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PEACE MAP

(incorporated in the Cayman Islands with limited liability)

Stock Code: **402**

2014 Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. GUAN Hongliang (Appointed as Executive Director, Chairman and Chief Executive Officer on 6 August 2014)
Mr. ZHANG Chuanjun (Appointed as Deputy Chairman on 6 August 2014)
Mr. ZHU Dong (Redesignated as Deputy Chief Executive Officer on 6 August 2014)
Mr. FENG Tao (Chief Financial Officer)
Mr. WANG Zheng (Appointed as Executive Director and Chief Operating Officer on 6 August 2014)
Mr. ZHANG Jack Jiyei (Resigned on 6 August 2014)

Independent Non-Executive Directors

Mr. HUI Yat On
Mr. TAM Sun Wing
Mr. ZHANG Songlin

Authorised Representatives

Mr. ZHU Dong
Mr. CHEUNG Chi Man, Dennis

Company Secretary

Mr. CHEUNG Chi Man, Dennis

Audit Committee

Mr. TAM Sun Wing (Chairman)
Mr. HUI Yat On
Mr. ZHANG Songlin

Nomination Committee

Mr. TAM Sun Wing (Chairman)
Mr. ZHU Dong
Mr. ZHANG Songlin

Remuneration Committee

Mr. TAM Sun Wing (Chairman)
Mr. ZHU Dong
Mr. ZHANG Songlin

Registered Office

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

Principal Place of Business

Room A02, 35th Floor
United Centre
95 Queensway
Hong Kong

Hong Kong Legal Adviser

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

Cheung & Lee
21st Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Independent Auditor

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

Principal Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited

Principal Share Registrar

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

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

Geographic Information System Business

For the six months ended 30 June 2014 (the "**Period under Review**"), Peace Map Holding Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") has made efforts to expand its geographic information system ("**GIS**") business and recorded a total revenue of approximately HK$107.0 million, representing an increase of 183.3% compared with the six months ended 30 September 2013.

During the Period under Review, the Group continued to focus on GIS business, including acquisition of geographic information data, data processing, data collection and data application, provision of geographic information service solutions for customers in various sectors, and development and sales of high-end surveying and mapping equipment.

With respect to the geographic image data processing, the Group has accumulated extensive experience and capacity in data processing and software development. With the advanced "Pixel Factory" industrial geo-production system and the self-developed U-Factory processing system, the Group is able to realize automated processing of massive image data, and process raw geographic image data into 4D data for diversified purposes, including digital orthophoto model (DOM), digital elevation model (DEM), digital line graphics (DLG) and digital raster graphics (DRG). It has strengthened its capability to extract 3D model data in an automatic manner based on aerial image (including oblique image) and enhanced the performance of 3D data to a large extent by acquiring oblique image of buildings, which will accelerate the application of 3D data in areas such as Smart City. For the geographic data collection, the Group owns raw geographic image data of the urban and rural area in Mainland China obtained through comprehensive and diversified sources, including acquisition of satellite remote sensing image, aerial image from manned aerial vehicle and self-developed unmanned aerial vehicle (the "**UAV**"), and street view imagery data through self-developed laser panoramic photogrammetry vehicle. The Group has further strengthened its capability to acquire oblique photograph. Through introduction of

international advanced digital oblique photogrammetric camera carried on manned aerial vehicle, a wide-angled oblique photograph on urban area can be collected. Moreover, a small-angle oblique photograph can be collected by self-developed miniaturized oblique camera carried on UAV. During the Period under Review, the Group recorded a turnover of approximately HK$46.2 million for data processing segment, representing an increase of 45.5% compared with the six months ended 30 September 2013 mainly due to the fact that contracts related to geographic image data collection increased as a result of the implementation of the rural land ownership confirmation projects across the People's Republic of China (the "**PRC**").

The Group is committed to serving as a leading GIS integrated information service provider in the PRC, and has already gained a leading position in the following areas, including software technologies, the automated processing, management and application of geographic information. The Group has made substantial progress in research and development of 3D GIS platform software, particularly in performance stability and data loading. The Group continues the research and development of integrated 2D and 3D software aiming at an overall upgrade to the geographic information cloud service platform. It is expected that the Group's products will provide basic platforms for public cloud services, private cloud services serving governments and enterprises, geographic information mobile network application, and GIS geographic information massive data business. Currently, the Group has developed a variety of geographic information softwares being widely used in public geographic information dissemination, urban planning, waterworks, land, military, aerospace, energy, emergency, transportation and environmental protection. The Group has also made substantial progress in application of such softwares in power and underground pipeline sectors. During the Period under Review, the Group recorded a turnover of approximately HK$49.8 million for its software application segment, representing an increase of 1,170.4% compared with the six months ended 30 September 2013, mainly due to the fact that the average contract sum in 2014 was higher and there were only two months revenue included in the six months ended 30 September 2013, resulting from the acquisition completed on 2 August 2013.

The Group acted as an agent to distribute Microsoft Ultracam series digital aerial camera products. For self-developed surveying and mapping equipment, the Group closely catered to market demands for and manufactured professional aerial-survey remote sensing UAV, national geographical conditions monitoring vehicles and laser panoramic photogrammetic vehicles. During the Period under Review, our production base produced six units of UAV and sold one set of camera for approximately HK$11.1 million, representing an increase of 421.7% compared with the six months ended 30 September 2013. This was mainly attributable to the increase of sales contracts of camera.

At present, the Group owns a number of Surveying and Mapping Qualification Certificates (Class A) with the most comprehensive and professional surveying and mapping qualifications amongst the domestic enterprises engaged in integrated geographic information application services. In addition, the Group is the only pilot enterprise authorized by the National Administration of Surveying, Mapping and Geoinformation to build the "urban high resolution remote sensing image database" (城市高分辨率航空影像數據庫). Self-flight business by virtue of this authorization has become a new source of growth for the Group. The Group has built up a comprehensive high resolution earth observation system which integrates aerial and space remote sensing, low-altitude UAV remote sensing and panoramic terrestrial remote sensing and offers both data acquisition and data process capabilities. Leveraging on this comprehensive system with extensive coverage across Mainland China, advanced technologies and speedy acquisition of data, the Group aims to provide one-stop solutions to meet the needs of its clients.

The Group has been acknowledged as a high technology enterprise under the PRC Torch Program and awarded ISO9001 quality management system certification. Recently, the Group also passed CMMI3 assessment, making significant improvement in its software and engineering capability and quality construction.

Mining Business in Mongolia

The Group currently holds four coal mining licences covering a total mining area of 1,114 hectares at Tugrug Valley (the "**TNE Mine**"). Based on a report prepared by an independent technical advisor in 2010, the TNE Mine has approximately 64.0 million tonnes of measured and inferred 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 the resources in the TNE Mine, compared with that in the six months ended 30 September 2013. Besides, the Group also holds three exploration licences in respect of coal deposits in DundGobi (with an area of 14,087 hectares) located in Mongolia.

Pursuant to the announcement issued by the Company on 4 November 2013, the Group considered a report prepared by an independent mining expert. It recommended in the report that a further review should be conducted within the licensed area in order to prepare a plan for improving the production of the TNE Mine. After discussion, the Group resolved to engage an independent mining expert to conduct a further review as set out in the report, therefore further postponing the production schedule by one year.

Taking into account the market selling price and the additional risks arising from the Mongolian laws and regulations relating to the mining industry, the Group provided an impairment loss of approximately HK$48.0 million in respect of the mining licences for the Period under Review.

FINANCIAL REVIEW

Revenue

During the Period under Review, the Group recorded revenue of approximately HK$107.0 million, representing an increase of 183.3% over the six months ended 30 September 2013 (six months ended 30 September 2013: approximately HK$37.8 million), mainly due to the fact that there were two months revenue included in the six months ended 30 September 2013 upon the acquisition of Sinbo Investment Limited and its subsidiaries ("**Sinbo Group**") on 2 August 2013. The revenue of Sinbo Group has been included in the Period under Review with six months revenue.

Gross Profit

Gross profit increased by 10.9% to approximately HK$25.5 million (six months ended 30 September 2013: approximately HK$23.0 million). Gross profit margin decreased 23.8% (six months ended 30 September 2013: 60.8%) mainly due to increase in staff costs which will enable to the Group to fulfill the increasing in demand.

Administrative Expenses

During the Period under Review, the Group's administrative expenses amounted to approximately HK$49.4 million (six months ended 30 September 2013: approximately HK$58.6 million), which mainly consisted of legal and professional fees, staff costs (including Directors' emoluments), depreciation expenses and amortisation expenses. The decrease in administrative expenses was mainly due to exchange loss decreased by HK$22.7 million.

Loss Attributable to Shareholders

Loss attributable to shareholders amounted to approximately HK$94.5 million (six months ended 30 September 2013: approximately HK$224.4 million). This was mainly due to fair value loss on the financial liabilities at fair value through profit or loss was incurred from discontinued operations during the six months ended 30 September 2013.

Capital Expenditure

During the Period under Review, the Group had incurred a total of approximately HK$15.7 million for the acquisition of property, plant and equipment in Hong Kong, Mongolia and Mainland China (six months ended 30 September 2013: approximately HK$52.5 million).

Liquidity & Financial Resources

As at 30 June 2014, the Group's cash at banks and in hand, pledged bank deposits and restricted bank deposits reached approximately HK$57.5 million (as at 31 December 2013: approximately HK$86.5 million). At the end of the Period under Review, total borrowings, including convertible notes issued in 2010, 2013 and 2014, borrowings and amounts due to non-controlling shareholders, were approximately HK$843.4 million (as at 31 December 2013: approximately HK$843.6 million). The Group's current ratio (the ratio of current assets to current liabilities), was 0.6 times (as at 31 December 2013: 1.7 times), and its gearing ratio, calculated as total borrowings less cash at banks and in hand, pledged bank deposits and restricted bank deposits, then divided by total equity was 90% (as at 31 December 2013: 96%).

Foreign Exchange Risk Management

The Group's transactions are primarily denominated in Hong Kong Dollars ("**HK$**"), United States Dollars ("**US$**"), Mongolian Tughrik ("**MNT**") and Renminbi ("**RMB**"). The Group has not implemented any formal hedging policy. However, the Group reviews its foreign exchange exposure from time to time 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 2014, the Group had approximately 499 employees (as at 30 September 2013: 918 employees) all of whom were holding permanent positions. Total staff costs, including Directors' emoluments for the Period under Review, amounted to approximately HK$25.9 million (six months ended 30 September 2013: approximately HK$66.6 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-related bonuses, education subsidies, provident fund, medical insurance and the use of share option scheme to recognise and acknowledge contributions made or may be made to the business development of the Group by its employees.

PROSPECTS

At the beginning of 2014, the State Council of the PRC has officially acknowledged the geographic information industry as the national strategic emerging industry. It is expected that a prime time of rapid development for the geographic information industry is coming. The geographic information industry in the PRC market is expanding rapidly, governments and the public are indicating strong demands for geographic information. The Group will further strengthen its capability to provide integrated solutions of geographic information to the governments of the PRC. Governments demand for industry-specific and large scale geographic information for application projects, such as national geographic conditions monitoring project and confirmation of ownership of rural land project. Such demands ensure sustainable and steady development of the Group. The Group has already commenced further exploration in a number of sectors, including the operation and distribution of power integration data collection project operated by national grid in the power sector and projects involving underground pipeline data collection in the energy sector. With huge potential to apply geographic information, these sectors are expected to bring considerable revenue to the Group.

The development of Digital Cities in the PRC are experiencing an accelerated transformation and upgrading into Smart Cities. The List of Pilot Smart Cities issued by the Ministry of Housing and Urban-Rural Development of the PRC in 2013, identified a total of 103 Smart Cities. National Administration of Surveying, Mapping and Geoinformation launched the geographical space framework construction of Digital Cities in 2006. Up to now, an aggregate of 321 prefecture-level cities have been engaged in the Digital City construction, 190 of which have been completed and put into operation and even begun with wholly upgrading into the Smart City construction. The accelerated construction of Smart Cities will create significant opportunities for the future development of the Group. Leveraging on the characteristics of its own products and technology, the Group will vertically penetrate into industry-specific markets, and horizontally tap into strategically-devised regional markets by establishing branches or offices in the main domestic regional markets, so as to form competitive edges across industries or regions. By capitalizing on the geographic information data accumulated over the years, the Group will explore the corporate and public levels of data application in the construction and application of massive geographic information data and provision of GIS cloud services.

Looking forward, the geographic information industry will develop steadily in terms of market scale, and the application coverage will also continue to expand. In order to seize business opportunity, the Group will remain focused on its core businesses, including strengthening its capability to acquire geographic information, improving efficiency on data processing and promoting data application. In addition, the Group will continue to expand its scale of operation, acquire additional imagery and data processing equipment, and recruit more personnel with expertise in, among others, the industry solutions, the mining of massive datasets, the network software development and the cloud computing databases. The Group will also continue with its development of GIS application software platform and focus on developing the imaging database and upgrade of cities to Smart Cities within the coming three to five years. Meanwhile, special purpose companies will be established by the Company based on application of geographic information in sectors like network, power, underground pipeline as well as rail traffic. By doing so, the Company expects to exploit the potential of these sectors in application of geographic information. It is believed that the business layout will enable the Group to utilise its core competitive edges, thus providing continuous growth potential for the Group and broadening the revenue sources of the Group.

In the meantime, the Group will further develop its mining business in Mongolia which, with a devoted team, is expected to generate satisfactory return to the Company and its shareholders.

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 2014, 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**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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 25 to the interim financial statements), certain Directors were granted share options to subscribe for shares of the Company (the "**Shares**"). Details of share options outstanding and exercisable as at 30 June 2014 were as follows:

Name of Director	Date of grant	Capacity	Number of underlying shares comprised in the share options	Exercisable period	Exercisable price per share
Mr. HUI Yat On	9 October 2012	Beneficial owner	1,000,000	9 October 2012 to 8 October 2022	HK$0.25

Save as disclosed above, as at 30 June 2014, 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 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 25 to the interim financial report, 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 spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse 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 Part XV of the SFO shows that as at 30 June 2014, 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
Aviation Industry Corporation of China ("**AVIC**")	Interest in controlled corporation	1	1,715,980,000	25.78%
AVIC International Holding Corporation	Interest in controlled corporation	1	1,715,980,000	25.78%
AVIC International (HK) Group Limited ("**AVIC Group**")	Interest in controlled corporation	1	1,715,980,000	25.78%
Tacko International Limited ("**Tacko**")	Interest in controlled corporation	1	1,161,900,000	17.45%
AVIC International Holding (HK) Limited ("**AVIC Holding**")	Interest in controlled corporation	1	1,161,900,000	17.45%
Kingspot Investment Limited ("**Kingspot**")	Beneficial owner	1	1,133,000,000	17.02%

Name of Substantial shareholder	Capacity/ Nature of interest	Notes	Number of Shares/Underlying shares held	Approximate percentage of shareholding in the Company
Billirich Investment Limited ("**Billirich**")	Beneficial owner	1	28,900,000	0.43%
China Environmental Investment Holdings Limited ("**CEIHL**")	Interest in controlled corporation	1	554,080,000	8.32%
Light Pearl Holdings Limited ("**Light Pearl**")	Interest in controlled corporation	1	554,080,000	8.32%
Tongda Information Technology Limited ("**Tongda**")	Interest in controlled corporation	1	554,080,000	8.32%
Smarty Capital Investments Limited ("**Smarty Capital**")	Beneficial owner	1	554,080,000	8.32%
Mr. Yu Xianjun ("**Mr. Yu**")	Interest in controlled corporation	2	999,200,000	15.01%
Smart Image Holdings Limited ("**Smart Image**")	Beneficial owner	2	999,200,000	15.01%
Mr. Zhang Yang	Beneficial owner		882,000,000	13.25%
Mr. Wong Ching Ping Alex ("**Mr. Wong**")	Beneficial owner and Interest in controlled corporation	3	485,554,544	7.29%
Diamond Wealth Holdings Limited ("**Diamond Wealth**")	Beneficial owner	3	388,954,544	5.84%
Ms. Gomes Maria Da Silva Rubi Angela ("**Ms. Gomes Maria Da Silva**")	Family Interest	4	485,554,544	7.29%
Mr. Chen Zechao	Beneficial owner		396,000,000	5.95%
Mr. Guan Hongliang ("**Mr. Guan**")	Interest in controlled corporation	5	350,652,000	5.27%
Broadlink Enterprises Limited ("**Broadlink**")	Beneficial owner	5	350,652,000	5.27%

Notes:

1. AVIC is interested in 1,715,980,000 Shares issuable under convertible notes through Smarty Capital, Billirich and Kingspot.

   AVIC holds 62.52% interest in AVIC International Holding Corporation which in turn holds 100% interests in AVIC Group which in turn holds 11.49% interests in CEIHL.

   AVIC Group also holds 100% interests in Tacko which in turn holds 41.03% interests in AVIC Holding which in turn holds 100% interests in Billirich which in turn holds 23.53% interests in CEIHL. Billirich holds 28,900,000 Shares.

   CEIHL holds 100% interests in Light Pearl which in turn holds 100% interests in Tongda which in turn holds 100% interests in Smarty Capital which holds 554,080,000 Shares.

   AVIC Holding holds 100% interests in Kingspot which is interested in convertible notes that may be converted into 1,133,000,000 Shares.

2. Smart Image is interested in 999,200,000 Shares. It is wholly owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in such Shares.

3. Diamond Wealth holds 388,954,544 Shares. It is wholly owned by Mr. Wong. By virtue of the SFO, Mr. Wong is deemed to be interested in the Shares held by Diamond Wealth.

4. Ms. Gomes Maria Da Silva is the spouse of Mr. Wong. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Wong.

5. Broadlink holds 350,652,000 Shares. It is owned as to 44.36% by Mr. Guan. By virtue of the SFO, Mr. Guan is deemed to be interested in the Shares held by Broadlink.

6. All interests stated above represented long positions.

Save as disclosed above, as at 30 June 2014, 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 has any competing interests in any business or has any interest 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 25 to the interim financial report.

Interim Dividend

No dividend has been paid or declared by the Company in respect of the current and last interim periods.

Purchase, Redemption or Sale of Listed Securities of the Company

During the Period under Review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company.

Corporate Governance

The Board of Directors (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 as set out in Appendix 14 to the Listing Rules for the Period under Review except that Mr. Yuen Wai Keung ("**Mr. Yuen**") served as acting chairman and chief executive officer of the Company from 16 January 2014 to 28 February 2014. In accordance with the code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, the Board is of the view that although Mr. Yuen was both the acting chairman and the Chief Executive Officer of the Company, the structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority was ensured by the operations of the Board, which comprised experienced and high calibre individuals and met regularly to discuss issues affecting the operations of the Company. The Board believes that the structure is conductive to a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

Model Code

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 of each executive Director and the letters of appointment of each independent non-executive Director. The Company has made specific enquiries with the Directors, and all Directors have confirmed they have complied with the requirements set out under the Model Code for the Period under Review.

Audit Committee

As at the date of this report, the audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. TAM Sun Wing (as chairman of the Audit Committee), Mr. HUI Yat On and Mr. ZHANG Songlin. The Audit Committee has, at the date of this report, reviewed with the Company's management and the independent auditor of the Company, SHINEWING (HK) CPA Limited, the internal controls 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 disclosure have been made.

By Order of the Board
GUAN Hongliang
Chairman & Chief Executive Officer

Hong Kong, 26 August 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
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 (collectively referred to as the "Group") set out on pages 21 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 requires 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 of the Company 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.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 15 to the condensed consolidated financial statements, which describes the material uncertainty in respect of the implementation of relevant laws and regulations in Mongolia which may have a significant impact on the position and carrying value of the Group's mining licences.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong, 26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014

	Notes	**Six months ended 30 June 2014 (Unaudited) HK$'000**	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Continuing operations			
Revenue	5	**107,005**	37,771
Cost of revenue		**(81,543)**	(14,805)
Gross profit		**25,462**	22,966
Other income and gain	7	**5,201**	17,822
Selling and distribution expenses		**(4,034)**	(668)
Administrative and other operating expenses		**(49,405)**	(58,598)
Impairment loss of property, plant and equipment	15	**(670)**	(657)
Impairment loss of mining licences	15	**(48,000)**	(37,566)
Fair value gain (loss) on the Derivative Component of the Convertible Note I	22(a)	**2,019**	(21,884)
Fair value gain (loss) on the financial liabilities at fair value through profit or loss	22(b)	**1,287**	(88,544)
Operating loss		**(68,140)**	(167,129)
Finance costs	8	**(44,993)**	(58,477)
Loss before taxation	9	**(113,133)**	(225,606)
Income tax credit	10	**14,255**	11,382
Loss for the period from continuing operations		**(98,878)**	(214,224)
Discontinued operations			
Loss for the period from discontinued operations	11	**–**	(14,900)
Loss for the period		**(98,878)**	(229,124)

	Notes	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Loss for the period attributable to owners of the Company:			
– from continuing operations		**(94,506)**	(209,524)
– from discontinued operations		**–**	(14,876)
Loss for the period attributable to owners of the Company		**(94,506)**	(224,400)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**(4,372)**	(4,700)
– from discontinued operations		**–**	(24)
Loss for the period attributable to non-controlling interests		**(4,372)**	(4,724)
		(98,878)	(229,124)
Loss per share (HK cents)			
From continuing and discontinued operations			
– Basic and diluted	13	**(1.62)**	(8.01)
From continuing operations			
– Basic and diluted	13	**(1.62)**	(7.48)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000
Loss for the period	**(98,878)**	(229,124)
Other comprehensive expense		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of overseas operations	**(17,514)**	(7,188)
Other comprehensive expense for the period, net of income tax of nil	**(17,514)**	(7,188)
Total comprehensive expense for the period	**(116,392)**	(236,312)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(111,506)**	(232,252)
Non-controlling interests	**(4,886)**	(4,060)
	(116,392)	(236,312)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	14	**74,894**	66,391
Deposit paid for acquisition of properties		**488**	492
Interest in an associate		**755**	–
Goodwill		**669,287**	669,287
Mining licences	15	**85,213**	148,888
Exploration and evaluation assets	16	**–**	–
Other intangible assets	17	**633,735**	632,705
Deferred tax assets	23	**3,929**	4,010
Derivative financial asset – Derivative Component of the Convertible Note I	22	**–**	60,851
		1,468,301	1,582,624
Current assets			
Inventories		**25,156**	17,087
Amounts due from customers of contract works		**255,047**	201,748
Trade and other receivables	18	**132,741**	150,911
Loan receivable	19	**11,847**	10,921
Amounts due from non-controlling shareholders		**9,648**	3,820
Derivative financial asset – Derivative Component of the Convertible Note I	22	**62,870**	–
Tax recoverable		**6**	6
Restricted bank deposits		**1,273**	–
Pledged bank deposits		**3,567**	11,336
Bank balances and cash		**52,693**	75,120
		554,848	470,949
Current liabilities			
Trade and other payables	20	**201,500**	187,446
Amounts due to non-controlling shareholders		**46,352**	39,092
Tax payables		**4,118**	5,381
Borrowings	21	**61,520**	37,669
Convertible notes	22	**550,300**	–
		863,790	269,588
Net current (liabilities) assets		**(308,942)**	201,361
Total assets less current liabilities		**1,159,359**	1,783,985

	Notes	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Non-current liabilities			
Borrowings	21	**73,954**	54,277
Convertible notes	22	**111,238**	712,566
Financial liabilities at fair value through profit or loss	22	**–**	109,773
Deferred income		**5,701**	7,014
Deferred tax liabilities	23	**94,966**	115,254
		285,859	998,884
Net assets		**873,500**	785,101
Equity			
Share capital	24	**1,664,378**	1,445,575
Reserves	26	**(911,847)**	(786,329)
Equity attributable to owners of the Company		**752,531**	659,246
Non-controlling interests		**120,969**	125,855
Total equity		**873,500**	785,101

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to owners of the Company											
	Share capital HK$'000 (note 24)	Share premium HK$'000 (note 26(a))	Merger reserve HK$'000 (note 26(b))	Share option reserve HK$'000 (note 26(c))	Capital redemption reserve HK$'000 (note 26(d))	Statutory reserve HK$'000 (note 26(e))	Translation reserve HK$'000 (note 26(f))	Convertible note equity reserve HK$'000 (note 22)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013 (Audited)	459,899	1,056,066	13,805	23,675	6,629	–	94,483	348,595	(1,969,829)	33,323	(706)	32,617
Loss for the period	–	–	–	–	–	–	–	–	(224,400)	(224,400)	(4,724)	(229,124)
Other comprehensive (expense) income for the period												
– Exchange difference arising from translation of overseas operations	–	–	–	–	–	–	(7,852)	–	–	(7,852)	664	(7,188)
Total comprehensive expense for the period	–	–	–	–	–	–	(7,852)	–	(224,400)	(232,252)	(4,060)	(236,312)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	131,808	131,808
Issue of Placing Shares (note 24(a))	90,000	–	–	–	–	–	–	–	–	90,000	–	90,000
Share issue expenses (note 24(a))	–	(1,800)	–	–	–	–	–	–	–	(1,800)	–	(1,800)
Shares issued upon exercise of share options	15,335	2,745	–	(2,745)	–	–	–	–	–	15,335	–	15,335
Issue of Convertible Note II	–	–	–	–	–	–	–	199,869	–	199,869	–	199,869
Conversion of Convertible Note I	500	2,155	–	–	–	–	–	(1,140)	–	1,515	–	1,515
Conversion of Convertible Note II	771,663	(159,748)	–	–	–	–	–	(131,822)	–	480,093	–	480,093
Recognition of equity-settled share based payments	–	–	–	925	–	–	–	–	–	925	–	925
At 30 September 2013 (Unaudited)	1,337,397	899,418	13,805	21,855	6,629	–	86,631	415,502	(2,194,229)	587,008	127,042	714,050
At 1 January 2014 (Audited)	**1,445,575**	**934,900**	**13,805**	**21,903**	**6,629**	**11,401**	**98,546**	**372,169**	**(2,245,682)**	**659,246**	**125,855**	**785,101**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(94,506)**	**(94,506)**	**(4,372)**	**(98,878)**
Other comprehensive expense for the period												
– Exchange difference arising from translation of overseas operations	**-**	**-**	**-**	**-**	**-**	**-**	**(17,000)**	**-**	**-**	**(17,000)**	**(514)**	**(17,514)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(17,000)**	**-**	**(94,506)**	**(111,506)**	**(4,886)**	**(116,392)**
Appropriations	**-**	**-**	**-**	**-**	**-**	**1,571**	**-**	**-**	**(1,571)**	**-**	**-**	**-**
Shares issued upon exercise of share options (note 24(b))	**2,800**	**506**	**-**	**(506)**	**-**	**-**	**-**	**-**	**-**	**2,800**	**-**	**2,800**
Issue of Convertible Note II (note 22(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**57,337**	**-**	**57,337**	**-**	**57,337**
Conversion of Convertible Note II (note 24(d))	**216,003**	**(12,974)**	**-**	**-**	**-**	**-**	**-**	**(58,375)**	**-**	**144,654**	**-**	**144,654**
At 30 June 2014 (Unaudited)	**1,664,378**	**922,432**	**13,805**	**21,397**	**6,629**	**12,972**	**81,546**	**371,131**	**(2,341,759)**	**752,531**	**120,969**	**873,500**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000
OPERATING ACTIVITIES		
Cash used in operations	**(19,146)**	(13,437)
Interest paid on bank loans and overdraft and other loans	**(1,226)**	(1,578)
Interest received	**266**	1,160
Income tax paid	**(2,698)**	(214)
NET CASH USED IN OPERATING ACTIVITIES	**(22,804)**	(14,069)
INVESTING ACTIVITIES		
Decrease in pledged bank deposits	**7,812**	1,383
Increase in restricted bank deposits	**(1,277)**	–
Payments to acquire property, plant and equipment	**(15,704)**	(5,617)
Net cash outflow on acquisition of subsidiaries	**–**	(211,298)
Capital injection in an associate	**(755)**	–
Payment to acquire of other intangible assets	**(39,763)**	(7,588)
Decrease in structured deposits	**–**	7,520
Increase in loan receivable	**(566)**	(501)
Proceeds from disposal of property, plant and equipment	**–**	1,719
Advancement to non-controlling shareholders	**(5,864)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(56,117)**	(214,382)
FINANCING ACTIVITIES		
Proceeds from issuance of shares through placing	**–**	90,000
Share issue expenses	**–**	(1,800)
Proceeds from issuance of share through exercise of share option	**2,800**	15,335
Advance from non-controlling shareholders	**7,631**	–
Government grant received	**3,156**	–
New bank borrowings raised	**65,654**	36,380
Repayment of bank borrowings	**(21,775)**	(49,978)
NET CASH FROM FINANCING ACTIVITIES	**57,466**	89,937
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(21,455)**	(138,514)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**75,120**	291,454
Effect of foreign exchange rate changes	**(972)**	2,504
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances and cash	**52,693**	155,444

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2014

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 and registered office is Room A02, 35th Floor, United Centre, 95 Queensway, Hong Kong.

The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in geographical information business in the People's Republic of China (the "**PRC**") including aerial photography, aviation and aerospace remote sensing image data processing and data extraction (the "**data processing**"), provision of geographic information system ("**GIS**") software and solutions (the "**software application**"), and sales of cameras and manufacture and sales of unmanned aerial vehicles (the "**sales of cameras and unmanned aerial vehicles**"), as well as mining and exploration of mineral resources in Mongolia. The Group discontinued its operations in the provision of maintenance and construction works on civil engineering contracts in respect of waterworks engineering, road works and drainage and slope upgrading for the public sector in Hong Kong, the provision of water supply services in the PRC and the provision of renovation services in Macau (collectively referred as the "**Disposed Business**") following the completion of the disposal of Rich Path Holdings Limited ("**Rich Path**") and its subsidiaries (the "**Disposal Group**") on 20 December 2013 (the "**Disposal**").

Following the completion of the Disposal, the Group discontinued its operations in the Disposed Business. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and related notes for the six months ended 30 September 2013 have been restated to re-present the Disposed Business as discontinued operations.

2. BASIS OF PREPARATION

(i) From the financial period ended 31 December 2013 onwards, the reporting period end date of the Group was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with most of its operating subsidiaries in the PRC. Accordingly, the condensed consolidated financial statements for the current period cover the six months ended 30 June 2014. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover a six months period from 1 April 2013 to 30 September 2013 and therefore may not be comparable with amounts shown for the current period.

(ii) The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

(iii) The condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the nine months ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

(iv) The condensed consolidated financial statements relating to the six months ended 30 September 2013 that is included in the interim financial report as being previously reported information was reviewed by the predecessor auditors, BDO Limited, who have expressed an unqualified conclusion on those condensed consolidated financial statements in their report dated 18 November 2013.

2. BASIS OF PREPARATION *(Continued)*

(v) Notwithstanding that the Group had (i) incurred loss for the six months ended 30 June 2014 of approximately HK$98,878,000 and (ii) net current liabilities of approximately HK$308,942,000 as at 30 June 2014 which included current portion of convertible notes of approximately HK$550,300,000, the condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the followings:

– The Group is formulating, and will implement, cost saving measures to improve the performance and the cash flows of the Group's operations to ensure positive cash flows will be generated from the Group.

– The unutilised banking facilities of RMB16,420,000 (equivalent to approximately HK$20,669,000) and HK$15,000,000 available from the Group's existing banker and a subsidiary of the substantial shareholder of the Group respectively.

– The Company has the right to extend the maturity date of a five-year zero coupon convertible note with outstanding balance of approximately HK$550,300,000 issued on 17 June 2010 (the "**Convertible Note I**") for another 5 years.

The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the reclassification of all non-current assets and liabilities as current assets and liabilities, written down the value of assets to their recoverable amounts and to provide for further liabilities which may arise should the Group be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2013 except as described below.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interest in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate (Continued)

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of a new Interpretation and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Interpretation 21	Levies

* IFRIC represents International Financial Reporting Interpretations Committee.

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[3]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [3]

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of a new Interpretation and amendments to HKFRSs *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[2] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Going concern consideration

The assessment of the going concern assumption involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions are set out in note 2(v).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

Impairment of mining licences

Mining licences are assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term selling prices, discount rates, future capital requirements and operating performance. Fair value is determined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site, or individual water plant, which is the lowest level for which cash flows are largely independent of those of other assets. For the six months ended 30 June 2014, approximately HK$48,000,000 is recognised as impairment loss of mining licences (six months ended 30 September 2013: approximately HK$37,566,000).

5. REVENUE

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Software application	**49,775**	3,918
Data processing	**46,160**	31,731
Sales of cameras and unmanned aerial vehicles	**11,070**	2,122
Total	**107,005**	37,771

The revenue from data processing segment is subject to seasonal fluctuations, with peak season in the third and fourth quarters of the year. This is due to the capture of geographical data is subject to weather condition.

6. 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) Software application;
(2) Data processing;
(3) Sales of cameras and unmanned aerial vehicles; and
(4) Mining and exploration business.

6. SEGMENT INFORMATION *(Continued)*

Operating segments regarding the waterworks engineering contracting business (provision of road works and drainage and slope upgrading for the public sector in Hong Kong), water supply business (provision of water supply services in the PRC) and renovation business (provision of renovation services in Macau) were discontinued in the nine months ended 31 December 2013. The segment information reported does not include any amounts for the Disposed Business, which is described in more details in note 11.

Segment revenue and results

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

For the six months ended 30 June 2014

Continuing operations

	Software application (Unaudited) HK$'000	Data processing (Unaudited) HK$'000	Sales of cameras and unmanned aerial vehicles (Unaudited) HK$'000	Mining and exploration business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	49,775	46,160	11,070	–	107,005
Segment profit (loss)	719	(5,681)	125	(55,988)	(60,825)
Other income and gain					1,154
Fair value gain on the Derivative Component of the Convertible Note I					2,019
Fair value gain on the financial liabilities at fair value through profit or loss					1,287
Finance costs					(44,993)
Central administrative costs					(11,775)
Loss before taxation					(113,133)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results (Continued)

For the six months ended 30 September 2013 (Restated)

Continuing operations

	Software application (Unaudited) HK$'000	Data processing (Unaudited) HK$'000	Sales of cameras and unmanned aerial vehicles (Unaudited) HK$'000	Mining and exploration business (Unaudited) HK$'000	Total (Unaudited) HK$'000
Revenue from external customers	3,918	31,731	2,122	–	37,771
Segment profit (loss)	384	3,560	169	(69,981)	(65,868)
Other income and gain					17,822
Fair value loss on the Derivative Component of the Convertible Note I					(21,884)
Fair value loss on the financial liabilities at fair value through profit or loss					(88,544)
Finance costs					(58,477)
Central administrative costs					(8,655)
Loss before taxation					(225,606)

The accounting policies of the continuing operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administrative costs, directors' salaries, certain other income and gain, fair value change on the Derivative Component of the Convertible Note I and the financial liabilities at fair value through profit or loss and finance costs. 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 2014 and the six months ended 30 September 2013.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Segment assets		
Software application	**162,764**	171,281
Data processing	**1,277,250**	1,239,660
Sales of cameras and unmanned aerial vehicles	**314,034**	347,795
Mining and exploration business	**106,539**	170,996
Total segment assets	**1,860,587**	1,929,732
Unallocated corporate assets	**162,562**	123,841
Total assets	**2,023,149**	2,053,573
Segment liabilities		
Software application	**18,641**	24,784
Data processing	**133,409**	115,225
Sales of cameras and unmanned aerial vehicles	**43,284**	45,221
Mining and exploration business	**6,080**	6,978
Total segment liabilities	**201,414**	192,208
Unallocated corporate liabilities	**948,235**	1,076,264
Total liabilities	**1,149,649**	1,268,472

6. 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 interest in an associate, derivative financial assets – Derivative Component of Convertible Note I, deferred tax assets, tax recoverable, certain corporate assets, loan receivable, amounts due from non-controlling shareholders, restricted bank deposits, pledged bank deposits and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than tax payables, amounts due to non-controlling shareholders, deferred tax liabilities, borrowings, convertible notes, financial liabilities at fair value through profit and loss and certain corporate liabilities as these liabilities are managed on a group basis.

7. OTHER INCOME AND GAIN

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Continuing operations		
Bank interest income	**266**	–
Other interest income	**228**	–
Gain arising from extension of Promissory Note (note i)	**–**	17,819
Government grants (note ii)	**3,787**	–
Sundry income	**920**	3
Total	**5,201**	17,822

Notes:

(i) On 17 June 2010, the Company issued a two-year unsecured, non-interest bearing promissory note in principal amount of HK$350,000,000 (the "**Promissory Note**") to acquire 100% interest in Central Asia Mineral Exploration LLC ("**Camex**"). The maturity date of Promissory Note was extended to 17 June 2013 on 28 March 2012, and further extended to 17 June 2014 on 25 June 2013. On 25 June 2013, the carrying value and fair value of the Promissory Note were approximately HK$350,000,000 and approximately HK$332,181,000 respectively, and resulting in a gain of approximately HK$17,819,000 for the six months ended 30 September 2013 (30 June 2014: nil). The Promissory Note with the interest accrued is off-set in full against the consideration of the Disposal on 20 December 2013.

(ii) Included in the amount of government grant recognised during the six months ended 30 June 2014, approximately HK$3,156,000 (equivalent to RMB2,500,000) were received in respect of certain research projects, and the Group has fulfilled the relevant granting criteria which immediate recognised as other income and gain for the period, and approximately HK$631,000 (equivalent to RMB500,000) were government grant recognised as deferred income utilised during the period. No government grant was recognised as other income and gain for the six months ended 30 September 2013.

8. FINANCE COSTS

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Continuing operations		
Interest charges on:		
– Bank loans and overdraft wholly repayable within five years	**1,226**	848
– Other loans	**842**	–
	2,068	848
Imputed interest on other unsecured loan (note 21(d))	**448**	–
Imputed interest on Promissory Note	**–**	18,930
Imputed interest on Convertible Note I (note 22(a)(i))	**32,154**	32,187
Imputed interest on Convertible Note II (note 22(b)(i))	**10,323**	6,512
Total	**44,993**	58,477

9. LOSS BEFORE TAXATION

Loss before taxation for the period from the continuing operations has been arrived at after charging:

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Staff costs (including directors' emoluments)		
– salaries, allowances and benefits in kind	**22,058**	12,476
– retirement benefits scheme contributions (defined contribution plan)	**4,357**	151
– equity-settled share-based compensation	**–**	336
	26,415	12,963
Cost of inventories sold	**8,522**	1,361
Amortisation of prepaid land lease payments	**6**	106
Amortisation of other intangible assets	**32,278**	16,627
Depreciation of property, plant and equipment	**5,315**	2,563
Auditor's remuneration	**471**	343
Exchange losses, net	**31**	22,776
Equity-settled share-based compensation to independent consultants	**–**	245
Net loss on disposal of property, plant and equipment	**–**	37
Loss on written off of property, plant and equipment (note 14)	**206**	–
Loss on written off of other intangible assets (note 17)	**1,602**	–
Operating lease charges		
– land and buildings	**2,244**	2,762

10. INCOME TAX CREDIT

Continuing operations

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Current tax		
– PRC Enterprise income tax ("**EIT**")	**1,486**	296
Deferred tax		
– Current period	**(15,741)**	(11,678)
Income tax credit	**(14,255)**	(11,382)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2013: 16.5%) on the estimated assessable profits for the six months ended 30 June 2014. No assessable profits were generated from the continuing operations in Hong Kong for the six months ended 30 June 2014 and the six months ended 30 September 2013.

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% of estimated assessable profits for the period, 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**") was confirmed to be recognised as a software enterprise and therefore is entitled to a tax concession of full exemption from EIT for two years from 1 January 2012 to 31 December 2013. During the six months ended 30 June 2014, Beijing Peace Map Information was recognised as a high technology enterprise in 2014 and the income tax rate applicable is 15%.

A subsidiary of the Company, 北京天下圖數據技術有限公司 ("**Peace Map**"), was recognised as a high technology enterprise in 2009 and therefore the income tax rate applicable is 15% for the six months ended 30 June 2014 (six months ended 30 September 2013: 15%).

10. INCOME TAX CREDIT *(Continued)*

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 ("**MNT**") of taxable income and 25% on the amount in excess thereof. No income tax was provided as these Mongolian subsidiaries have not derived any taxable income during the six months ended 30 June 2014 (six months ended 30 September 2013: nil).

11. DISCONTINUED OPERATIONS

On 2 September 2013, the Group entered into a sale and purchase agreement to dispose of 100% equity interest in a subsidiary, Rich Path, which together with its subsidiaries carried out all of the Group's operations in the Disposed Business. The Disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. A resolution was passed on 12 December 2013 to approve the Disposal and the Disposal was completed on 20 December 2013, on which date control of Rich Path was passed to the acquirer.

11. DISCONTINUED OPERATIONS *(Continued)*

The results of the Disposed Business for the period from 1 April 2013 to 30 September 2013, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Revenue	353,812
Cost of revenue	(329,244)
Gross profit	24,568
Other income and gain	553
Administrative expenses	(21,781)
Impairment loss of property, plant and equipment	(16,000)
Finance costs	(1,151)
Loss before taxation	(13,811)
Income tax expense	(1,089)
Loss for the period from discontinued operations	(14,900)

Loss before taxation from discontinued operations has been arrived at after charging:

	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Staff costs (including directors' emoluments)	
– salaries, allowances and benefits in kind	51,937
– retirement benefits scheme contributions (defined contribution plan)	1,339
– equity-settled share-based compensation	344
	53,620

11. DISCONTINUED OPERATIONS *(Continued)*

Loss before taxation from discontinued operations has been arrived at after charging: *(Continued)*

	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Cost of inventories sold	56,254
Amortisation of prepaid land lease payments	2
Additions to property, plant and equipment	4,074
Depreciation of property, plant and equipment	5,073
Auditor's remuneration	406
Net loss on disposal of property, plant and equipment	435
Bank interest income	(109)
Operating lease charges	
– land and buildings	1,938
– plant and machinery	1,172

No charge or credit arose on loss on discontinuance of the operations.

Net cash outflows on discontinued operations are as follows:

	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Operating activities	12,830
Investing activities	(2,814)
Financing activities	(21,386)
	(11,370)

12. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2014, nor has any dividend been proposed since the end of the interim period (six months ended 30 September 2013: nil).

13. LOSS PER SHARE

From continuing and discontinued operations

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

Loss

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000
Loss for the purpose of basic loss per share	**(94,506)**	(224,400)

Number of shares

	Six months ended 30 June 2014 '000	Six months ended 30 September 2013 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**5,845,814**	2,802,891

Diluted loss per share for both periods is the same as the basic loss per share as the Company has no dilutive potential ordinary shares outstanding during both periods. The impact of the convertible notes as disclosed in note 22 and the outstanding share options as disclosed in note 25 had anti-dilutive effect on the basic loss per share presented.

13. LOSS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000 (Restated)
Loss for the period attributable to owners of the Company	**(94,506)**	(224,400)
Less: loss for the period from discontinued operations	**–**	(14,876)
Loss for the purpose of basic earnings per share from continuing operations	**(94,506)**	(209,524)

The denominators used are the same as those detailed above for basic and diluted loss per share.

Diluted loss per share for both periods from continuing operations is the same as the basic loss per share as the Company has no dilutive potential ordinary shares outstanding during both periods. The impact of the convertible notes as disclosed in note 22 and the outstanding share options as disclosed in note 25 had anti-dilutive effect on the basic loss per share presented.

13. LOSS PER SHARE *(Continued)*

From discontinued operations

Basic and diluted loss per share from discontinued operations attributable to the owners of the Company is HK$0.53 cents per share for the six months ended 30 September 2013, based on the loss for the six months ended 30 September 2013 from the discontinued operations of approximately HK$14,876,000 and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share for both periods from discontinued operations is the same as the basic loss per share as the Company has no dilutive potential ordinary shares outstanding during both periods. The impact of the convertible notes as disclosed in note 22 and the outstanding share options as disclosed in note 25 had anti-dilutive effect on the basic loss per share presented.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of approximately HK$15,704,000 (six months ended 30 September 2013: approximately HK$5,617,000, not including property, plant and equipment acquired through the acquisition of Sinbo Investment Limited and its subsidiaries (collectively referred as "**Sinbo Group**") (see note 27)). The Group has disposed property, plant and equipment with a net carrying value of approximately HK$2,191,000 during the six months ended 30 September 2013, resulting in a net loss on disposal of approximately HK$472,000 (six months ended 30 June 2014: nil). The Group has written off property, plant and equipment with a net carrying value of approximately HK$206,000, resulting in a loss on written off during the six months ended 30 June 2014 (six months ended 30 September 2013: nil).

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the six months ended 30 September 2013, an impairment loss amounting to approximately HK$16,000,000 was recognised for the property, plant and equipment of the Disposal Group. The recoverable amount of the Disposal Group was determined using value in use which is prepared on the basis that the Group intends to sell the Disposal Group and the value in use of the Disposal determined by the Group comprises the future cash flows until the expected completion date of the Disposal together with the estimated sale proceeds. As the value in use of the Disposal Group determined using the above basis is lower than its carrying value, an impairment loss of approximately HK$16,000,000 was resulted which was allocated to the Disposal Group's property, plant and equipment.

15. MINING LICENCES

	HK$'000
Cost	
At 1 April 2013 (Audited)	2,037,481
Exchange realignment	(291,069)
At 31 December 2013 and 1 January 2014 (Audited)	1,746,412
Exchange realignment	(204,896)
At 30 June 2014 (Unaudited)	1,541,516
Accumulated impairment	
At 1 April 2013 (Audited)	1,673,212
Impairment loss recognised in the period	173,440
Exchange realignment	(249,128)
At 31 December 2013 and 1 January 2014 (Audited)	1,597,524
Impairment loss recognised in the period	48,000
Exchange realignment	(189,221)
At 30 June 2014 (Unaudited)	**1,456,303**
Carrying values	
At 30 June 2014 (Unaudited)	**85,213**
At 31 December 2013 (Audited)	148,888

Licences represent the carrying amounts of four mining rights in respect of a coal mine located in Tugrug Valley ("**TNE Mine**") within the administrative unit of Bayan Soum of Tur Aimag in Mongolia covering area of 1,114 hectares in aggregate.

Pursuant to the Mineral Law of Mongolia which was adopted in 2006, mining licence is granted for an initial period of 30 years and holder of a mining licence may apply for an extension of such licence for two successive periods of 20 years each.

No amortisation for the mining licences was provided for as the production of the coal mine site had not been commenced for the six months ended 30 June 2014 and the six months ended 30 September 2013.

15. MINING LICENCES *(Continued)*

Uncertainty relating to implementation of laws and regulations affecting the position of the mining licences

Recent developments in Mongolia with regards to the implementation of laws and regulations relating to mining industry such as the passing of Resolution No. 194 ("**Rs 194**") in June 2012 posed significant uncertainty which may affect the position of the Group's mining licences. Details of which have been set out in the Group's annual report for the nine months ended 31 December 2013.

Notwithstanding the risk exposed by the Group relating to the above laws and regulations have been addressed by the directors of the Company by adjusting the discount rate applied to the discounted cash flow analysis of TNE Mine, the ultimate outcome of this matter cannot be presently determined. If any of the mining licences of the Group was to be revoked due to Rs 194 or the Water Law, and the compensation entitled by the Group was to be significantly less than the carrying amounts of these mining licences, the Group would have to recognise significant impairment loss on the mining licences and the related assets in addition to the impairment loss currently recognised and as described below. This situation represents a significant uncertainty to the Group which might have a significant effect on the condensed consolidated financial statements of the Group.

Based of the above assessment, during the six months ended 30 June 2014, impairment loss of approximately HK$48,670,000 (nine months ended 31 December 2013: approximately HK$176,390,000) recognised in the period before offsetting tax effect is allocated on a pro-rata basis to write down the carrying amounts of the mining licences and furniture, fixtures and equipment in the amounts of approximately HK$48,000,000 and HK$670,000 respectively (nine months ended 31 December 2013: mining licences, land and building and the mine development assets in the amounts of approximately HK$173,440,000, HK$1,651,000 and HK$1,299,000 respectively). The total offsetting tax effect in the period amounted to approximately HK$12,000,000 (nine months ended 31 December 2013: approximately HK$43,360,000).

16. EXPLORATION AND EVALUATION ASSETS

	Licences HK$'000	Others HK$'000	Total HK$'000
Cost			
At 1 April 2013 (Audited)	5,890	21,834	27,724
Addition	–	246	246
Exchange realignment	(367)	(1,264)	(1,631)
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)	**5,523**	**20,816**	**26,339**
Impairment			
At 1 April 2013 (Audited)	4,873	19,017	23,890
Impairment loss recognised in the period	917	2,830	3,747
Exchange realignment	(267)	(1,031)	(1,298)
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)	**5,523**	**20,816**	**26,339**
Carrying values			
At 30 June 2014 (Unaudited)	**–**	**–**	**–**
At 31 December 2013 (Audited)	–	–	–

Licences as at 31 December 2013 and 30 June 2014 represent the cost of obtaining or acquiring exploration licences to certain area in Mongolia with gold, copper and coal deposit and others mainly comprise geological and geophysical costs, costs incurred for drilling, trenching and excavation works, costs incurred for sampling and laboratory works, costs incurred for evaluation such as environment assessment and feasibility study, as well as depreciation and labour costs directly attributable to the exploration activities.

17. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2014, the Group incurred capital expenditure of approximately HK$39,763,000 (six months ended 30 September 2013: approximately HK$7,588,000, not including other intangible assets acquired through the acquisition of Sinbo Group (see note 27)). The Group has written off the other intangible assets with a net carrying value of approximately HK$1,602,000 during the six months ended 30 June 2014 (six months ended 30 September 2013: nil).

18. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Trade receivables	**78,500**	132,254
Less: allowance for doubtful debts	**(15,738)**	(15,857)
	62,762	116,397
Prepaid land lease payments	**4**	11
Prepayments and deposits	**48,825**	21,248
Other receivables	**21,150**	13,255
Total trade and other receivables	**132,741**	150,911

Included in the other receivables of approximately RMB911,000 (equivalent to approximately HK$1,147,000) as at 30 June 2014 (31 December 2013: approximately RMB730,000, equivalent to approximately HK$926,000) is an interest receivable on the loan receivable advanced to an independent third party as disclosed in note 19. The other receivables together with the loan receivable were secured by several real estate properties located in the PRC.

The Group has a policy of allowing credit period to its customers, ranging from 90 to 180 days (31 December 2013: 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 and normally over 1 year for its low default risk.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date, which approximated the respective revenue recognition dates, as at the end of the reporting period:

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Within 90 days	**14,910**	24,885
91 to 180 days	**5,110**	4,677
181 to 365 days	**10,746**	21,538
Over 365 days	**31,996**	65,297
	62,762	116,397

19. LOAN RECEIVABLE

The amount was lent to an independent third party which carried interest at the RMB Benchmark Interest Rate quoted by the People's Bank of China and repayable within one year. As at 30 June 2014, this loan receivable amounted to approximately RMB9,411,000 (equivalent to approximately HK$11,847,000) (31 December 2013: approximately RMB8,611,000, equivalent to approximately HK$10,921,000) together with the interest receivables as disclosed in note 18 from the same independent third party of approximately RMB911,000 (equivalent to approximately HK$1,147,000) (31 December 2013: approximately RMB730,000, equivalent to approximately HK$926,000) are secured by several real estate properties located in the PRC.

20. TRADE AND OTHER PAYABLES

The following is the breakdown of trade and other payables including an aged analysis of trade payables, presented based on invoice date as at the end of the reporting period:

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Within 90 days	**70,571**	74,818
91 to 180 days	**34,272**	9,262
181 to 365 days	**10,227**	21,518
Over 365 days	**34,606**	21,382
	149,676	126,980
Other payables and accruals	**51,824**	60,466
Total trade and other payables	**201,500**	187,446

The credit period granted by suppliers and sub-contractors is normally 90 to 180 days as at 30 June 2014 (31 December 2013: 90 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

21. BORROWINGS

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Current liabilities		
Unsecured bank loans (note a)	**51,611**	37,669
Other unsecured loan (note b)	**5,000**	–
Other unsecured renovation loan (note c)	**4,909**	–
	61,520	37,669
Non-current liabilities		
Other unsecured renovation loan (note c)	**19,637**	–
Other unsecured loans (note d)	**54,317**	54,277
Total borrowings	**73,954**	54,277

Notes:

(a) The unsecured bank loans carried interest at variable market rates at 120% of the RMB Benchmark Interest Rate quoted by the People's Bank of China and were repayable within one year as at 30 June 2014 (31 December 2013: 120% of the RMB Benchmark Interest Rate quoted by the People's Bank of China).

Certain unsecured bank loans amounted to approximately HK$4,507,000 (equivalent to RMB3,580,000) were guaranteed and indemnified by a director of a subsidiary of the Group and a subsidiary of the Group.

(b) Other unsecured loan represented borrowing from AVIC International Investment Limited ("**AVIC Investment**"), a subsidiary of the substantial shareholder of the Group, for financing the general working capital. Under the loan agreement, the maximum amount of the loan available is HK$20,000,000, and the amount is repayable on earlier of i) 31 December 2015; ii) the date when the maximum amount of the loan available fully drawn down; or iii) the date of the loan agreement cancelled. The borrowing carries interest at fixed rate of 5% with a repayment on demand clause.

21. BORROWINGS *(Continued)*

Notes: *(Continued)*

(c) Other unsecured renovation loan represented borrowing from CATIC Siwei Co., Limited ("**CATIC Siwei**"), a substantial shareholder of Peace Map, for financing the renovation incurred for the office rented from CATIC Siwei. On 15 May 2014, the Group entered into a tenancy agreement with CATIC Siwei as landlord in relation to the tenancy of a nine storey building (the "**Property**") (the "**Tenancy Agreement**") of which the renovation amount of the Property (the "**Loan**") was fully financed by CATIC Siwei amounted to approximately HK$24,546,000 (equivalent to RMB19,500,000). The Loan carries interest at 5-year RMB Benchmark Interest Rate quoted by the People's Bank of China over the outstanding balance of the Loan plus any accrued interest. The Group is required to repay not less than 20% of the principal amount of the Loan and interest of the Loan annually. Further details are set out in the announcement of the Company dated 15 May 2014.

(d) Other unsecured loans as at 30 June 2014 and 31 December 2013 were borrowings from two independent third parties not related to the Group. Approximately HK$37,764,000 (equivalent to RMB30,000,000) were non-interest bearing and approximately HK$19,889,000 (equivalent to RMB15,800,000) bore interest at a floating interest rate linked to the RMB Benchmark Interest Rate quoted by the People's Bank of China. The above other unsecured loans were originally repayable in November 2013 and September 2013 respectively. During the nine months ended 31 December 2013, such loans were extended to be repayable in November 2015 and September 2015 respectively.

The fair value of the non-interest bearing loans at the date of extension was approximately HK$33,354,000 (equivalent to approximately RMB26,528,000), resulting in a gain on extension of non-interest bearing loan of approximately HK$4,365,000 (equivalent to approximately RMB3,471,000) during the nine months ended 31 December 2013.

The non-interest bearing unsecured loans are subsequently measured at amortised cost using effective interest method. An imputed interest expense of approximately HK$448,000 (equivalent to approximately RMB355,000) was recognised in profit or loss for the six months ended 30 June 2014 (nine months ended 31 December 2013: approximately HK$587,000, equivalent to approximately RMB467,000).

22. CONVERTIBLE NOTES

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Convertible Note I (note a)		
Liability component	**550,300**	518,146
Equity component	**320,578**	320,578
Derivative Component	**(62,870)**	(60,851)
	808,008	777,873
Convertible Note II (note b)		
Liability component	**111,238**	194,420
Equity component	**50,553**	51,591
Financial liabilities at fair value through profit or loss	**–**	109,773
	161,791	355,784
Analysed for reporting purpose:		
Current portion:		
Liability component	**550,300**	–
Derivative Component	**(62,870)**	–
	487,430	–
Non-current portion:		
Liability component	**111,238**	712,566
Derivative Component	**–**	(60,851)
Financial liabilities at fair value through profit or loss	**–**	109,773
	111,238	761,488
Equity component	**371,131**	372,169
	969,799	1,133,657

22. 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**") to acquire 100% interest in Camex. The Convertible Note I will be matured on 17 June 2015, 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$1.1 (adjusted from HK$0.22 per share as a result of the share consolidation on 20 November 2012). 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**").

The Convertible Note I was stated at fair value on the Issue Date I which amounted to 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 were determined based on the valuation carried out by Asset Appraisals Limited, an independent professional valuer, by using Binomial valuation model.

The Derivative Component is accounted for as financial assets at fair value through profit or loss.

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 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000
Carrying amounts						
At beginning of the period	**518,146**	514,179	**320,578**	348,595	**(60,851)**	(57,755)
Imputed interest expenses (note i)	**32,154**	47,845	**-**	-	**-**	-
Conversion of Convertible Note I (note ii)	**-**	(43,878)	**-**	(28,017)	**-**	2,949
Change in fair value recognised in profit or loss (note iii)	**-**	-		-	**(2,019)**	(6,045)
At end of the period	**550,300**	518,146	**320,578**	320,578	**(62,870)**	(60,851)

22. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Notes:

(i) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% (six months ended 30 September 2013: 12.91%) per annum. Imputed interest expense of approximately HK$32,154,000 (six months ended 30 September 2013: approximately HK$32,187,000) was recognised in profit or loss for the six months ended 30 June 2014.

(ii) 49,136,455 shares were issued upon conversion of the Convertible Note I in total amount of HK$54,050,100 for the nine months ended 31 December 2013 (six months ended 30 June 2014: nil). 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 24(c)).

(iii) The Derivative Component is measured at fair value with changes in fair value recognised in profit or loss. The Derivative Component is carried as derivative financial asset in the condensed consolidated statement of financial position until extinguished on conversion or redemption.

(b) On 2 August 2013 (the "**Issue Date II**"), the Company issued a five-year zero coupon convertible note in principal amount of HK$1,250,000,000 (the "**Convertible Note II**") including a principal amount of HK$80,000,000 in aggregate which is subject to adjustment (the "**Contingent Consideration**"), to acquire 100% interest in Sinbo Investment Limited ("**Sinbo**"). The Convertible Note II will be matured on 2 August 2018, 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 at any time from the issue date up to maturity date. The Convertible Note II is non-redeemable prior to the maturity date.

22. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

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 Contingent Consideration will be adjusted in the event that the audited consolidated net profit after tax of Sinbo Group attributable to the owners of Sinbo for the year ended 31 December 2013 (the "**PAT**") is 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 of 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 Limited ("**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 by using option pricing model.

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

22. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The Contingent Consideration is accounted for as financial liabilities at fair value through profit or loss under non-current liabilities as at 31 December 2013. On 26 March 2014 ("**Issue Date III**"), the PAT has been met and the Company issued the Tranche A Convertible Notes II in the aggregate principal amount of HK$80,000,000. They are initially recognised at fair value on the Issue Date III amounting to approximately HK$108,486,000 which comprises liability component with fair value on the Issue Date III of approximately HK$51,149,000 and equity component with fair value on the Issue Date III of approximately HK$57,337,000. 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 by using option pricing model.

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

	Liability component		**Equity component**		**Derivative Component**	
	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000
Carrying amounts						
At beginning of the period	**194,420**	–	**51,591**	–	**109,773**	–
Addition at Issue Date II	**-**	723,889	**-**	199,869	**-**	48,259
Addition at Issue Date III	**51,149**	–	**57,337**	–	**(108,486)**	–
Imputed interest expenses (note i)	**10,323**	11,467	**-**	–	**-**	–
Conversion of Convertible Note II (note ii)	**(144,654)**	(540,936)	**(58,375)**	(148,278)	**-**	–
Change in fair value recognised in profit or loss (note iii)	**-**	–	**-**	–	**(1,287)**	61,514
At end of the period	**111,238**	194,420	**50,553**	51,591	**-**	109,773

Notes:

(i) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 9.35% to 10.07% per annum. Imputed interest expense of approximately HK$10,323,000 (six months ended 30 September 2013: approximately HK$6,512,000) was recognised in profit or loss for the six months ended 30 June 2014.

22. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Notes: *(Continued)*

(ii) 864,011,360 shares (nine months ended 31 December 2013: 3,471,988,640 shares) were issued upon conversion of the Convertible Note II in total amount of approximately HK$216,003,000 for the six months ended 30 June 2014 (nine months ended 31 December 2013: approximately HK$867,997,000). 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 24(d)).

(iii) The Contingent Consideration is measured at fair value with changes in fair value recognised in profit or loss. The Contingent Consideration is carried as derivative financial liability in the condensed consolidated statement of financial position until the Tranche A Convertible Note II is issued.

23. DEFERRED TAXATION

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Deferred tax assets	**3,929**	4,010
Deferred tax liabilities	**(94,966)**	(115,254)
Balance at end of period	**(91,037)**	(111,244)

23. DEFERRED TAXATION *(Continued)*

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

	Fair value adjustments on exploration and evaluation assets and mining licences HK$'000	Unrealised profits HK$'000	Fair value adjustment arising from acquisition of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 January 2014 (Audited)	37,114	(348)	78,140	(3,662)	111,244
(Credited) charged to profit or loss	(12,000)	–	(3,793)	52	(15,741)
Exchange realignment	(3,901)	–	(594)	29	(4,466)
At 30 June 2014 (Unaudited)	21,213	(348)	73,753	(3,581)	91,037

24. SHARE CAPITAL

	Par value HK$	Number of ordinary shares	Total HK$'000
Authorised			
At 1 April 2013 and 31 December 2013	0.25	10,000,000,000	2,500,000
Increase in authorised share capital (note e)	0.25	20,000,000,000	5,000,000
At 30 June 2014	**0.25**	**30,000,000,000**	**7,500,000**
Issued and fully paid			
At 1 April 2013	0.25	1,839,596,000	459,899
Shares issued under placing (note a)	0.25	360,000,000	90,000
Exercise of share options (note b)	0.25	61,580,000	15,395
Conversion of Convertible Note I (note c)	0.25	49,136,455	12,284
Conversion of Convertible Note II (note d)	0.25	3,471,988,640	867,997
At 31 December 2013	0.25	5,782,301,095	1,445,575
Exercise of share options (note b)	0.25	11,200,000	2,800
Conversion of Convertible Note II (note d)	0.25	864,011,360	216,003
At 30 June 2014	**0.25**	**6,657,512,455**	**1,664,378**

24. SHARE CAPITAL *(Continued)*

Notes:

(a) On 15 May 2013, the Company completed a placing of 360,000,000 new shares of the Company at HK$0.25 per share. Proceeds generated from the placing amounted to HK$90,000,000 (before share issue expenses of approximately HK$1,800,000). The net proceeds of approximately HK$88,200,000 were intended to be utilised as general working capital of the Group. As a result of the placing, share capital has been increased by HK$90,000,000 and share premium has been decreased by HK$1,800,000.

(b) During the six months ended 30 June 2014, 11,200,000 share options had been exercised by holders at HK$0.25 each for the issuance shares (nine months ended 31 December 2013: 61,580,000 share options). As a result of the exercise of share options, cash and cash equivalent, share capital and share premium have been increased by HK$2,800,000, HK$2,800,000 and approximately HK$506,000 respectively (nine months ended 31 December 2013: HK$15,395,000, HK$15,395,000 and approximately HK$2,755,000 respectively) and share options reserve has been decreased by approximately HK$506,000 (nine months ended 31 December 2013: approximately HK$2,755,000).

(c) During the nine months ended 31 December 2013, the Noteholder I converted Convertible Note I in aggregate principal amount of HK$54,050,100 at the conversion price of HK$1.1 per share whereby a respective total number of 49,136,455 conversion shares were issued. As a result of the conversion, share capital and share premium of the Company have been increased by approximately HK$12,284,000 and HK$56,662,000 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.

(d) During the six months ended 30 June 2014, the Noteholder II converted Convertible Note II in aggregate principal amount of HK$216,002,840 (nine months ended 31 December 2013: HK$867,997,160) at the conversion price of HK$0.25 per share whereby a respective total number of 864,011,360 (nine months ended 31 December 2013: 3,471,988,640) conversion shares were issued. As a result of the conversion, share capital of the Company has been increased by approximately HK$216,003,000 and share premium of the Company has been decreased by approximately HK$12,974,000 respectively (nine months ended 31 December 2013: increased by approximately HK$867,997,000 and share premium of the Company has been decreased by approximately HK$178,783,000 respectively) and the aggregate of which represents proportional amounts of the equity component and the liability component at the time of conversion.

(e) Pursuant to a special resolution passed on 14 January 2014, it is resolved that the increase of authorised share capital of the Company from 2,500,000,000 ordinary shares divided into 10,000,000,000 ordinary shares of HK$0.25 each to HK$7,500,000,000 divided into 30,000,000,000 shares of HK$0.25 each by the creation of an additional 20,000,000,000 new shares.

25. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme (the "**Scheme**") pursuant to a written resolution of all the then shareholders passed on 25 February 2006. The purpose of the Scheme is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group.

Movements of the share options and their weighted average exercise price

		Number of share options				
Grantees	**Options grant date**	**As at 1 January 2014 '000**	**Granted '000**	**Exercised '000**	**Forfeited '000**	**As at 30 June 2014 '000**
Directors	25 October 2010	36,700	-	-	-	36,700
	9 October 2012	36,860	-	(11,200)	-	25,660
		73,560	-	(11,200)	-	62,360
Employees	25 October 2010	8,000	-	-	-	8,000
	9 October 2012	5,120	-	-	-	5,120
		13,120	-	-	-	13,120
Suppliers of services or goods	25 October 2010	13,000	-	-	-	13,000
	9 October 2012	3,600	-	-	-	3,600
		16,600	-	-	-	16,600
Total		103,280	-	(11,200)	-	92,080
Exercisable at the end of period						92,080
Weighted average exercise price (HK$ per share)		0.59	-	0.25	-	0.63

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

		Number of share options				
Grantees	**Options grant date**	**As at 1 April 2013** '000	**Granted** '000	**Exercised** '000	**Forfeited** '000	**As at 30 September 2013** '000
Directors	25 October 2010	36,700	–	–	–	36,700
	9 October 2012	66,600	–	(29,500)	–	37,100
		103,300	–	(29,500)	–	73,800
Employees	25 October 2010	8,000	–	–	–	8,000
	9 October 2012	22,960	–	(17,440)	(500)	5,020
		30,960	–	(17,440)	(500)	13,020
Suppliers of services or goods	25 October 2010	13,000	–	–	–	13,000
	9 October 2012	18,000	–	(14,400)	–	3,600
		31,000	–	(14,400)	–	16,600
Total		165,260	–	(61,340)	(500)	103,420
Exercisable at the end of period						78,510
Weighted average exercise price (HK$ per share)		0.461	–	0.25	0.25	0.588

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

No share options were granted during the six months ended 30 June 2014 and the six months ended 30 September 2013.

During the six months ended 30 September 2013, 500,000 unvested share options (six months ended 30 June 2014: nil) granted to employees were forfeited.

The Group recognised the total expenses of approximately HK$680,000 and HK$245,000 for the six months ended 30 September 2013 (six months ended 30 June 2014: nil) in relation to share options granted by the Company to the directors and the employees of the Company and the consultants respectively.

26. 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 Company on the Stock Exchange.

26. RESERVES *(Continued)*

(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.

27. ACQUISITION OF SUBSIDIARIES

On 2 August 2013 (the "**Acquisition Date**"), the Group acquired 100% of the issued share capital of Sinbo at fair value of consideration of approximately HK$1,222,017,000. Sinbo indirectly controls 81.15% equity interests and voting right of Peace Map through a series of agreements with its shareholders (the "**Structural Agreements**"). This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$660,415,000. Sinbo Group is engaged in GIS industry, which includes software application, data processing and sales of cameras and unmanned aerial vehicles. Sinbo was acquired so as to enter the GIS industry by the Group.

Consideration transferred:

	HK$'000
Cash	250,000
Convertible Note II issued	1,250,000
Total	1,500,000

Fair value of consideration transferred:

	HK$'000
Cash	250,000
Fair value of financial liabilities at fair value through profit or loss (note)	48,259
Fair value of Convertible Note II issued	923,758
Total	1,222,017

Note: The financial liabilities at fair value through profit or loss were the Contingent Consideration of the Tranche A Convertible Note II with principal amount of HK$80,000,000. If the PAT of Sinbo Group for the year ended 31 December 2013 was less than HK$80,000,000, 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 PAT had been met and the Company issued the Tranche A Convertible Notes II in the aggregate principal amount of HK$80,000,000 on Issue Date III as disclosed in note 22(b).

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Fair value of consideration transferred: *(Continued)*

Acquisition-related costs amounting to approximately HK$3,575,000 had been excluded from the consideration transferred and had been recognised as an expense in the six months ended 30 September 2013, within the administrative expense line item in the condensed consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	51,383
Other intangible assets	612,489
Deferred tax assets	794
Inventories	14,776
Amounts due from customers of contract works	83,901
Trade and other receivables	237,883
Amount due from a non-controlling shareholder	2,297
Loan receivable	17,655
Tax recoverable	349
Financial assets at fair value through profit or loss	15,060
Pledged bank deposits	11,114
Bank balances and cash	39,243
Trade and other payables	(138,226)
Amount due to a non-controlling shareholder	(49,820)
Tax payables	(2,934)
Borrowings	(117,343)
Deferred income	(2,083)
Deferred tax liabilities	(83,128)
Net assets acquired	693,410

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$237,883,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$249,775,000 at the date of acquisition. The best estimate at Acquisition Date of the contractual cash flows not expected to be collected amounted to approximately HK$11,892,000.

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows: *(Continued)*

The fair values of amount due from a non-controlling shareholder and loan receivable at the Acquisition Date approximate their gross amounts which amounted to approximately HK$2,297,000 and HK$17,655,000 respectively. None of these receivables were impaired and it was expected that the full contractual amounts could be collected.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	1,222,017
Plus: non-controlling interests	131,808
Less: net assets acquired	(693,410)
Goodwill arising on acquisition	660,415

The non-controlling interests in subsidiaries of Sinbo recognised at the Acquisition Date were measured by reference to the proportionate share of net assets acquired of the non-controlling interests and amounted to approximately HK$131,808,000.

Goodwill arose in the acquisition of Sinbo because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of future market development of Sinbo Group. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflow on acquisition:

	HK$'000
Cash consideration paid	250,000
Less: cash and cash equivalent balances acquired	(39,243)
	210,757

Included in the loss for the six months ended 30 September 2013 is approximately HK$225,606,000 attributable to the additional business generated by Sinbo Group. Revenue for the six months ended 30 September 2013 included approximately HK$37,771,000 generated from Sinbo Group.

Had the acquisition been completed on 1 April 2013, total group revenue from continuing operations for the six months ended 30 September 2013 would have been approximately HK$501,245,000, and loss for the period would have been approximately HK$232,412,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Sinbo Group been acquired at the beginning of the current period, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

28. COMMITMENTS

Operating lease commitments

The future aggregate minimum lease rental payable under non-cancellable operating leases in respect of land and buildings was as follows:

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Within one year	**9,279**	2,612
In the second to fifth years, inclusive	**29,124**	1,012
	38,403	3,624

The Group leases certain properties under operating leases. The leases run for an initial period of one to five years (31 December 2013: one to three 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 expenditure commitment

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

	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
Contracted for but not provided for		
– in respect of properties	**4,393**	4,426
– in respect of plant and equipment	**471**	475
	4,864	4,901

29. RELATED PARTY TRANSACTIONS

(i) *Transactions with related companies*

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000
Interest expenses for renovation advanced to CATIC Siwei	**131**	–
Interest expenses for loan to AVIC Investment	**110**	–
Rental expenses for office premises paid to Grand Media Limited (note)	**–**	492

Note:

The former executive directors of the Company, Mr. Yuen Chow Ming, Mr. Yuen Wai Keung and Mr. So Yiu Cheung, have equity interests of 34%, 33% and 33% respectively in Grand Media Limited.

(ii) *Key management personnel*

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

	Six months ended 30 June 2014 (Unaudited) HK$'000	Six months ended 30 September 2013 (Unaudited) HK$'000
Salaries, allowances and benefits in kind	**1,460**	4,038
Equity-settled share-based compensation	**–**	496
Retirement benefits scheme contributions	**–**	24
	1,460	4,558

29. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) A director of a subsidiary of the Group has provided guarantee and indemnification on unsecured bank loans as detailed in note 21(a).

(iv) AVIC Investment has provided facilities with maximum amount of HK$20,000,000 as detailed in note 21(b). As at 30 June 2014, the amount of unutilised facilities was HK$15,000,000 (31 December 2013: nil).

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial asset – Derivative Component of the Convertible Note I	Assets – HK$62,870,000	Assets – HK$60,851,000	Level 2	Black Scholes Model was used to capture the present value of the expected future economic benefits that will flow in of the Group arising from the Derivative Component of the Convertible Note I, based on an appropriate discount rate that reflect the risk of the counterparties
Financial liabilities at fair value through profit or loss	Liabilities – nil	Liabilities – HK$109,773,000	Level 2	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the Contingent Consideration, based on an appropriate discount rate that reflect the risk of the counterparties.

There were no transfers between Level 1 and 2 in the period.

31. EVENTS AFTER THE REPORTING DATE

On 12 April 2014, the Company entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party (the "**Subscriber**"), pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the convertible notes up to the maximum aggregate principal amount of HK$249,800,000. Further details are set out in the announcement of the Company dated on 12 April 2014.

Subsequent on 15 July 2014, further to the initial deposit received of HK$5,000,000 which included in the other payables as disclosed in note 20, the Company has not received the remaining balance of the consideration (or any part thereof) from the Subscriber on or before 12 July 2014 or the coming business day following such date. The Company has exercised its right under the Subscription Agreement to rescind and terminate the Subscription Agreement and the initial deposit received of HK$5,000,000 has been forfeited as liquidated damages and no convertible note shall be issued to the Subscriber. Further details are set out in the announcement of the Company dated 15 July 2014.