



(incorporated in the Cayman Islands with limited liability)

Stock Code: 402



Interim Report  
**2015**

## CONTENTS

|  |    |
|--|----|
| Corporate Information  | 2  |
| Management Discussion and Analysis   | 4  |
| Supplementary Information  | 11 |
| Report on Review of Condensed Consolidation Financial Statements                     | 17 |
| Condensed Consolidated Statement of Profit or Loss                                   | 19 |
| Condensed Consolidated Statement of Profit or Loss and<br>Other Comprehensive Income | 20 |
| Condensed Consolidated Statement of Financial Position                               | 21 |
| Condensed Consolidated Statement of Changes in Equity                                | 23 |
| Condensed Consolidated Statement of Cash Flows                                       | 24 |
| Notes to the Condensed Consolidated Interim Financial Statements                     | 25 |

## **CORPORATE INFORMATION**

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

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

Mr. GUAN Hongliang  
(Chairman and Chief Executive Officer)  
Mr. ZHANG Chuanjun (Deputy Chairman)  
Mr. ZHU Dong  
(Deputy Chief Executive Officer)  
Mr. FENG Tao (Chief Financial Officer)  
Mr. WANG Zheng (Chief Operating Officer)

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

Mr. ZHANG Songlin  
Mr. HUI Yat On  
Mr. ZHAI Shenggang

### ***Authorised Representatives***

Mr. ZHU Dong  
Mr. CHENG Hoo

### ***Company Secretary***

Mr. CHENG Hoo

### ***Audit Committee***

Mr. ZHANG Songlin (Chairman)  
Mr. HUI Yat On  
Mr. ZHAI Shenggang

### ***Nomination Committee***

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

### ***Remuneration Committee***

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

### ***Registered Office***

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

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

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

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

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

### ***Auditor***

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

### ***Principal Bankers***

Bank of Beijing Co., Limited  
China Construction Bank Corporation  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Hua Xia Bank Co., Limited  
Industrial and Commercial Bank of  
China Limited

### ***Principal Share Registrar***

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
PO 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

### *Business Related to Geographic Information Industry*

For the six months ended 30 June 2015 (the “**Period under Review**”), Peace Map Holding Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) continued to made efforts in expanding its business relating to the geographic information industry and recorded a total revenue of approximately HK\$169.93 million, representing an increase of 58.81% compared with the six months ended 30 June 2014. It mainly consists of three segments, namely the geospatial business application and services, data collection and processing, and development and sales of equipment.

### **Business Application and Services**

During the Period under Review, the Group’s businesses mainly focus on the following business categories for the business application and services segment: fundamental planning, property title management and emergency and public security. Among these, fundamental planning mainly covered surveying and mapping, planning, national geographic conditions and the construction of smart cities; property title management mainly referred to the application of geographic information data in sectors such as state territory, agriculture, forestry, water resources, electricity power, oil, transportation and real estate; and emergency and public security mainly referred to emergency, public security, environmental protection, meteorological phenomena and urban management, etc.

As the only domestic pilot enterprise in the People’s Republic of China (the “**PRC**”) to build the “城市高分辨率航空影像數據庫” (National Urban Hi-definition Space Image Database\*), the Group is committed to becoming the leading geospatial information big data service provider in the PRC, while striving to establish two corporate brands, namely Peace Map Spatial Database and Peace Map Cloud Service.

\* For identification purpose only

Peace Map Spatial Database is a comprehensive database that includes high accuracy geospatial data and delivers professional GIS and industry-specific database functions. By leveraging cloud computing, multivariate data fusion, space analysis and big data mining and professional heterogeneous platform compatibility, Peace Map Spatial Database realises automatic management of mass data and generation of high value-adding spatial information. Peace Map Spatial Database is not only a comprehensive database, but also a bank of capabilities that offers efficient, professional, safe and accurate cloud-based data system solutions to clients.

Peace Map Cloud Service is a new data technology service mode, as well as a comprehensive cloud platform that combines spatial information and Internet applications. Based on cutting-edge technologies such as dynamic image analysis, high speed spatial data transmission, smart behaviour analysis, etc., it significantly reduces the cost of resource utilization and increases the flexibility of businesses. Peace Map Cloud Service offers not only private cloud solutions to both government and corporate clients, such as smart cities, but also location-based public cloud services such as positioning, navigation, general information inquiry, etc. to public users through Internet and mobile Internet, and in the meantime supports third parties in setting up map applications on personal computers or mobiles rapidly through opening an Application Programming Interface (API).

During the Period under Review, this segment recorded a turnover of approximately HK\$59.35 million, with an increase of 19.23% on a year-on-year basis, which was mainly attributable to the increase in the turnover of application business in the electricity power industry and Peace Map Spatial Database and Peace Map Cloud Service businesses.

### Data Collection and Processing

For the geospatial information data collection segment, the Group owns raw geographic information image data of urban and rural areas in the PRC obtained through comprehensive and diversified sources, including the acquisition of data from satellite remote sensing images, aerial images from manned aerial vehicles and self-developed unmanned aerial vehicles, and street view images through self-developed laser panoramic photogrammetry vehicles. Peace Map integrated three-dimensional space observation system across space, sky and ground surfaces has the characteristics of promptness, reality, completeness and high accuracy of geospatial data. During the Period under Review, by further consolidating its traditional geographic information data collection business, the Group has also made efforts to advance inclined three-dimensional image data collection business.

For the data processing segment, the Group has accumulated extensive experience and leading competence in data processing and software development in China. As the first domestic enterprise introducing the “Pixel Factory” data-processing system, the Group currently owns three sets of “Pixel Factory” data-processing systems with processing capacity that reach leading international standard. The Group is therefore able to realize the automated processing of massive image data, and processes raw geographic image data into “4D” data with diversified purposes, including digital orthophoto model (DOM), digital elevation model (DEM), digital line graphics (DLG) and digital raster graphics (DRG). In addition, the Group has vigorously developed technologies related to street view data processing and three-dimensional holographic model processing during the Period under Review, thereby providing early-stage preparation for further exploration of industry application and business expansion.

During the Period under Review, data collection and processing segment recorded a turnover of approximately HK\$68.44 million, with an increase of 48.28% on a year-on-year basis, which was mainly attributable to the completion of several major aerial image collection and processing contracts during the Period under Review.

### Development and Sales of Equipment

To closely meet market demands, the Group developed and manufactured high-end surveying and mapping equipment with independent intellectual property rights, such as laser panoramic photogrammetry vehicles, professional aerial surveying and mapping unmanned aerial vehicles and geographic information emergency surveillance vehicles, etc, and has been a franchisee distributor of Ultracam series aerial camera products developed by Microsoft Corporation.

During the Period under Review, the development and sales of equipment segment recorded a turnover of approximately HK\$42.14 million, with an increase of 280.70% on a year-on-year basis, which was mainly attributable to the considerable increase in the camera sales business.

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

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

During the Period under Review, there was no material change in the amount of resources in the TNE Mine, compared with that in the six months ended 30 June 2014. Besides, the Group also holds three exploration licences in respect of coal deposits in DundGobi (14,087 hectares) located in Mongolia.

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

## **FINANCIAL SUMMARY**

### ***Revenue***

During the Period under Review, the Group recorded revenue of approximately HK\$169.93 million (six months ended 30 June 2014: approximately HK\$107.01 million), representing an increase of 58.81% compared to the six months ended 30 June 2014. The Group’s operations consist of geospatial business application and services, data collection and processing, and the development and sales of equipment, contributing 34.92%, 40.28% and 24.80% of the revenue for the Period under Review, respectively (six months ended 30 June 2014: contributing 46.52%, 43.14% and 10.34% of the revenue for the period, respectively).

### ***Gross Profit***

Gross profit increased by 22.68% to approximately HK\$31.24 million (six months ended 30 June 2014: approximately HK\$25.46 million). Gross profit margin decreased by 5.42% to 18.38% (six months ended 30 June 2014: 23.80%), mainly due to increase in cost of revenue to enable the Group to fulfill the increase in demand.



## ***Administrative Expenses***

During the Period under Review, the Group's administrative expenses amounted to approximately HK\$49.36 million (six months ended 30 June 2014: approximately HK\$49.41 million), accounting for approximately 29.04% of the total revenue (six months ended 30 June 2014: approximately 46.17%), mainly due to better control on administrative expense.

## ***Fair value gain (loss) on the Derivative Component of the Convertible Note I***

During the Period under Review, the Group recorded a fair value gain of approximately HK\$64.13 million on the Derivative Component of the Convertible Note I, representing a sharp increase of approximately HK\$62.11 million when compared with six months ended 30 June 2014 (six months ended 30 June 2014: approximately HK\$2.02 million). The increase was mainly due to a net fair value gain of the fair value gain of approximately HK\$96.94 million from the extended Convertible Note I on 17 June 2015, which partially offset by a fair value loss of approximately HK\$32.81 million from the original Convertible Note I issued on 17 June 2010.

## ***Profit/(loss) Attributable to Shareholders***

Profit attributable to shareholders amounted to approximately HK\$1.47 million (six months ended 30 June 2014: loss of approximately HK\$94.51 million). This was mainly due to a fair value gain on the derivative component of convertible notes and no impairment loss on mining license during the six months ended 30 June 2015.

## ***Capital Expenditure***

During the Period under Review, the Group had incurred a total of approximately HK\$3.18 million for the acquisition of property, plant and equipment in Hong Kong and the mainland (six months ended 30 June 2014: approximately HK\$15.7 million).

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

As at 30 June 2015, the Group's net current assets value was approximately HK\$371.74 million (as at 31 December 2014: net current liabilities value was approximately HK\$455.41 million). As at 30 June 2015, the Group's cash at banks and in hand and pledged bank deposits reached approximately HK\$398.70 million (as at 31 December 2014: approximately HK\$106.88 million). At the end of the Period under Review, total borrowings, including convertible notes issued in the years 2013, 2014 and 2015, borrowings and amounts due to non-controlling shareholders, were approximately HK\$610.84 million (as at 31 December 2014: approximately HK\$887.4 million). The Group's current ratio, being the ratio of current assets to current liabilities, was 1.76 Times (as at 31 December 2014: 0.54 Times), and its gearing ratio, in terms of total borrowings net of bank balances and cash and pledged bank deposits to total equity, stood at 17.52% (as at 31 December 2014: 119.02%).

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

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

## ***Human Resources***

As at 30 June 2015, the Group had 562 employees (as at 30 June 2014: 499 employees) all of which were officially hired. Total staff costs, including directors' emoluments for the Period under Review, amounted to approximately HK\$33.97 million (six months ended 30 June 2014: approximately HK\$25.90 million).

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident funds, medical insurance and the use of share option schemes to recognise and acknowledge contributions made or potentially to be made to the business development of the Group by its employees.

## PROSPECTS

In the second half of the year 2015, the Group will develop its businesses continuously in a steady manner. Aside from the continuing development of middle to short-term projects on of rural land rights, sales of and applications of energy-related data involving power, oil and gas and water resources industries will represent the focus for business development of the Group for the rest of the year. In the meantime, software platform development, traditional data collection and processing businesses will also achieve progress. In the light of technical advancement and ever-changing market demand, the Group will take full advantage of its existing capacity in data collection and processing to probe into characteristics of various industries. On the basis of Peace Map Spatial Database, the Group will strive to deliver more value-adding geospatial information service for governments, enterprises and public users in virtue of the Peace Map Cloud Service.

Technical and social developments have made the world more closely interlinked. The cutting-edge technologies including the Internet, mobile Internet, Internet Plus, big data, cloud computing, the Internet of Things, artificial intelligence have made their way into daily life of the general public. The geographic information industry that came into being simultaneously with the Internet also faces the challenge of how to embrace a more interconnected world and position itself for the future. In this new era, the Group will continue its steady growth and seek new opportunities to achieve an early and successful transformation so as to generate excellent return to shareholders of the Company and investors in response to their unremitting support and trust.

## 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 2015, the directors of the Company (the “**Directors**”) and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Division 7 and 8 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”):

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

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

Note:

- (1) The 350,652,000 Shares are registered in the name of Broadlink Enterprises Limited (“**Broadlink**”), of which Mr. GUAN Hongliang is entitled to exercise, or control the exercise of, 95.77% of the voting power at general meetings of Broadlink. Hence Broadlink is a controlled corporation (within the meaning of the SFO) of Mr. GUAN Hongliang, who is therefore deemed to be interested in these Shares under the SFO.

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

Share Options

Pursuant to the share option scheme adopted by the Company on 25 February 2006 (details are set out in note 20 to the interim financial statements), certain Directors were granted share options to subscribe for Shares. Details of share options outstanding and exercisable as at 30 June 2015 were as follows:

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

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive, had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company and its associated corporations" above and note 20 to the interim financial 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 2015, 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:

| <b>Name of Substantial Shareholder</b>  | <b>Capacity/Nature of interest</b> | <b>Note</b> | <b>Number of Shares/ underlying shares held</b> | <b>Approximate percentage of shareholding in the Company</b> |
|---|------------------------------------|-------------|---|--|
| Aviation Industry Corporation of China  | Interest in controlled corporation | 1           | 2,009,980,000                                   | 24.64%   |
| AVIC International Holding Corporation  | Interest in controlled corporation | 1           | 2,009,980,000                                   | 24.64%   |
| AVIC International (HK) Group Limited   | Interest in controlled corporation | 1           | 2,009,980,000                                   | 24.64%   |
| Tacko International Limited             | Interest in controlled corporation | 1           | 1,161,900,000                                   | 14.24%   |
| AVIC International Holding (HK) Limited | Interest in controlled corporation | 1           | 1,161,900,000                                   | 14.24%   |
| Kingspot Investment Limited             | Beneficial owner                   | 1           | 1,133,000,000                                   | 13.89%   |
| AVIC Joy Holdings (HK) Limited          | Interest in controlled corporation | 1           | 554,080,000                                     | 6.79%  |
| Light Pearl Holdings Limited            | Interest in controlled corporation | 1           | 554,080,000                                     | 6.79%  |
| Tongda Information Technology Limited   | Interest in controlled corporation | 1           | 554,080,000                                     | 6.79%  |
| Smarty Capital Investments Limited      | Beneficial owner                   | 1           | 554,080,000                                     | 6.79%  |

Notes:

1. Aviation Industry Corporation of China ("**AVIC**") is interested in 2,009,980,000 Shares, underlying shares and convertible notes of the Company through Best Pine Investment Limited, Billirich Investment Limited, Smarty Capital Investments Limited and Kingspot Investment Limited ("**Kingspot**").

AVIC holds 62.52% interest in AVIC International Holding Corporation which in turn holds 100% interest in AVIC International (HK) Group Limited ("**AVIC Int'l Group**") which in turn holds 11.07% in AVIC Joy (HK) Holdings Limited ("**AVIC Joy**").

AVIC Int'l Group also holds 100% interest in Tacko International Limited which in turn holds 34.34% interest in AVIC International Holding (HK) Limited ("**AVIC Int'l**") which in turn holds 100% interest in Billirich Investment Limited which in turn holds 22.67% interest in AVIC Joy. AVIC Int'l Group also holds 100% interest in Best Pine Investment Limited which holds 294,000,000 Shares. Billirich Investment Limited also holds 28,900,000 Shares.

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

AVIC Int'l holds 100% interest in Kingspot which is interested in (i) 469,000,000 Shares and (ii) convertible notes that may be converted into 664,000,000 Shares.

Save as disclosed above, as at 30 June 2015, 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 fail 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 interests in any business that may constitute direct or indirect competition with the Group.

## **SHARE OPTIONS**

Details of the Company's share option scheme are set out in note 20 to the interim financial report.

## INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2015.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments, material acquisitions and disposals of its subsidiaries and associated companies during the Period under Review.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities.

## 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 Shares.

## CORPORATE GOVERNANCE

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

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Period under Review, except for the compliance with code provision A.2.1 of the CG Code which states that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. GUAN Hongliang was appointed as the Chairman and the Chief Executive Officer of the Company since 6 August 2014. The Board is of the view that although Mr. GUAN Hongliang is both



the Chairman and the Chief Executive Officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code 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 letters of appointment of each Director. The Company has made specific enquiries with the Directors, and all Directors have confirmed that they have complied with the requirements as set out in the Model Code for the Period under Review.

## **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. ZHANG Songlin (as chairman of the Audit Committee), Mr. HUI Yat On and Mr. ZHAI Shenggang. The Audit Committee together with the Company's management and the independent auditor of the Company, SHINEWING (HK) CPA Limited, have reviewed 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.

On behalf of the Board

**Peace Map Holding Limited**

**GUAN Hongliang**

*Chairman and Chief Executive Officer*

Hong Kong, 25 August 2015

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 set out on pages 19 to 60, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss, condensed consolidated 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 Main Board Listing 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 are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

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

## SCOPE OF REVIEW

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

## CONCLUSION

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

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

*Certified Public Accountants*

### **Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong, 25 August 2015

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015

|  |       | Six months ended<br>30 June     |                                 |
|--|-------|---------------------------------|---------------------------------|
|  | Notes | 2015<br>(Unaudited)<br>HK\$'000 | 2014<br>(Unaudited)<br>HK\$'000 |
| Revenue  | 4     | <b>169,934</b>                  | 107,005                         |
| Cost of revenue  |       | <b>(138,696)</b>                | (81,543)                        |
| Gross profit   |       | <b>31,238</b>                   | 25,462                          |
| Other income and gain  | 6     | <b>3,679</b>                    | 5,201                           |
| Selling and distribution expenses  |       | <b>(5,051)</b>                  | (4,034)                         |
| Administrative and other operating expenses  |       | <b>(49,357)</b>                 | (49,405)                        |
| Equity-settled share-based payment expenses  | 20    | <b>(8,761)</b>                  | –                               |
| Share of result of an associate  |       | <b>17</b>                       | –                               |
| Impairment loss of property, plant and equipment   |       | –                               | (670)                           |
| Impairment loss of mining licences   |       | –                               | (48,000)                        |
| Reversal of loss on uncertainty in respect of collectibility of amount due from customer of contract works |       | <b>1,774</b>                    | –                               |
| Fair value gain on the Derivative Component of the Convertible Note I                                      | 17(a) | <b>64,125</b>                   | 2,019                           |
| Fair value gain on the financial liabilities at fair value through profit or loss                          |       | –                               | 1,287                           |
| Operating profit (loss)  |       | <b>37,664</b>                   | (68,140)                        |
| Finance costs  | 7     | <b>(41,474)</b>                 | (44,993)                        |
| Loss before taxation   | 8     | <b>(3,810)</b>                  | (113,133)                       |
| Income tax credit  | 9     | <b>1,346</b>                    | 14,255                          |
| Loss for the period  |       | <b>(2,464)</b>                  | (98,878)                        |
| Profit (loss) for the period attributable to:  |       |                                 |                                 |
| Owners of the Company  |       | <b>1,471</b>                    | (94,506)                        |
| Non-controlling interests  |       | <b>(3,935)</b>                  | (4,372)                         |
|  |       | <b>(2,464)</b>                  | (98,878)                        |
| <b>Earnings (loss) per share (HK cents)</b>  |       |                                 |                                 |
| – Basic  | 11    | <b>0.02</b>                     | (1.62)                          |
| – Diluted  | 11    | <b>0.02</b>                     | (1.62)                          |

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

for the six months ended 30 June 2015

|   | Six months ended<br>30 June     |                                 |
|---|---------------------------------|---------------------------------|
|   | 2015<br>(Unaudited)<br>HK\$'000 | 2014<br>(Unaudited)<br>HK\$'000 |
| Loss for the period   | <b>(2,464)</b>                  | (98,878)                        |
| <b>Other comprehensive income (expense) for the period</b>                  |                                 |                                 |
| Item that may be reclassified subsequently to profit or loss:               |                                 |                                 |
| Exchange difference arising from translation of overseas operations         | <b>884</b>                      | (17,514)                        |
| <b>Total comprehensive expense for the period</b>                           | <b>(1,580)</b>                  | (116,392)                       |
| <b>Total comprehensive income (expense) for the period attributable to:</b> |                                 |                                 |
| Owners of the Company   | <b>2,042</b>                    | (111,506)                       |
| Non-controlling interests   | <b>(3,622)</b>                  | (4,886)                         |
|   | <b>(1,580)</b>                  | (116,392)                       |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

|  | Notes | As at<br>30 June<br>2015<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment  | 12    | 51,632  | 53,841  |
| Deposit paid for acquisition of a property                                     |       | 4,415   | 489   |
| Interest in an associate   |       | 2,361   | 823   |
| Goodwill   |       | 661,999   | 664,216   |
| Mining licences  |       | -   | -   |
| Exploration and evaluation assets  |       | -   | -   |
| Other intangible assets  | 13    | 603,817   | 612,282   |
| Deferred tax assets  | 18    | 145   | 145   |
|  |       | <b>1,324,369</b>                                    | <b>1,331,796</b>                                      |
| <b>Current assets</b>  |       |   |   |
| Inventories  |       | 4,623   | 12,154  |
| Amounts due from customers of contract works                                   |       | 258,342   | 207,175   |
| Trade and other receivables  | 14    | 185,595   | 157,123   |
| Finance lease receivables  |       | 14,673  | 14,624  |
| Loan receivable  |       | -   | -   |
| Derivative financial asset – Derivative<br>Component of the Convertible Note I | 17    | -   | 34,560  |
| Tax recoverable  |       | 6   | 6   |
| Pledged bank deposits  |       | 67,083  | 3,341   |
| Bank balances and cash   |       | 331,619   | 103,539   |
|  |       | <b>861,941</b>                                      | <b>532,522</b>  |
| <b>Current liabilities</b>   |       |   |   |
| Trade and other payables   | 15    | 260,974   | 250,043   |
| Amounts due to non-controlling shareholders                                    |       | 61,754  | 58,317  |
| Amounts due to an associate  |       | 5,395   | 6,577   |
| Tax payables   |       | 4,297   | 7,321   |
| Borrowings   | 16    | 157,780   | 119,619   |
| Convertible notes  | 17    | -   | 546,054   |
|  |       | <b>490,200</b>                                      | <b>987,931</b>  |
| <b>Net current assets (liabilities)</b>  |       | <b>371,741</b>                                      | <b>(455,409)</b>                                      |
| <b>Total assets less current liabilities</b>                                   |       | <b>1,696,110</b>                                    | <b>876,387</b>  |

|  | Notes | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|--|-------|--|---|
| <b>Non-current liabilities</b>               |       |  |   |
| Amount due to a non-controlling shareholder  |       | <b>14,388</b>  | 16,799  |
| Borrowings                                   | 16    | –  | 30,000  |
| Convertible notes                            | 17    | <b>399,304</b>   | 116,660   |
| Deferred income                              |       | <b>4,781</b>   | 4,934   |
| Deferred tax liabilities                     | 18    | <b>66,877</b>  | 70,247  |
|  |       | <b>485,350</b>   | 238,640   |
| <b>Net assets</b>                            |       |  |   |
|  |       | <b>1,210,760</b>   | 637,747   |
| <b>Equity</b>                                |       |  |   |
| Share capital                                | 19    | <b>2,039,195</b>   | 1,676,652   |
| Reserves                                     | 21    | <b>(909,891)</b>   | (1,123,983)   |
| Equity attributable to owners of the Company |       | <b>1,129,304</b>   | 552,669   |
| Non-controlling interests                    |       | <b>81,456</b>  | 85,078  |
| <b>Total equity</b>                          |       | <b>1,210,760</b>   | 637,747   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

|   | Equity attributable to owners of the Company |               |                |                      |                            |                   |                     |                                 |                    |           |                           |              |
|---|--|---------------|----------------|----------------------|----------------------------|-------------------|---------------------|---------------------------------|--------------------|-----------|---------------------------|--------------|
|   | Share capital                                | Share premium | Merger reserve | Share option reserve | Capital redemption reserve | Statutory reserve | Translation reserve | Convertible note equity reserve | Accumulated losses | Total     | Non-controlling interests | Total equity |
|   | HK\$'000                                     | HK\$'000      | HK\$'000       | HK\$'000             | HK\$'000                   | HK\$'000          | HK\$'000            | HK\$'000                        | HK\$'000           | HK\$'000  | HK\$'000                  | HK\$'000     |
|   |  | (note 21(a))  | (note 21(b))   | (note 21(c))         | (note 21(d))               | (note 21(e))      | (note 21(f))        | (note 17)                       |                    |           |                           |              |
| 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   | 125,655                   | 785,101      |
| Loss for the period   | -  | -             | -              | -                    | -                          | -                 | -                   | -                               | (84,506)           | (84,506)  | (4,372)                   | (88,878)     |
| Other comprehensive (expense) income 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)            | -                               | (84,506)           | (111,506) | (4,886)                   | (116,392)    |
| Appropriation of statutory reserve funds                              | -  | -             | -              | -                    | -                          | 1,571             | -                   | -                               | (1,571)            | -         | -                         | -            |
| Shares issued upon exercise of share options                          | 2,800  | 506           | -              | (506)                | -                          | -                 | -                   | -                               | -                  | 2,800     | -                         | 2,800        |
| Issue of Convertible Note I   | -  | -             | -              | -                    | -                          | -                 | -                   | 57,337                          | -                  | 57,337    | -                         | 57,337       |
| Conversion of Convertible Note II                                     | 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      |
| At 1 January 2015 (Audited)   | 1,676,652                                    | 988,372       | 13,805         | 51,918               | 6,629                      | 12,684            | 77,363              | 349,409                         | (2,604,163)        | 552,669   | 85,078                    | 637,747      |
| Profit (loss) for the period  | -  | -             | -              | -                    | -                          | -                 | -                   | -                               | 1,471              | 1,471     | (3,935)                   | (2,464)      |
| Other comprehensive income for the period                             | -  | -             | -              | -                    | -                          | -                 | -                   | -                               | -                  | -         | -                         | -            |
| - Exchange difference arising from translation of overseas operations | -  | -             | -              | -                    | -                          | -                 | 571                 | -                               | -                  | 571       | 313                       | 884          |
| Total comprehensive income (expense) for the period                   | -  | -             | -              | -                    | -                          | -                 | 571                 | -                               | 1,471              | 2,042     | (3,622)                   | (1,580)      |
| Issue of placing shares (note 19(c))                                  | 237,500                                      | 76,000        | -              | -                    | -                          | -                 | -                   | -                               | -                  | 313,500   | -                         | 313,500      |
| Shares issue expenses (note 19(c))                                    | -  | (5,723)       | -              | -                    | -                          | -                 | -                   | -                               | -                  | (5,723)   | -                         | (5,723)      |
| Appropriation of statutory reserve funds                              | -  | -             | -              | -                    | -                          | 461               | -                   | -                               | (461)              | -         | -                         | -            |
| Shares issued upon exercise of share options (note 19(a))             | 55,415                                       | 15,904        | -              | (13,776)             | -                          | -                 | -                   | -                               | -                  | 57,543    | -                         | 57,543       |
| Recognition of equity-settled share-based payments                    | -  | -             | -              | 8,761                | -                          | -                 | -                   | -                               | -                  | 8,761     | -                         | 8,761        |
| Maturity of Convertible Note I  | -  | -             | -              | -                    | -                          | -                 | -                   | (290,581)                       | 290,581            | -         | -                         | -            |
| Renewal of Convertible Note I   | -  | -             | -              | -                    | -                          | -                 | -                   | 139,915                         | -                  | 139,915   | -                         | 139,915      |
| Conversion of Convertible Note I (note 19(b))                         | 3,628  | 18,051        | -              | -                    | -                          | -                 | -                   | (8,275)                         | -                  | 13,404    | -                         | 13,404       |
| Conversion of Convertible Note II (note 19(c))                        | 66,000                                       | 14,663        | -              | -                    | -                          | -                 | -                   | (33,470)                        | -                  | 47,193    | -                         | 47,193       |
| At 30 June 2015 (Unaudited)   | 2,039,195                                    | 1,087,267     | 13,805         | 46,903               | 6,629                      | 13,145            | 77,934              | 156,999                         | (2,312,572)        | 1,129,304 | 81,456                    | 1,210,760    |



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

|  | <b>Six months<br/>ended<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 2014<br>(Unaudited)<br>HK\$'000 |
|--|---|---------------------------------|
| <b>OPERATING ACTIVITIES</b>  |   |                                 |
| Cash used in operations  | <b>(43,192)</b>   | (19,146)                        |
| Interest paid on bank loans and overdraft and other loans  | <b>(4,249)</b>  | (1,226)                         |
| Interest received  | <b>101</b>  | 266                             |
| Income tax paid  | <b>(5,315)</b>  | (2,698)                         |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(52,655)</b>   | (22,804)                        |
| <b>INVESTING ACTIVITIES</b>  |   |                                 |
| Withdrawal of pledged bank deposits  | <b>753</b>  | 7,812                           |
| Placement of pledged bank deposits   | <b>(64,871)</b>   | –                               |
| Placement of restricted bank deposits  | <b>–</b>  | (1,277)                         |
| Payments to acquire property, plant and equipment  | <b>(3,180)</b>  | (15,704)                        |
| Deposit paid for acquisition of a property   | <b>(3,924)</b>  | –                               |
| Capital injection in an associate  | <b>(1,514)</b>  | (755)                           |
| Payments to acquire other intangible assets  | <b>(25,638)</b>   | (39,763)                        |
| Increase in loan receivable  | <b>–</b>  | (566)                           |
| Advancement to non-controlling shareholders  | <b>–</b>  | (5,864)                         |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(98,374)</b>   | (56,117)                        |
| <b>FINANCING ACTIVITIES</b>  |   |                                 |
| Proceeds from issuance of shares through placing   | <b>313,500</b>  | –                               |
| Proceeds from issuance of shares through exercise of share option                                | <b>57,543</b>   | 2,800                           |
| Share issue expenses   | <b>(5,723)</b>  | –                               |
| New bank borrowings raised   | <b>66,176</b>   | 65,654                          |
| Advance from non-controlling shareholders  | <b>776</b>  | 7,631                           |
| Repayment to an associate  | <b>(1,204)</b>  | –                               |
| Government grant received  | <b>1,722</b>  | 3,156                           |
| Repayment of bank borrowings   | <b>(59,410)</b>   | (21,775)                        |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>  | <b>373,380</b>  | 57,466                          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                      | <b>222,351</b>  | (21,455)                        |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>                                  | <b>103,539</b>  | 75,120                          |
| Effect of foreign exchange rate changes  | <b>5,729</b>  | (972)                           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b> | <b>331,619</b>  | 52,693                          |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2015

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 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 (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### 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 consolidated financial statements for the year ended 31 December 2014 except as described below.

#### ***Application of amendments to HKFRSs***

In the current period, the Group has applied, for the first time, the following revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2015:

|                       |  |
|-----------------------|--|
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2010-2012<br>Cycle |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2011-2013<br>Cycle |
| Amendments to HKAS 19 | Defined Benefit Plans – Employee Contributions   |

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

## 4. REVENUE

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

|                                    | <b>Six months ended</b> |             |
|------------------------------------|-------------------------|-------------|
|                                    | <b>30 June</b>          |             |
|                                    | <b>2015</b>             | 2014        |
|                                    | <b>(Unaudited)</b>      | (Unaudited) |
|                                    | <b>HK\$'000</b>         | HK\$'000    |
| Business application and services  | <b>59,347</b>           | 49,775      |
| Data collection and processing     | <b>68,444</b>           | 46,160      |
| Development and sales of equipment | <b>42,143</b>           | 11,070      |
| <b>Total</b>                       | <b>169,934</b>          | 107,005     |

The revenue from data collection and 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.

## 5. SEGMENT INFORMATION

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

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

## 5. SEGMENT INFORMATION *(Continued)*

### *Segment revenue and results*

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

#### **For the six months ended 30 June 2015 (Unaudited)**

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

## 5. SEGMENT INFORMATION *(Continued)*

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

#### **For the six months ended 30 June 2014 (Unaudited)**

|   | Business<br>application<br>and services<br>HK\$'000 | Data<br>collection and<br>processing<br>HK\$'000 | Development<br>and sales<br>of equipment<br>HK\$'000 | Mining and<br>exploration<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--|--|---|-------------------|
| Revenue from external customers   | 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<br>Component of<br>the Convertible Note I             |   |  |  |   | 2,019             |
| Fair value gain on the financial<br>liabilities at fair value<br>through profit or loss |   |  |  |   | 1,287             |
| Finance costs   |   |  |  |   | (44,993)          |
| Central administrative costs  |   |  |  |   | (11,775)          |
| Loss before taxation  |   |  |  |   | (113,133)         |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administrative costs, directors' salaries, certain other income and gain, fair value on the Derivative Component of the convertible notes, finance costs, equity-settled share-based payment expenses and share of result of an associate. 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 30 June 2015.

## 5. SEGMENT INFORMATION *(Continued)*

### *Segment assets and liabilities*

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

|                                    | <b>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2014<br>(Audited)<br>HK\$'000 |
|------------------------------------|--|--|
| <b>Segment assets</b>              |  |  |
| Business application and services  | <b>783,011</b>                                       | 799,571                                      |
| Data collection and processing     | <b>644,230</b>                                       | 563,456                                      |
| Development and sales of equipment | <b>265,632</b>                                       | 286,078                                      |
| Mining and exploration business    | <b>39</b>  | 11   |
|                                    | <hr/>  | <hr/>  |
| Total segment assets               | <b>1,692,912</b>                                     | 1,649,116                                    |
| Unallocated corporate assets       | <b>493,398</b>                                       | 215,202                                      |
|                                    | <hr/>  | <hr/>  |
| Total assets                       | <b>2,186,310</b>                                     | 1,864,318                                    |
| <b>Segment liabilities</b>         |  |  |
| Business application and services  | <b>87,531</b>  | 80,815                                       |
| Data collection and processing     | <b>79,801</b>  | 57,446                                       |
| Development and sales of equipment | <b>18,057</b>  | 17,940                                       |
| Mining and exploration business    | <b>4,781</b>   | 4,934  |
|                                    | <hr/>  | <hr/>  |
| Total segment liabilities          | <b>190,170</b>                                       | 161,135                                      |
| Unallocated corporate liabilities  | <b>785,380</b>                                       | 1,065,436                                    |
|                                    | <hr/>  | <hr/>  |
| Total liabilities                  | <b>975,550</b>                                       | 1,226,571                                    |

## 5. SEGMENT INFORMATION *(Continued)*

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

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

- all assets are allocated to operating segments other than interest in an associate, derivative financial assets – Derivative Component of Convertible Note I, deferred tax assets, tax recoverable, certain corporate assets, pledged bank deposits and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to operating segments other than tax payables, amounts due to non-controlling shareholders, amounts due to an associate, deferred tax liabilities, borrowings, convertible notes and certain corporate liabilities as these liabilities are managed on a group basis.



## 6. OTHER INCOME AND GAIN

|                            | <b>Six months ended 30 June</b> |             |
|----------------------------|---------------------------------|-------------|
|                            | <b>2015</b>                     | 2014        |
|                            | <b>(Unaudited)</b>              | (Unaudited) |
|                            | <b>HK\$'000</b>                 | HK\$'000    |
| Bank interest income       | <b>101</b>                      | 266         |
| Other interest income      | <b>–</b>                        | 228         |
| Government grants (note i) | <b>1,722</b>                    | 3,787       |
| Sundry income              | <b>357</b>                      | 920         |
| Exchange gain, net         | <b>1,499</b>                    | –           |
| <b>Total</b>               | <b>3,679</b>                    | 5,201       |

Note:

- (i) Included in the amount of government grants recognised during the six months ended 30 June 2015, approximately HK\$1,722,000 (equivalent to approximately RMB1,363,000) (six months ended 30 June 2014: approximately HK\$3,156,000 (equivalent to approximately RMB2,500,000)) were received in respect of certain research projects, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income. No government grant recognised as deferred income was utilised during this period (six months ended 30 June 2014: approximately HK\$631,000 (equivalent to RMB500,000)).

## 7. FINANCE COSTS

|   | <b>Six months<br/>ended 30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 2014<br>(Unaudited)<br>HK\$'000 |
|---|---|---------------------------------|
| Interest charges on:  |   |                                 |
| – Bank loans and overdraft  | <b>3,171</b>  | 1,226                           |
| – Other loans   | <b>1,475</b>  | 842                             |
|   | <b>4,646</b>  | 2,068                           |
| Imputed interest on<br>unsecured other loan (note 16(d))            | <b>1,041</b>  | 448                             |
| Imputed interest on<br>extended Convertible Note I (note 17(a)(iv)) | <b>1,268</b>  | –                               |
| Imputed interest on<br>Convertible Note I (note 17(a)(i))           | <b>29,671</b>   | 32,154                          |
| Imputed interest on<br>Convertible Note II (note 17(b)(i))          | <b>4,848</b>  | 10,323                          |
| <b>Total</b>  | <b>41,474</b>   | 44,993                          |

## 8. LOSS BEFORE TAXATION

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

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30 June</b>          |             |
|   | <b>2015</b>             | 2014        |
|   | <b>(Unaudited)</b>      | (Unaudited) |
|   | <b>HK\$'000</b>         | HK\$'000    |
| Staff costs (including directors' emoluments)                             |                         |             |
| – salaries, allowances and benefits in kind                               | <b>20,770</b>           | 22,058      |
| – retirement benefits scheme contributions<br>(defined contribution plan) | <b>4,438</b>            | 4,357       |
| – equity-settled share-based<br>payment expenses                          | <b>8,761</b>            | –           |
|   | <b>33,969</b>           | 26,415      |
| Cost of inventories sold  | <b>41,330</b>           | 8,522       |
| Amortisation of prepaid land lease payments                               | –                       | 6           |
| Amortisation of other intangible assets                                   | <b>31,350</b>           | 32,278      |
| Depreciation of property, plant and equipment                             | <b>5,480</b>            | 5,315       |
| Exchange (gain) loss, net   | <b>(1,499)</b>          | 31          |
| Loss on written off of property,<br>plant and equipment (note 12)         | <b>647</b>              | 206         |
| Operating lease charges   |                         |             |
| – land and buildings  | <b>3,664</b>            | 2,244       |

## 9. INCOME TAX CREDIT

|                                     | <b>Six months<br/>ended 30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 2014<br>(Unaudited)<br>HK\$'000 |
|-------------------------------------|---|---------------------------------|
| Current tax                         |   |                                 |
| – PRC Enterprise income tax (“EIT”) | <b>2,260</b>  | 1,486                           |
| Deferred tax                        |   |                                 |
| – Current period (note 18)          | <b>(3,606)</b>  | (15,741)                        |
| <b>Income tax credit</b>            | <b>(1,346)</b>  | (14,255)                        |

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI for the six months ended 30 June 2014 and 30 June 2015.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2014 and 30 June 2015. No assessable profits generated from Hong Kong for the six months ended 30 June 2014 and 30 June 2015.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards. Accordingly, provision for PRC EIT for the PRC subsidiaries was calculated at 25% on the estimated assessable profits for the six months ended 30 June 2014 and 30 June 2015, except for the followings:

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

\* For identification purpose only

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

A subsidiary of the Company, 北京天下圖數據有限公司 (Peace Map Co., Ltd\*) was recognised as an approved high technology enterprise and therefore is entitled to a tax concession of reduction in EIT rate of 15% in 2014 and 2015. The income tax rate applicable is 15% for the six months ended 30 June 2015.

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

A subsidiary of the Company, 北京勝和幢科技有限責任公司 (Beijing Shenghezhuang Technology Limited\*) was recognised as an approved high technology enterprise in 2014 and therefore is entitled to a tax concession of reduction in EIT rate of 15% from 1 January 2014 to 31 December 2016. The income tax rate applicable is 15% for the six months ended 30 June 2015.

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

## 10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2015, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2014: nil).

*\* For identification purpose only*

## 11. EARNINGS (LOSS) PER SHARE

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

### Earnings (loss)

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30 June</b>          |             |
|  | <b>2015</b>             | 2014        |
|  | <b>(Unaudited)</b>      | (Unaudited) |
|  | <b>HK\$'000</b>         | HK\$'000    |
| Earnings (loss) for the purpose of basic earnings (loss) per share | <b>1,471</b>            | (94,506)    |

### Number of shares

|   | <b>Six months ended</b> |           |
|---|-------------------------|-----------|
|   | <b>30 June</b>          |           |
|   | <b>2015</b>             | 2014      |
|   | <b>'000</b>             | '000      |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share   | <b>7,216,298</b>        | 5,845,814 |
| Effect of share options   | <b>132,078</b>          | –         |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | <b>7,348,376</b>        | 5,845,814 |

The computation of diluted earnings (loss) per share for the six months ended 30 June 2014 and 30 June 2015 did not assume the exercise of the Company's share options granted in 2010 as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted earnings (loss) per share for the six months period ended 30 June 2014 and 30 June 2015 did not assume the conversion of the Company's outstanding convertible notes as the conversion of the convertible notes would result in an increase in earnings per share or a decrease in loss per share respectively. The computation of diluted loss for the six months ended 30 June 2014 did not assume the exercise of the Company's share options granted in 2012 as it would result in a decrease in loss per share.

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2015, the Group acquired assets with a cost of approximately HK\$3,180,000 (six months ended 30 June 2014: approximately HK\$15,704,000). The Group has written off property, plant and equipment with a net carrying value of approximately HK\$647,000, resulting in a loss on written off during the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$206,000).

No depreciation for mine development assets was provided for as the production of the coal mine site has not yet commenced during the six months ended 30 June 2014 and 2015.

### 13. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group incurred capital expenditure of approximately HK\$25,638,000 (six months ended 30 June 2014: approximately HK\$39,763,000) of which, approximately HK\$23,671,000 was incurred in respect of deferred development cost and approximately HK\$1,967,000 was incurred in respect of acquisition of software.

### 14. TRADE AND OTHER RECEIVABLES

|   | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|---|--|---|
| Trade receivables                             |  |   |
| – from third parties                          | <b>95,233</b>  | 96,226  |
| – from a non-controlling shareholder          | <b>15,508</b>  | 4,930   |
|   | <b>110,741</b>   | 101,156   |
| Less: allowance for doubtful debts            | <b>(15,946)</b>  | (15,946)  |
|   | <b>94,795</b>  | 85,210  |
| Amounts due from non-controlling shareholders | <b>3,213</b>   | 3,184   |
| Prepayments and deposits                      | <b>35,196</b>  | 29,872  |
|   | <b>133,204</b>   | 118,266   |
| Other receivables                             | <b>53,769</b>  | 40,235  |
| Less: accumulated impairment                  | <b>(1,378)</b>   | (1,378)   |
|   | <b>52,391</b>  | 38,857  |
| <b>Total trade and other receivables</b>      | <b>185,595</b>   | 157,123   |



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

The Group has a policy of allowing credit period to its customers, ranging from 90 to 180 days as at 30 June 2015 (31 December 2014: 90 to 180 days). The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period of certain government related entities which is normally over 1 year for its low default risk.

The following is an 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:

|                 | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|-----------------|--|---|
| Within 90 days  | <b>38,962</b>  | 52,492  |
| 91 to 180 days  | <b>4,126</b>   | 4,984   |
| 181 to 365 days | <b>35,593</b>  | 15,578  |
| Over 365 days   | <b>16,114</b>  | 12,156  |
|                 | <b>94,795</b>  | 85,210  |

## 15. TRADE AND OTHER PAYABLES

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

|                                       | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|---|
| Within 90 days                        | <b>68,979</b>  | 70,528  |
| 91 to 180 days                        | <b>4,248</b>   | 11,678  |
| 181 to 365 days                       | <b>58,237</b>  | 20,804  |
| Over 365 days                         | <b>53,925</b>  | 53,191  |
|                                       | <b>185,389</b>   | 156,201   |
| Other payables and accruals           | <b>75,585</b>  | 93,842  |
| <b>Total trade and other payables</b> | <b>260,974</b>   | 250,043   |

The credit period granted by suppliers and sub-contractors is normally 90 to 180 days as at 30 June 2015 (31 December 2014: 90 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 16. BORROWINGS

|                                      | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|---|
| <b>Current liabilities</b>           |  |   |
| Secured bank loan (note a)           | <b>63,245</b>  | –   |
| Unsecured bank loans (note b)        | <b>37,298</b>  | 58,611  |
| Unsecured other loans (note c and d) | <b>57,237</b>  | 61,008  |
|                                      | <b>157,780</b>   | 119,619   |
| <b>Non-current liabilities</b>       |  |   |
| Unsecured loans (note e)             | –  | 30,000  |
| <b>Total borrowings</b>              | <b>157,780</b>   | 149,619   |

Notes:

- (a) As at 30 June 2015, secured bank loan of approximately HK\$63,245,000 (equivalent to RMB50,000,000) is secured by the Group's pledged bank deposits with carrying amounts of approximately HK\$63,245,000 (equivalent to RMB50,000,000) and carrying interest at a fixed rate at 1.3% per annum and repayable within one year for working capital use.
- (b) 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 2015 (31 December 2014: 120% of the RMB Benchmark Interest Rate quoted by the People's Bank of China).

As at 30 June 2015, unsecured bank loans amounted to approximately HK\$37,298,000 (equivalent to approximately RMB29,487,000) (31 December 2014: approximately HK\$58,611,000 (equivalent to approximately RMB46,491,000)) were guaranteed and indemnified by a director of the company and a subsidiary of the Group.

## 16. BORROWINGS *(Continued)*

Notes: *(Continued)*

- (c) As at 31 December 2014, an unsecured loan of HK\$5,000,000 (30 June 2015: nil) represented borrowing from a subsidiary of a former substantial shareholder for financing the general working capital of the Group. Under the loan agreement, up to an aggregate principal amount of HK\$20,000,000 was available for drawings and ending on the earlier of (i) 31 December 2015; and (ii) the date when the loan had been fully drawn down or cancelled. The loan carried interest at a fixed rate of 5% per annum with a repayable on demand clause. The loan has been fully repaid during the six months ended 30 June 2015.
- (d) As at 30 June 2015, another unsecured loans of approximately HK\$57,237,000 (31 December 2014: approximately HK\$56,008,000) were borrowings from two independent third parties not related to the Group. Principal amount of approximately HK\$37,947,000 (equivalent to RMB30,000,000) (31 December 2014: approximately HK\$37,821,000 (equivalent to RMB30,000,000)) was non-interest bearing and approximately HK\$19,985,000 (equivalent to RMB15,800,000) (31 December 2014: approximately HK\$19,919,000 (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 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 non-interest bearing unsecured loans are subsequently measured at amortised cost using effective interest method with carrying amount of approximately HK\$37,252,000 (31 December 2014: approximately HK\$36,089,000). An imputed interest expense of approximately HK\$1,041,000 (equivalent to approximately RMB824,000) was recognised in profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$448,000 (equivalent to approximately RMB355,000)).

- (e) As at 31 December 2014, an unsecured loan of HK\$30,000,000 (30 June 2015: nil) represented borrowing from a shareholding company for financing the general working capital of the Group. The loan carried interest at a fixed rate of 5% per annum and has been fully repaid during the six months ended 30 June 2015.

## 17. CONVERTIBLE NOTES

|                                 | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|---------------------------------|--|---|
| Convertible Note I (note a)     |  |   |
| Liability component             | <b>324,989</b>   | 546,054   |
| Equity component                | <b>139,915</b>   | 298,856   |
| Derivative Component            | <b>-</b>   | (34,560)  |
|                                 | <b>464,904</b>   | 810,350   |
| Convertible Note II (note b)    |  |   |
| Liability component             | <b>74,315</b>  | 116,660   |
| Equity component                | <b>17,083</b>  | 50,553  |
|                                 | <b>91,398</b>  | 167,213   |
|                                 | <b>556,302</b>   | 977,563   |
| Analysed for reporting purpose: |  |   |
| Current portion:                |  |   |
| Liability component             | -  | 546,054   |
| Derivative Component            | -  | (34,560)  |
|                                 | -  | 511,494   |
| Non-current portion:            |  |   |
| Liability component             | <b>399,304</b>   | 116,660   |
| Equity component                | <b>156,998</b>   | 349,409   |
|                                 | <b>556,302</b>   | 977,563   |

## 17. 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 Central Asia Mineral Exploration LLC (“**Camex**”). The Convertible Note I was matured on 17 June 2015 (the “**Maturity I**”), subject to an option of the holder of the Convertible Note I (“**Noteholder I**”) to convert the whole or part of the principal amount of the Convertible Note I into ordinary shares of the Company at a conversion price of HK\$1.1 (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**”), which has been exercised on Maturity I.

The Convertible Note I was stated at fair value on the Issue Date I which amounted to approximately HK\$948,237,000. The Convertible Note I contains three components – liability component, equity component and the Derivative Component. The fair value of the liability component of the Convertible Note I was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component and the Derivative Component 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 under current assets as at 31 December 2014.

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

## 17. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(a) (Continued)

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

|  | Liability component                        |  | Equity component                           |  | Derivative Component                       |  |
|--|--|--|--|--|--|--|
|  | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 |
| <b>Carrying amounts</b>  |  |  |  |  |  |  |
| At beginning of the period   | 546,054                                    | 518,146                                      | 298,856                                    | 320,578                                      | (34,560)                                   | (60,851)                                     |
| Imputed interest expenses (note i)   | 29,671                                     | 65,407                                       | -  | -  | -  | -  |
| Conversion of Convertible Note I (note ii)   | (15,145)                                   | (37,499)                                     | (8,275)                                    | (21,722)                                     | 1,741                                      | 4,260  |
| Change in fair value on Convertible Note I recognised in profit or loss (note iii)             | -  | -  | -  | -  | (64,125)                                   | 22,031                                       |
| Derecognise of liability component equity component and the derivative component on Maturity I | (560,580)                                  | -  | (290,581)                                  | -  | 96,944                                     | -  |
| Fair value of Extended Convertible Note I recognised on Maturity I                             | 323,721                                    | -  | 139,915                                    | -  | -  | -  |
| Imputed interest expenses (note iv)  | 1,268                                      | -  | -  | -  | -  | -  |
| <b>At end of the period</b>  | <b>324,969</b>                             | <b>546,054</b>                               | <b>139,915</b>                             | <b>298,856</b>                               | <b>-</b>                                   | <b>(34,560)</b>                              |

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 June 2014: 12.91%) per annum. Imputed interest expense of approximately HK\$29,671,000 was recognised in profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$32,154,000).

## 17. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Notes: *(Continued)*

- (ii) 14,512,727 shares (31 December 2014: 38,095,909 shares) were issued upon conversion of the Convertible Note I in total amount of approximately HK\$15,964,000 for the six months ended 30 June 2015 (31 December 2014: approximately HK\$41,906,000). 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 19(b)).
  - (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 exercised, or redemption.
  - (iv) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective rate of 11.59% per annum (six months ended 30 June 2014: nil). Imputed interest expense of approximately HK\$1,268,000 was recognised in profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).
- (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.



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

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

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

## 17. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(b) (Continued)

On 26 March 2014 (“Issue Date III”), the PAT has been met and the Tranche A Convertible Note II with the aggregate principal amount of HK\$80,000,000 were issued by the Company and initially recognised at fair value 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. On the same date, the Contingent Consideration was no longer existed and derecognised. The fair value of the liability component was calculated by Roma Appraisals using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component was determined based on the valuation carried out by Roma Appraisals by using option pricing model. As at 30 June 2015, the Tranche A Convertible Note II with aggregate principal amount of HK\$80,000,000 has been fully converted.

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                           |  | Contingent consideration                   |  |
|--|--|--|--|--|--|--|
|  | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 | 30 June<br>2015<br>(Unaudited)<br>HK\$'000 | 31 December<br>2014<br>(Audited)<br>HK\$'000 |
| <b>Carrying amounts</b>                              |  |  |  |  |  |  |
| At beginning of the period                           | 116,660                                    | 194,420                                      | 50,553                                     | 51,591                                       | -  | 109,773                                      |
| Addition at Issue Date III                           | -  | 51,149                                       | -  | 57,337                                       | -  | (108,486)                                    |
| Imputed interest expenses<br>(note i)                | 4,848                                      | 15,745                                       | -  | -  | -  | -  |
| Conversion of Convertible<br>Note II (note ii)       | (47,193)                                   | (144,654)                                    | (33,470)                                   | (58,375)                                     | -  | -  |
| Change in fair value recognised<br>in profit or loss | -  | -  | -  | -  | -  | (1,287)                                      |
| <b>At end of the period</b>                          | <b>74,315</b>                              | <b>116,660</b>                               | <b>17,083</b>                              | <b>50,553</b>                                | <b>-</b>                                   | <b>-</b>                                     |

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\$4,848,000 was recognised in profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$10,323,000).

## 17. CONVERTIBLE NOTES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Notes: *(Continued)*

- (ii) 264,000,000 shares (31 December 2014: 864,011,360 shares) were issued upon conversion of the Convertible Note II in total amount of approximately HK\$66,000,000 for the six months ended 30 June 2015 (31 December 2014: approximately HK\$216,003,000). 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 19(c)).

## 18. DEFERRED TAXATION

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

|                               | <b>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2014<br>(Audited)<br>HK\$'000 |
|-------------------------------|--|--|
| Deferred tax assets           | <b>145</b>   | 145  |
| Deferred tax liabilities      | <b>(66,877)</b>                                      | (70,247)                                     |
| Balance at end of period/year | <b>(66,732)</b>                                      | (70,102)                                     |

## 18. 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:

|  | <b>Fair value<br/>adjustment<br/>arising from<br/>acquisition of<br/>subsidiaries<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|----------------------------|---------------------------|
| At 31 December 2014<br>(Audited)       | 70,247   | (145)                      | 70,102                    |
| Credited to profit or loss             | (3,606)  | –                          | (3,606)                   |
| Exchange realignment                   | 236  | –                          | 236                       |
| <b>At 30 June 2015<br/>(Unaudited)</b> | <b>66,877</b>  | <b>(145)</b>               | <b>66,732</b>             |

## 19. SHARE CAPITAL

|   | <b>Number of<br/>ordinary shares</b> | <b>Total<br/>HK\$'000</b> |
|---|--------------------------------------|---------------------------|
| <b>Ordinary shares of HK\$0.25 each</b>       |                                      |                           |
| <b>Authorised</b>                             |                                      |                           |
| At 1 January 2014                             | 10,000,000,000                       | 2,500,000                 |
| Increase in authorised share capital (note e) | 20,000,000,000                       | 5,000,000                 |
| <b>At 31 December 2014 and 30 June 2015</b>   | <b>30,000,000,000</b>                | <b>7,500,000</b>          |
| <b>Issued and fully paid</b>                  |                                      |                           |
| At 1 January 2014 (Audited)                   | 5,782,301,095                        | 1,445,575                 |
| Exercise of share options (note a)            | 22,200,000                           | 5,550                     |
| Conversion of Convertible Note I (note b)     | 38,095,909                           | 9,524                     |
| Conversion of Convertible Note II (note c)    | 864,011,360                          | 216,003                   |
| At 31 December 2014 (Audited)                 | 6,706,608,364                        | 1,676,652                 |
| Exercise of share options (note a)            | 221,660,000                          | 55,415                    |
| Conversion of Convertible Note I (note b)     | 14,512,727                           | 3,628                     |
| Conversion of Convertible Note II (note c)    | 264,000,000                          | 66,000                    |
| Share issued under placing (note d)           | 950,000,000                          | 237,500                   |
| <b>At 30 June 2015 (Unaudited)</b>            | <b>8,156,781,091</b>                 | <b>2,039,195</b>          |

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

## 19. SHARE CAPITAL *(Continued)*

Notes:

- (a) During the six months ended 30 June 2015, 221,660,000 share options (31 December 2014: 22,200,000 share options) had been exercised by holders at HK\$0.25 each for the issuance of shares. As a result of the exercise of share options, cash and cash equivalent, share capital and share premium have been increased by HK\$57,543,000, HK\$55,415,000 and approximately HK\$15,904,000 respectively (31 December 2014: HK\$5,550,000, HK\$5,550,000 and approximately HK\$1,009,000 respectively) and share options reserve has been decreased by approximately HK\$13,776,000 (31 December 2014: approximately HK\$1,009,000).
- (b) During the six months ended 30 June 2015, the Noteholder I converted Convertible Note I in aggregate principal amount of HK\$15,964,000 (31 December 2014: approximately HK\$41,906,000) at the conversion price of HK\$1.1 per share whereby a respective total number of 14,512,727 (31 December 2014: 38,095,909) conversion shares were issued. As a result of the conversion, share capital and share premium of the Company have been increased by approximately HK\$3,628,000 and HK\$18,051,000 respectively (31 December 2014: increased by approximately HK\$9,524,000 and HK\$45,437,000 respectively) and the aggregate of which represents proportional amounts of the equity component, the Derivative Component and the liability component at the time of conversion.
- (c) During the six months ended 30 June 2015, the Noteholder II converted Convertible Note II in aggregate principal amount of approximately HK\$66,000,000 (31 December 2014: approximately HK\$216,003,000) at the conversion price of HK\$0.25 per share whereby a respective total number of 264,000,000 (31 December 2014: 864,011,360) conversion shares were issued. As a result of the conversion, share capital and share premium of the Company have been increased by approximately HK\$66,000,000 and HK\$14,663,000 respectively (31 December 2014: share capital 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) and the aggregate of which represents proportional amounts of the equity component and the liability component at the time of conversion.
- (d) On 21 April 2015, the Company completed a placing of 950,000,000 new shares of the Company at HK\$0.33 per share. Proceeds generated from the placing amounted to HK\$313,500,000 (before share issue expenses of approximately HK\$5,723,000). The net proceeds of approximately HK\$30,777,000 were intended to be utilised as general working capital of the Group. As a result of the placing, share capital and share premium have been increased by HK\$237,500,000 and HK\$70,277,000 respectively.
- (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 HK\$2,500,000,000 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 ordinary shares of HK\$0.25 each by the creation of an additional 20,000,000,000 new shares.

## 20. 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*

| Grantees   | Options grant date | Number of share options |          |                  |           | As at          |
|--|--------------------|-------------------------|----------|------------------|-----------|----------------|
|  |                    | As at                   | Granted  | Exercised        | Forfeited | As at          |
|  |                    | 1 January 2015          |          |                  |           | 30 June 2015   |
|  |                    | '000                    | '000     | '000             | '000      | '000           |
| Directors  | 25 October 2010    | 36,700                  | -        | -                | -         | 36,700         |
|  | 9 October 2012     | 18,380                  | -        | (4,300)          | -         | 14,080         |
|  | 26 September 2014  | 325,000                 | -        | -                | -         | 325,000        |
|  |                    | 380,080                 | -        | (4,300)          | -         | 375,780        |
| Employees  | 25 October 2010    | 8,000                   | -        | -                | -         | 8,000          |
|  | 9 October 2012     | 1,400                   | -        | (960)            | -         | 440            |
|  | 26 September 2014  | 266,000                 | -        | (212,800)        | -         | 53,200         |
|  |                    | 275,400                 | -        | (213,760)        | -         | 61,640         |
| Suppliers of services or goods                   | 25 October 2010    | 13,000                  | -        | -                | -         | 13,000         |
|  | 9 October 2012     | 3,600                   | -        | (3,600)          | -         | -              |
|  |                    | 16,600                  | -        | (3,600)          | -         | 13,000         |
| <b>Total</b>                                     |                    | <b>672,080</b>          | <b>-</b> | <b>(221,660)</b> | <b>-</b>  | <b>450,420</b> |
| Exercisable at the end of period                 |                    |                         |          |                  |           | <b>332,220</b> |
| Weighted average exercise price (HK\$ per share) |                    | <b>0.31</b>             | <b>-</b> | <b>0.26</b>      | <b>-</b>  | <b>0.34</b>    |

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

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

| Grantees   | Options grant date | Number of share options      |                 |                   |                   | As at 31 December 2014<br>'000 |
|--|--------------------|------------------------------|-----------------|-------------------|-------------------|--------------------------------|
|  |                    | As at 1 January 2014<br>'000 | Granted<br>'000 | Exercised<br>'000 | Forfeited<br>'000 |                                |
|  |                    |                              |                 |                   |                   |                                |
| Directors  | 25 October 2010    | 36,700                       | -               | -                 | -                 | 36,700                         |
|  | 9 October 2012     | 36,860                       | -               | (18,480)          | -                 | 18,380                         |
|  | 26 September 2014  | -                            | 325,000         | -                 | -                 | 325,000                        |
|  |                    | 73,560                       | 325,000         | (18,480)          | -                 | 380,080                        |
| Employees  | 25 October 2010    | 8,000                        | -               | -                 | -                 | 8,000                          |
|  | 9 October 2012     | 5,120                        | -               | (3,720)           | -                 | 1,400                          |
|  | 26 September 2014  | -                            | 266,000         | -                 | -                 | 266,000                        |
|  |                    | 13,120                       | 266,000         | (3,720)           | -                 | 275,400                        |
| Suppliers of services or goods                   | 25 October 2010    | 13,000                       | -               | -                 | -                 | 13,000                         |
|  | 9 October 2012     | 3,600                        | -               | -                 | -                 | 3,600                          |
|  |                    | 16,600                       | -               | -                 | -                 | 16,600                         |
| <b>Total</b>                                     |                    | 103,280                      | 591,000         | (22,200)          | -                 | 672,080                        |
| Exercisable at the end of period                 |                    |                              |                 |                   |                   | 435,680                        |
| Weighted average exercise price (HK\$ per share) |                    | 0.59                         | 0.26            | 0.25              | -                 | 0.31                           |

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

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

591,000,000 share option were granted during the year ended 31 December 2014 (six months ended 30 June 2015: nil).

During the six months ended 30 June 2015 and year ended 31 December 2014, no unvested share options granted to employees were forfeited.

The Group recognised the total expenses of approximately HK\$8,761,000 for the six months ended 30 June 2015 (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.

As of the date of this report, the total number of shares of the Company available for issue under the share option scheme is 450,420,000, representing approximately 5.52% of the issued share capital of the Company as of the date of this report.

## 21. 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.



## 21. 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.

## 22. 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:

|   | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|---|--|---|
| Within one year                         | <b>8,666</b>   | 9,589   |
| In the second to fifth years, inclusive | <b>18,648</b>  | 19,593  |
| After five years                        | <b>-</b>   | 241   |
|   | <b>27,314</b>  | 29,423  |

The Group leases certain properties under operating leases. The leases run for an initial period of one to five years (31 December 2014: one to five years), with an option to renew the leases and renegotiate the terms at the expiry date.

### *Capital expenditure commitment*

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

|                                     | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|-------------------------------------|--|---|
| Contracted for but not provided for |  |   |
| – in respect of properties          | -  | 4,401   |
| – in respect of plant and equipment | -  | 472   |
|                                     | -  | 4,873   |

## 23. RELATED PARTY TRANSACTIONS

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

### (i) Transactions with related companies

|  | <b>Six months<br/>ended<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 2014<br>(Unaudited)<br>HK\$'000 |
|--|---|---------------------------------|
| (i) Subcontracting cost payable to an associate                                    | <b>2,967</b>  | –                               |
| (ii) Rental expenses for office premises payable to a non-controlling shareholder  | <b>3,385</b>  | –                               |
| (iii) Interest expenses payable to a non-controlling shareholder                   | <b>929</b>  | 131                             |
| (iv) Interest expenses payable to a subsidiary of a former substantial shareholder | <b>62</b>   | 110                             |

### (ii) Key management personnel

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

|   | <b>Six months<br/>ended<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | 2014<br>(Unaudited)<br>HK\$'000 |
|---|---|---------------------------------|
| Salaries, allowances and benefits in kind | <b>1,002</b>  | 1,460                           |
| Equity-settled share-based compensation   | <b>5,022</b>  | –                               |
| Retirement benefits scheme contributions  | <b>92</b>   | –                               |
|   | <b>6,116</b>  | 1,460                           |

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

- (iii)* A subsidiary of a former substantial shareholder has provided facilities with maximum amount of HK\$20,000,000 as detailed in note 16(c). As at 30 June 2015, the amount of unutilised facilities was HK\$20,000,000 (31 December 2014: HK\$15,000,000).

## 24. 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***

The following table gives information about how the fair values of the derivative financial asset is 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 market 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.

## 24. 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)*

| <b>Financial assets</b>   | <b>Fair value as at<br/>30 June 2015</b> | <b>Fair value as at<br/>31 December 2014</b> | <b>Fair value<br/>hierarchy</b> | <b>Valuation technique(s)<br/>and key input(s)</b>   |
|---|--|--|---------------------------------|--|
| Derivative financial asset – Derivative Component of the Convertible Note I | Nil                                      | HK\$34,560,000                               | 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 |

There were no transfers between levels of fair value hierarchy in the current and prior interim periods.