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PEACE MAP HOLDING LIMITED

天下圖控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 402)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Peace Map Holding Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Revenue	4	120,822	169,934
Cost of revenue		<u>(97,737)</u>	<u>(138,696)</u>
Gross profit		23,085	31,238
Other income	4	881	3,679
Selling and distribution expenses		(5,471)	(5,051)
Administrative and other operating expenses		(54,882)	(49,357)
Equity-settled share-based payment expenses		–	(8,761)
Share of results of associates		1,032	17
Other gain and losses, net	6	<u>(514)</u>	<u>65,899</u>
Operating (loss) profit		(35,869)	37,664
Finance costs	7	<u>(25,319)</u>	<u>(41,474)</u>
Loss before taxation	8	(61,188)	(3,810)
Income tax credit	9	<u>2,827</u>	<u>1,346</u>
Loss for the period		<u>(58,361)</u>	<u>(2,464)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(38,915)	1,471
Non-controlling interests		<u>(19,446)</u>	<u>(3,935)</u>
		<u>(58,361)</u>	<u>(2,464)</u>
(Loss) earnings per share (HK cents)			
– Basic	11	(0.48)	0.02
– Diluted	11	<u>(0.48)</u>	<u>0.02</u>

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

for the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	<i>Notes</i>	As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		57,658	58,576
Interests in associates		8,775	4,816
Goodwill		622,267	635,634
Mining licences		–	–
Exploration and evaluation assets		–	–
Other intangible assets	12	479,210	505,939
Available-for-sale investment		8,173	8,356
Deferred tax assets		50	137
		1,176,133	1,213,458
Current assets			
Inventories		8,534	10,585
Amounts due from customers of contract works		259,398	218,312
Trade and other receivables	13	183,094	175,169
Finance lease receivables		2,102	2,149
Tax recoverable		–	6
Pledged bank deposits		60,623	122,678
Bank balances and cash		152,895	213,141
		666,646	742,040
Current liabilities			
Amounts due to customers of contract works		–	5,738
Trade and other payables	14	230,422	218,469
Amounts due to non-controlling shareholders		74,606	69,285
Amount due to an associate		35,049	28,132
Tax payables		2,564	4,339
Borrowings	15	81,150	144,103
		423,791	470,066
Net current assets		242,855	271,974
Total assets less current liabilities		1,418,988	1,485,432

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
as at 30 June 2016

		As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Amount due to a non-controlling shareholder		8,727	11,251
Convertible notes	16	444,599	421,466
Deferred income		4,689	4,658
Deferred tax liabilities		57,044	60,212
		<hr/>	<hr/>
		515,059	497,587
		<hr/>	<hr/>
Net assets		903,929	987,845
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	17	2,039,195	2,039,195
Reserves		(1,180,428)	(1,113,503)
		<hr/>	<hr/>
Equity attributable to owners of the Company		858,767	925,692
Non-controlling interests		45,162	62,153
		<hr/>	<hr/>
Total equity		903,929	987,845
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2016

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

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

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

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 AND OTHER INCOME

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

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

4. REVENUE AND OTHER INCOME (Continued)

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

Note:

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

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 30 June 2016 (Unaudited)

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

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2015 (Unaudited)

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

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

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

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:

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

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

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

6. OTHER GAIN AND LOSSES, NET

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

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest charges on:		
– Bank loans	720	3,171
– Other loans	1,466	1,475
	<u>2,186</u>	<u>4,646</u>
Imputed interest on unsecured other loans	–	1,041
Imputed interest on Extended Convertible Note I (<i>note 16(a)(iv)</i>)	19,310	1,268
Imputed interest on Convertible Note I (<i>note 16(a)(i)</i>)	–	29,671
Imputed interest on Convertible Note II (<i>note 16(b)(i)</i>)	3,823	4,848
	<u>25,319</u>	<u>41,474</u>
Total	<u><u>25,319</u></u>	<u><u>41,474</u></u>

8. LOSS BEFORE TAXATION

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

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

9. INCOME TAX CREDIT

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

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

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

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

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

* For identification purpose only

9. INCOME TAX CREDIT *(Continued)*

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

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

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

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

10. DIVIDEND

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

* *For identification purpose only*

11. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

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

Number of shares

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

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

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

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

12. OTHER INTANGIBLE ASSETS

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

13. TRADE AND OTHER RECEIVABLES

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

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

13. TRADE AND OTHER RECEIVABLES (Continued)

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. BORROWINGS

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

Notes:

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

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

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

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

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

16. CONVERTIBLE NOTES

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

16. CONVERTIBLE NOTES (Continued)

Notes:

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

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

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

16. 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Carrying amounts						
At beginning of the period	343,467	546,054	139,915	298,856	–	(34,560)
Imputed interest expenses						
of Convertible Note I (note i)	–	29,671	–	–	–	–
Conversion of Convertible Note I (note ii)	–	(15,145)	–	(8,275)	–	1,741
Change in fair value on Convertible Note I recognised in profit or loss (note iii)	–	–	–	–	–	(64,125)
Derecognition of liability component, equity component and 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 of Extended Convertible Note I (note iv)	19,310	19,746	–	–	–	–
At end of the period	362,777	343,467	139,915	139,915	–	–

Notes:

- (i) During the six months ended 30 June 2015, the liability component of Convertible Note I was measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% per annum. Imputed interest expense of approximately HK\$29,671,000 was recognised in profit or loss for the six months ended 30 June 2015.

16. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(a) (Continued)

Notes: (Continued)

- (ii) 14,512,727 shares (six months ended 30 June 2016: nil) were issued upon conversion of the Convertible Note I in total amount of approximately HK\$15,964,000 (six months ended 30 June 2016: nil) for the year ended 31 December 2015. At the time of conversion, the proportional amounts of the convertible note equity reserve, the Derivative Component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued.
 - (iii) The Derivative Component was measured at fair value with changes in fair value recognised in profit or loss. The Derivative Component was carried as derivative financial asset in the condensed consolidated statement of financial position until extinguished on conversion or redemption.
 - (iv) The liability component of Extended Convertible Note I is subsequently measured at amortised cost using effective interest method by applying an effective rate of 11.59% per annum (six months ended 30 June 2015: 11.59%). Imputed interest expense of approximately HK\$19,310,000 was recognised in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$1,268,000).
- (b) On 2 August 2013 (the “**Issue Date II**”), the Company issued a five-year zero coupon convertible note in principal amount of HK\$1,170,000,000 as part of the consideration for acquiring 100% interest in Sinbo Investment Limited (“**Sinbo**”). Subject to adjustments, convertible note in additional principal amount of HK\$80,000,000 in aggregate (the “**Contingent Consideration**”) would be issued also as part of the consideration for acquiring 100% interest in Sinbo (together with the convertible note in principal amount of HK\$1,170,000,000, the “**Convertible Note II**”). The Company issued the Convertible Note II in aggregate principal amount of HK\$80,000,000 on 26 March 2014. The Convertible Note II will be matured on the business day falling on the fifth anniversary of the date of issue, subject to an option of the holder of the Convertible Note II (“**Noteholder II**”) to convert the whole or part of the principal amount of the Convertible Note II into ordinary shares of the Company at a conversion price of HK\$0.25 per share (subject to adjustment) at any time from the issue date up to maturity date.

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

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

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

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

16. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(b) (Continued)

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

The carrying values of the liability component, 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	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Carrying amounts				
At beginning of the period	77,999	116,660	17,083	50,553
Imputed interest expenses of Convertible Note II (note i)	3,823	8,532	–	–
Conversion of Convertible Note II (note ii)	–	(47,193)	–	(33,470)
At end of the period	81,822	77,999	17,083	17,083

Notes:

- (i) The liability component of Convertible Note II is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 10.07% per annum. Imputed interest expense of approximately HK\$3,823,000 was recognised in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$4,848,000).

16. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(b) (Continued)

Notes: (Continued)

- (ii) 264,000,000 (six months ended 30 June 2016: nil) shares were issued upon conversion of the Convertible Note II in total amount of approximately HK\$66,000,000 during the six months 30 June 2015 (six months ended 30 June 2016: nil). At the time of conversion, the proportional amounts of the convertible note equity reserve, the equity component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued.

17. SHARE CAPITAL

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

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

17. SHARE CAPITAL (Continued)

Notes:

- (a) During the year ended 31 December 2015, 8,860,000 and 212,800,000 share options had been exercised by holders at HK\$0.25 per share and HK\$0.26 per share each for the issuance of shares respectively. As a result of the exercise of share options, cash and cash equivalent, share capital and share premium had been increased by HK\$57,543,000, HK\$55,415,000 and approximately HK\$15,904,000 respectively and share options reserve had been decreased by approximately HK\$13,776,000.
- (b) During the year ended 31 December 2015, the Noteholder I converted Convertible Note I in aggregate principal amount of approximately HK\$15,964,000 at the conversion price of HK\$1.10 per share whereby a total number of 14,512,727 conversion shares were issued. As a result of the conversion, share capital and share premium of the Company had been increased by approximately HK\$3,628,000 and HK\$18,051,000 respectively and the aggregate of which represents proportional amounts of the equity component, the Derivative Component and the liability component at the time of conversion.
- (c) During the year ended 31 December 2015, the Noteholder II converted Convertible Note II in aggregate principal amount of approximately HK\$66,000,000 at the conversion price of HK\$0.25 per share whereby a total number of 264,000,000 conversion shares were issued. As a result of the conversion, share capital and share premium of the Company had been increased by approximately HK\$66,000,000 and HK\$14,663,000 respectively and the aggregate of which represents proportional amounts of the equity component and the liability component at the time of conversion.
- (d) On 21 April 2015, the Company completed a placing of 950,000,000 new shares of the Company at HK\$0.33 per share. Proceeds generated from the placing amounted to HK\$313,500,000 (before share issue expenses of approximately HK\$5,723,000). The net proceeds of approximately HK\$307,777,000 were intended to be utilised as general working capital of the Group. As a result of the placing, share capital and share premium had been increased by HK\$237,500,000 and approximately HK\$70,277,000 respectively.

18. DISPOSAL OF A SUBSIDIARY

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

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

Consideration received:

	<i>HK\$'000</i>
Cash consideration received	5,756

Analysis of the asset over which control was lost:

Property, plant and equipment	–
Net asset disposed of	–

Gain on disposal of a subsidiary:

Consideration received	5,756
Net asset disposed of	–
Gain on disposal (<i>note 6</i>)	5,756

Net cash inflow arising on disposal:

Cash consideration	5,756
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19. COMPARATIVE FIGURES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Related to Geographic Information Industry

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

Business Application and Services

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

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

Data Collection

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

Development and Sales of Equipment

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

Mining and Exploration Business in Mongolia

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

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

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

FINANCIAL SUMMARY

Revenue

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

Gross Profit

Gross profit decreased by 26.09% to approximately HK\$23.09 million (six months ended 30 June 2015: approximately HK\$31.24 million). Gross profit margin slightly increased by 0.73% to 19.11% (six months ended 30 June 2015: 18.38%).

Other Income

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

Administrative and Other Operating Expenses

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

Finance Costs

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

(Loss) Profit Attributable to Shareholders

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

Capital Expenditure

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

Liquidity & Financial Resources

As at 30 June 2016, the Group's net current assets value was approximately HK\$242.86 million (as at 31 December 2015: net current assets value was approximately HK\$271.97 million). As at 30 June 2016, the Group's cash at banks and in hand and pledged bank deposits reached approximately HK\$213.52 million (as at 31 December 2015: approximately HK\$335.82 million). As at 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\$588.21 million (as at 31 December 2015: approximately HK\$629.40 million). Details of the borrowings and the convertible notes as at 30 June 2016 are set out in note 15 and note 16 to the interim financial statements respectively. The Group's current ratio, being the ratio of current assets to current liabilities, was 1.57 times (as at 31 December 2015: 1.60 times), and its gearing ratio, in terms of total borrowings net of bank balances and cash and pledged bank deposits to total equity, stood at 41.45% (as at 31 December 2015: 29.72%).

Foreign Exchange Risk Management

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

Human Resources

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

PROSPECTS

In the first half of 2016, the Group has continuously sought development opportunities following the development directions established at the beginning of the year. In the second half of 2016, the Group will remain focused on various business activities, such as real estate registration projects of various types, the construction of smart cities and industry assets survey and relevant asset management. The year 2016 is characterized by complicated global economic conditions, and in particular, the overall development of geographical information industry continues to be faced with both opportunities and challenges. All businesses in the geographical information industry in the PRC should join force in facilitating the development and transition of the relevant industry. In respect of business layout, the Group will mainly focus on the following three aspects in the second half of the year:

- Regional layout: dividing each sales region by geographical areas to deeply dig into client resources, while taking advantage of the Group's overall resources to foster the regional affiliates and subsidiaries in order to accelerate their businesses deeply rooted in the local markets.

- Industry layout: preparing to establish businesses related to oil and petrochemical and strengthening existing businesses related to electricity, unmanned aerial vehicles and cloud platform by enhancing their in-depth understanding and leveraging on the needs of clients from relevant industries, and accordingly seek to thoroughly integrate various industry solutions and platform based application softwares provided by the Group with clients' daily use, to strengthen clients' loyalties to the Company, and finally to capture more market shares.
- International cooperation and overseas expansion: continuing to strengthen exchanges and communication in various aspects, learn and introduce advanced production criterions and technologies for geographic information products, as well as seize any opportunities to expand overseas mapping and geographic information markets, building on existing cooperations with overseas and domestic partners.

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

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Other than the disposal of a subsidiary as set out in note 18 to the interim financial statements, the Group had no significant investments, material acquisitions and disposals of its subsidiaries and associated companies during the Period under Review.

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE AND ITS REVIEW OF INTERIM FINANCIAL STATEMENTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is available for viewing on the website hosted by the Stock Exchange at www.hkexnews.hk and the Company’s website at www.peacemap.com.hk. The interim report of the Company for the six months ended 30 June 2016 will be despatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

By order of the Board
Peace Map Holding Limited
GUAN Hongliang
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the executive Directors are Mr. GUAN Hongliang (Chairman), Mr. WANG Zheng (Chief Executive Officer), Mr. ZHU Dong (Deputy Chief Executive Officer) and Mr. FENG Tao (Chief Financial Officer) and the independent non-executive Directors are Mr. ZHANG Songlin, Mr. ZHAI Shenggang and Mr. KANG Hua.