carried out by Asset Appraisals Limited, an independent professional valuer, by using Binomial valuation model.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

On Maturity I, the Company exercised its right to extend the maturity date of the Convertible Note I for another five years, from 17 June 2015 to 17 June 2020, with the outstanding principal amount of HK\$560,580,400 (the “**Extended Convertible Note I**”), the then liability component, equity component and the Derivative Component were derecognised. No other terms and conditions of the Convertible Note I have been amended. The Extended Convertible Note I was stated at fair value on the Maturity I which amounted to approximately HK\$463,636,000. The Extended Convertible Note I contains two components – liability component and equity component. The fair value of the Extended Convertible Note I as a whole, which composed liability component and equity component, was determined based on the valuation carried out by Roma Appraisals Limited (“**Roma Appraisals**”), an independent professional valuer, by using Binomial valuation model. The fair value of the liability component of the Extended Convertible Note I was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component of the Extended Convertible Note I was calculated by subtracting the fair value of the liability component from the fair value of the Extended Convertible Note I as a whole.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The carrying values of the liability component, the equity component and the Derivative Component of the Convertible Note I recognised in the condensed consolidated statement of financial position are as follows:

|  | Liability component                        |  | Equity component                           |  | Derivative Component                       |  |
|--|--|--|--|--|--|--|
|  | 30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 31 December<br>2015<br>(Audited)<br>HK\$'000 | 30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 31 December<br>2015<br>(Audited)<br>HK\$'000 | 30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 31 December<br>2015<br>(Audited)<br>HK\$'000 |
| <b>Carrying amounts</b>  |  |  |  |  |  |  |
| At beginning of the period   | <b>343,467</b>                             | 546,054                                      | <b>139,915</b>                             | 298,856                                      | -  | (34,560)                                     |
| Imputed interest expenses<br>of Convertible Note I (note i)  | -  | 29,671                                       | -  | -  | -  | -  |
| Conversion of Convertible Note I<br>(note ii)  | -  | (15,145)                                     | -  | (8,275)                                      | -  | 1,741  |
| Change in fair value on<br>Convertible Note I recognised<br>in profit or loss (note iii)               | -  | -  | -  | -  | -  | (64,125)                                     |
| Derecognition of liability<br>component, equity component<br>and Derivative<br>Component on Maturity I | -  | (560,580)                                    | -  | (290,581)                                    | -  | 96,944                                       |
| Fair value of Extended<br>Convertible Note I recognised<br>on Maturity I                               | -  | 323,721                                      | -  | 139,915                                      | -  | -  |
| Imputed interest expenses<br>of Extended Convertible Note I<br>(note iv)                               | <b>19,310</b>                              | 19,746                                       | -  | -  | -  | -  |
| <b>At end of the period</b>  | <b>362,777</b>                             | 343,467                                      | <b>139,915</b>                             | 139,915                                      | -  | -  |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Notes:

- (i) During the six months ended 30 June 2015, the liability component of Convertible Note I was measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% per annum. Imputed interest expense of approximately HK\$29,671,000 was recognised in profit or loss for the six months ended 30 June 2015.
- (ii) 14,512,727 shares (six months ended 30 June 2016: nil) were issued upon conversion of the Convertible Note I in total amount of approximately HK\$15,964,000 (six months ended 30 June 2016: nil) for the year ended 31 December 2015. At the time of conversion, the proportional amounts of the convertible note equity reserve, the Derivative Component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued (note 20(b)).
- (iii) The Derivative Component was measured at fair value with changes in fair value recognised in profit or loss. The Derivative Component was carried as derivative financial asset in the condensed consolidated statement of financial position until extinguished on conversion or redemption.
- (iv) The liability component of Extended Convertible Note I is subsequently measured at amortised cost using effective interest method by applying an effective rate of 11.59% per annum (six months ended 30 June 2015: 11.59% per annum). Imputed interest expense of approximately HK\$19,310,000 was recognised in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$1,268,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

- (b) On 2 August 2013 (the “**Issue Date II**”), the Company issued a five-year zero coupon convertible note in principal amount of HK\$1,170,000,000 as part of the consideration for acquiring 100% interest in Sinbo Investment Limited (“**Sinbo**”). Subject to adjustments, convertible note in additional principal amount of HK\$80,000,000 in aggregate (the “**Contingent Consideration**”) would be issued also as part of the consideration for acquiring 100% interest in Sinbo (together with the convertible note in principal amount of HK\$1,170,000,000, the “**Convertible Note II**”). The Company issued the Convertible Note II in aggregate principal amount of HK\$80,000,000 on 26 March 2014. The Convertible Note II will be matured on the business day falling on the fifth anniversary of the date of issue, subject to an option of the holder of the Convertible Note II (“**Noteholder II**”) to convert the whole or part of the principal amount of the Convertible Note II into ordinary shares of the Company at a conversion price of HK\$0.25 per share (subject to adjustment) at any time from the issue date up to maturity date.

The Convertible Note II comprises three parts:

- a principal amount of HK\$80,000,000 in aggregate Tranche A Convertible Note II which is subject to adjustment.
- a principal amount of HK\$870,000,000 in aggregate Tranche A Convertible Note II which is not subject to adjustment.
- a principal amount of HK\$300,000,000 in aggregate of Tranche B Convertible Note II which is not subject to adjustment.

The Company cannot unilaterally redeem all or any part of the Convertible Note II prior to the maturity date without the prior written consent of the Noteholder II. Subject to the consent from the Company, the holder of Tranche B Convertible Note II may request the Company to redeem up to all of the principal amount outstanding under the Tranche B Convertible Note II on one or more occasions at any time prior to its maturity date.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The Contingent Consideration would be adjusted in the event that the audited consolidated net profit after tax of Sinbo and its subsidiaries attributable to the owners of Sinbo (net of minority interests) for the nine months ended 31 December 2013 (the "PAT") was less than HK\$80,000,000, and the consideration shall be adjusted by deducting the sum equivalent to the shortfall between the PAT and HK\$80,000,000 subject to a maximum deduction of the sum of HK\$80,000,000.

The Tranche A Convertible Note II with the principal amount of HK\$870,000,000 in aggregate which are not subject to adjustment and the Tranche B Convertible Note II with the principal amount of HK\$300,000,000 in aggregate are accounted for using split accounting as the corresponding conversion option can be settled by issuing a fixed number of the Company's own equity instruments. They are initially recognised at fair value on the Issue Date II amounting to approximately HK\$923,758,000 which comprises liability component with fair value on the Issue Date II of approximately HK\$723,889,000 and equity component with fair value on the Issue Date II of approximately HK\$199,869,000. The fair value of the liability component was calculated by Roma Appraisals using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component was determined based on the valuation carried out by Roma Appraisals using option pricing model.

The Convertible Note II contains three components – liability component, equity component and the Contingent Consideration.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

On 26 March 2014 (the “**Issue Date III**”), the PAT had been met and the Company issued the Tranche A Convertible Note II in the aggregate principal amount of HK\$80,000,000. They were initially recognised at fair value on the Issue Date III amounting to approximately HK\$108,486,000 which comprises liability component and equity component with fair value on the Issue Date III of approximately HK\$51,149,000 and HK\$57,337,000 respectively. On the same date, the Contingent Consideration no longer existed and was derecognised. The fair value of the liability component was calculated by Roma Appraisals using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component was determined based on the valuation carried out by Roma Appraisals using option pricing model. As at 31 December 2015, the Tranche A Convertible Note II with aggregate principal amount of HK\$80,000,000 had been fully converted.

The carrying values of the liability component and the equity component of the Convertible Note II recognised in the condensed consolidated statement of financial position are as follows:

|   | Liability component                        |  | Equity component                           |  |
|---|--|--|--|--|
|   | 30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 31 December<br>2015<br>(Audited)<br>HK\$'000 | 30 June<br>2016<br>(Unaudited)<br>HK\$'000 | 31 December<br>2015<br>(Audited)<br>HK\$'000 |
| <b>Carrying amounts</b>   |  |  |  |  |
| At beginning of the period                                      | <b>77,999</b>                              | 116,660                                      | <b>17,083</b>                              | 50,553                                       |
| Imputed interest expenses<br>of Convertible Note II<br>(note i) | <b>3,823</b>                               | 8,532  | -  | -  |
| Conversion of Convertible<br>Note II (note ii)                  | -  | (47,193)                                     | -  | (33,470)                                     |
| <b>At end of the period</b>                                     | <b>81,822</b>                              | 77,999                                       | <b>17,083</b>                              | 17,083                                       |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 18. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Notes:

- (i) The liability component of Convertible Note II is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 10.07% per annum. Imputed interest expense of approximately HK\$3,823,000 was recognised in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$4,848,000).
- (ii) 264,000,000 (six months ended 30 June 2016: nil) shares were issued upon conversion of the Convertible Note II in total amount of approximately HK\$66,000,000 during the six months 30 June 2015 (six months ended 30 June 2016: nil). At the time of conversion, the proportional amounts of the convertible note equity reserve, the equity component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued (note 20(c)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 19. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial information purposes:

|                                      | <b>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|--|
| Deferred tax assets                  | <b>50</b>  | 137  |
| Deferred tax liabilities             | <b>(57,044)</b>                                      | (60,212)                                     |
| <b>Balance at end of period/year</b> | <b>(56,994)</b>                                      | (60,075)                                     |

Deferred tax (assets) liabilities recognised in the condensed consolidated statement of financial position and their movements during the current interim period are as follows:

|   | <b>Fair value<br/>adjustment<br/>arising from<br/>acquisition of<br/>subsidiaries<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|--|----------------------------|---------------------------|
| At 31 December 2015<br>(Audited)        | 60,212   | (137)                      | 60,075                    |
| Credited to profit or loss<br>(note 10) | (3,119)  | 87                         | (3,032)                   |
| Exchange realignment                    | (49)   | –                          | (49)                      |
| <b>At 30 June 2016<br/>(Unaudited)</b>  | <b>57,044</b>  | <b>(50)</b>                | <b>56,994</b>             |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

## 20. SHARE CAPITAL

|   | Par value<br>HK\$ | Number of<br>ordinary shares | Total<br>HK\$'000 |
|---|-------------------|------------------------------|-------------------|
| <b>Authorised</b>   |                   |                              |                   |
| <b>At 1 January 2015, 31 December 2015<br/>and 30 June 2016</b>       | 0.25              | <b>30,000,000,000</b>        | <b>7,500,000</b>  |
| <b>Issued and fully paid</b>  |                   |                              |                   |
| At 1 January 2015 (Audited)   | 0.25              | 6,706,608,364                | 1,676,652         |
| Exercise of share options (note a)                                    | 0.25              | 221,660,000                  | 55,415            |
| Conversion of Convertible Note I (note b)                             | 0.25              | 14,512,727                   | 3,628             |
| Conversion of Convertible Note II (note c)                            | 0.25              | 264,000,000                  | 66,000            |
| Shares issued under placing (note d)                                  | 0.25              | 950,000,000                  | 237,500           |
| <b>At 31 December 2015 (Audited) and<br/>30 June 2016 (Unaudited)</b> |                   | <b>8,156,781,091</b>         | <b>2,039,195</b>  |

All of the shares issued by the Company rank pari passu in all respects with others in issue.

Notes:

- (a) During the year ended 31 December 2015, 8,860,000 and 212,800,000 share options had been exercised by holders at HK\$0.25 per share and HK\$0.26 per share each for the issuance of shares respectively. As a result of the exercise of share options, cash and cash equivalent, share capital and share premium had been increased by HK\$57,543,000, HK\$55,415,000 and approximately HK\$15,904,000 respectively and share options reserve had been decreased by approximately HK\$13,776,000.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 20. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

- (b) During the year ended 31 December 2015, the Noteholder I converted Convertible Note I in aggregate principal amount of approximately HK\$15,964,000 at the conversion price of HK\$1.10 per share whereby a total number of 14,512,727 conversion shares were issued. As a result of the conversion, share capital and share premium of the Company had been increased by approximately HK\$3,628,000 and HK\$18,051,000 respectively and the aggregate of which represents proportional amounts of the equity component, the Derivative Component and the liability component at the time of conversion.
- (c) During the year ended 31 December 2015, the Noteholder II converted Convertible Note II in aggregate principal amount of approximately HK\$66,000,000 at the conversion price of HK\$0.25 per share whereby a total number of 264,000,000 conversion shares were issued. As a result of the conversion, share capital and share premium of the Company had been increased by approximately HK\$66,000,000 and HK\$14,663,000 respectively and the aggregate of which represents proportional amounts of the equity component and the liability component at the time of conversion.
- (d) On 21 April 2015, the Company completed a placing of 950,000,000 new shares of the Company at HK\$0.33 per share. Proceeds generated from the placing amounted to HK\$313,500,000 (before share issue expenses of approximately HK\$5,723,000). The net proceeds of approximately HK\$307,777,000 were intended to be utilised as general working capital of the Group. As a result of the placing, share capital and share premium had been increased by HK\$237,500,000 and approximately HK\$70,277,000 respectively.

### 21. SHARE-BASED PAYMENT TRANSACTIONS

On 26 May 2016, the Company has adopted a new share option scheme. The previous share option scheme was adopted on 25 February 2006 and has already been expired on 24 February 2016. The outstanding share options will remain valid under the previous share option scheme. The purpose of the share option schemes is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

As of 30 June 2016, the total number of shares of the Company available for issue under the new share option scheme is 569,584,327 representing approximately 6.98% of the issued share capital of the Company as of the date of this report.

#### *Movements of the share options and their weighted average exercise price*

| Grantees   | Options grant date | Number of share options      |                   |                            |
|--|--------------------|------------------------------|-------------------|----------------------------|
|  |                    | As at 1 January 2016<br>'000 | Forfeited<br>'000 | As at 30 June 2016<br>'000 |
| Directors  | 25 October 2010    | 36,700                       | -                 | 36,700                     |
|  | 9 October 2012     | 14,080                       | -                 | 14,080                     |
|  | 26 September 2014  | 325,000                      | -                 | 325,000                    |
|  |                    | <b>375,780</b>               | <b>-</b>          | <b>375,780</b>             |
| Employees  | 25 October 2010    | 8,000                        | -                 | 8,000                      |
|  | 9 October 2012     | 440                          | -                 | 440                        |
|  | 26 September 2014  | 53,200                       | (26,000)          | 27,200                     |
|  |                    | <b>61,640</b>                | <b>(26,000)</b>   | <b>35,640</b>              |
| Suppliers of services or goods                   | 25 October 2010    | 13,000                       | -                 | 13,000                     |
| <b>Total</b>                                     |                    | <b>450,420</b>               | <b>(26,000)</b>   | <b>424,420</b>             |
| Exercisable at the end of period                 |                    |                              |                   | <b>424,420</b>             |
| Weighted average exercise price (HK\$ per share) |                    | <b>0.34</b>                  | <b>0.26</b>       | <b>0.34</b>                |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### *Movements of the share options and their weighted average exercise price (Continued)*

| Grantees   | Options grant date | Number of share options   |                |                             |
|--|--------------------|---------------------------|----------------|-----------------------------|
|  |                    | As at 1 January 2015 '000 | Exercised '000 | As at 31 December 2015 '000 |
| Directors  | 25 October 2010    | 36,700                    | -              | 36,700                      |
|  | 9 October 2012     | 18,380                    | (4,300)        | 14,080                      |
|  | 26 September 2014  | 325,000                   | -              | 325,000                     |
|  |                    | 380,080                   | (4,300)        | 375,780                     |
| Employees  | 25 October 2010    | 8,000                     | -              | 8,000                       |
|  | 9 October 2012     | 1,400                     | (960)          | 440                         |
|  | 26 September 2014  | 266,000                   | (212,800)      | 53,200                      |
|  |                    | 275,400                   | (213,760)      | 61,640                      |
| Suppliers of services or goods                   | 25 October 2010    | 13,000                    | -              | 13,000                      |
|  | 9 October 2012     | 3,600                     | (3,600)        | -                           |
|  |                    | 16,600                    | (3,600)        | 13,000                      |
| <b>Total</b>                                     |                    | 672,080                   | (221,660)      | 450,420                     |
| Exercisable at the end of period                 |                    |                           |                | 332,220                     |
| Weighted average exercise price (HK\$ per share) |                    | 0.31                      | 0.26           | 0.34                        |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

#### ***Movements of the share options and their weighted average exercise price*** *(Continued)*

During the six months ended 30 June 2016, 26,000,000 vested share options (year ended 31 December 2015: nil) granted to employees were forfeited. For the forfeiture of vested share options during the six months ended 30 June 2016, the corresponding amount of approximately HK\$1,982,000 was transferred from share option reserve to accumulated losses (six months ended 30 June 2015: nil).

During the year ended 31 December 2015, the Group recognised the total expenses of approximately HK\$8,761,000 (six months ended 30 June 2016: nil) were recognised in relation to share options granted by the Company to the directors and the employees of the Company and the consultants.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 22. RESERVES

- (a) Under the Companies Law Cap. 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) The merger reserve of the Group represents the difference between the nominal value of the aggregate share capital of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the reorganisation of the Group taken place before the listing of the Company on the Stock Exchange.
- (c) Share option reserve represents the fair value of share options granted.
- (d) Capital redemption reserve represents the transfer from retained profits of the amount equivalent to the par value of the shares repurchased.
- (e) As stipulated by regulations in the PRC, entities established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.
- (f) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 23. COMMITMENTS

#### *Operating lease commitments*

The future aggregate minimum lease rental payable under non-cancellable operating leases in respect of properties and an intangible asset which fall due was as follows:

|   | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|---|--|---|
| Within one year                         | <b>18,464</b>  | 20,841  |
| In the second to fifth years, inclusive | <b>43,735</b>  | 52,413  |
|   | <b>62,199</b>  | 73,254  |

The Group leases certain properties and an intangible asset under operating leases. The leases run for an initial period of one to four years (31 December 2015: one to four years), with an option to renew the leases and renegotiate the terms at the expiry date. The leases do not include any contingent rentals.

#### *Capital commitment*

At the end of the reporting periods, the Group had the following capital commitments:

|   | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|---|--|---|
| Contracted for but not provided in the condensed consolidated financial statements in respect of<br>– available-for-sale investment | <b>3,503</b>   | 3,581   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 24. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has entered into the following transactions with related parties.

#### *(i) Transactions with related companies*

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30 June</b>          |             |
|  | <b>2016</b>             | 2015        |
|  | <b>(Unaudited)</b>      | (Unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| (i) Subcontracting cost payable to an associate                                    | <b>30,030</b>           | 2,967       |
| (ii) Rental income receivable from an associate                                    | <b>305</b>              | –           |
| (iii) Rental expenses for office premises payable to a non-controlling shareholder | <b>3,184</b>            | 3,385       |
| (iv) Interest expenses for renovation payable to a non-controlling shareholder     | <b>1,466</b>            | 929         |
| (v) Interest expenses payable to a subsidiary of a former substantial shareholder  | <b>–</b>                | 62          |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 24. RELATED PARTY TRANSACTIONS *(Continued)*

#### *(ii) Key management personnel*

Included in staff costs is key management personnel compensation which comprises the following categories:

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30 June</b>          |             |
|   | <b>2016</b>             | 2015        |
|   | <b>(Unaudited)</b>      | (Unaudited) |
|   | <b>HK\$'000</b>         | HK\$'000    |
| Salaries, allowances and benefits in kind   | <b>2,101</b>            | 1,002       |
| Retirement benefits scheme contributions    | <b>207</b>              | 92          |
| Equity-settled share-based payment expenses | <b>–</b>                | 5,022       |
|   | <b>2,308</b>            | 6,116       |

### 25. DISPOSAL OF A SUBSIDIARY

On 5 February 2016, MIG Resources Limited, a subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Grand State Holdings Limited (“**Grand State**”) for a cash consideration of US\$738,000 (equivalent to approximately HK\$5,756,000). The transaction was completed on 18 March 2016 and the gain on disposal is US\$738,000 (equivalent to approximately HK\$5,756,000).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

### 25. DISPOSAL OF A SUBSIDIARY *(Continued)*

The net asset of Grand State as at the date of disposal was as follows:

**Consideration received:**

|                             | <b>HK\$'000</b> |
|-----------------------------|-----------------|
| Cash consideration received | <u>5,756</u>    |

**Analysis of the asset over which control was lost:**

|                               |          |
|-------------------------------|----------|
| Property, plant and equipment | <u>-</u> |
| Net asset disposed of         | <u>-</u> |

**Gain on disposal of a subsidiary:**

|                           |              |
|---------------------------|--------------|
| Consideration received    | <b>5,756</b> |
| Net asset disposed of     | <u>-</u>     |
| Gain on disposal (note 7) | <u>5,756</u> |

**Net cash inflow arising on disposal:**

|                    |              |
|--------------------|--------------|
| Cash consideration | <u>5,756</u> |
|--------------------|--------------|

### 26. COMPARATIVE FIGURES

During the six months ended 30 June 2016, certain gain and losses have been grouped under the line item of other gain and losses, while the comparative figures of the fair value gain on the Derivative Component of the Convertible Note I and reversal of loss on uncertainty in respect of collectibility of amounts due from customers of contract works, which were separately presented in the condensed consolidated statement of profit or loss during the six months ended 30 June 2015, were also reclassified under the same line item to conform with the current period's presentation.

As the reclassifications have no financial effect on the amounts stated in the condensed consolidated statement of financial position, it is not necessary to present the third condensed consolidated statement of financial position as at 1 January 2015.