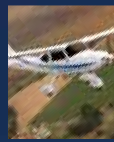
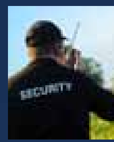
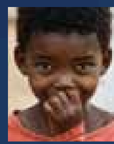
Annual Report 2013

Total Solutions for the African Continent







Frontier Services Group Limited

(Formerly known as DVN (Holdings) Limited)

Stock Code: 00500

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Erik D. Prince *(Chairman)*
Mr Ko Chun Shun, Johnson *(Deputy Chairman)*
Mr Luo Ning *(Deputy Chairman)*
Mr Gregg H. Smith *(Chief Executive Officer)*
Mr Xu Qiang *(Chief Operating Officer)*
Mr Hu Qinggang *(Chief Financial Officer)*

Independent Non-Executive Directors

Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

Audit Committee

Mr Yap Fat Suan, Henry
Mr Chu Hon Pong

Remuneration Committee

Mr Chu Hon Pong *(Chairman)*
Mr Erik D. Prince
Mr Ko Chun Shun, Johnson
Mr Yap Fat Suan, Henry

Nomination Committee

Mr Erik D. Prince *(Chairman)*
Mr Ko Chun Shun, Johnson
Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

COMPANY SECRETARY

Mr Chan Kam Kwan, Jason

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Michael Li & Co.

PRINCIPAL BANKERS

Bank of Communications Co., Limited
China Everbright Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 3902, 39th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal Registrars

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

INVESTOR RELATIONS

Investor Relations Department
Frontier Services Group Limited
Telephone: (852) 3766 1077
Fax: (852) 3007 0386
Website: www.fsgroup.com
www.irasia.com/listco/hk/frontier
Email: ir@fsgroup.com

Financial Highlights

	For the year ended 31 December	
	2013 HK$'000	2012 HK$'000
Revenue		
Continuing operations:		
Aviation and logistics business	**16**	–
Advertising agency business	**1,796**	17,773
Financial market information business	**27,676**	29,060
Digital broadcasting business	**2,852**	8,392
	32,340	55,225
Discontinued operations:		
Digital broadcasting business	**–**	247,920
	32,340	303,145
Gross profit		
Continuing operations	**22,693**	46,279
Discontinued operations	**–**	128,072
	22,693	174,351
Loss for the year		
Continuing operations	**(159,014)**	(43,533)
Discontinued operations	**(23,381)**	(171,191)
	(182,395)	(214,724)
Basic loss per share		
Continuing operations	**(13.94) cents**	(3.82) cents
Discontinued operations	**(2.05) cents**	(15.02) cents
	(15.99) cents	(18.84) cents

	As at 31 December	
	2013 HK$'000	2012 HK$'000
Total assets	**886,278**	895,075
Shareholders' funds	**638,884**	661,374
Net asset value per share (excluding non-controlling interests)	**56 cents**	58 cents
Cash and bank balances	**711,760**	600,993
Number of staff	**78**	87
Current ratio	**8.86**	9.11
Total liabilities-to-total assets ratio	**0.15**	0.13
Price to book ratio	**2.16**	0.46

Chairman's Statement

A Total Solution

- Bridge the gap between traditional logistics and security
- Provide value-added services that solve problems for clients
- Facilitate investment projects by solving intractable problems
- Solutions that create significant payback to operations and investment

Dear Shareholders

In January 2014, we have announced to change the name of the Company to "Frontier Services Group Limited", representing the Group's commencement into a totally new business era. We hope to bring our services to markets around the world but will begin in Africa.

The African aviation and logistics services industry is at an early stage of development but is rapidly expanding, representing an opportunity for substantial growth. In December 2013, the Group acquired Frontier Services Limited which indirectly holds certain Kenyan licences and certificates and provides logistics and aircraft maintenance services out of the Mombasa region of Eastern Kenya. The Group recently also entered into a conditional share purchase agreement for the acquisition of Phoenix Aviation Limited ("Phoenix") which principal business activities include (i) the provision of worldwide air ambulance services, as well as corporate and ad-hoc charter flights; (ii) repair and maintenance of third-party aircraft throughout East Africa, for which Phoenix holds approvals from the respective aviation authorities in Kenya, Tanzania, Uganda, Ethiopia and Angola, in addition to its status as a Cessna Approved Maintenance Organisation; (iii) search and rescue operations; (iv) regional cargo and passenger movements; and (v) transport of high-end individuals and government personnel. With the aircraft and licences, both acquisitions have enabled the Group to better secure logistics business in East Africa, including the provision of secured logistics services to exploration and mineral and hydrocarbon operators in East Africa.

Building upon the regional presence and personnel, we aim to build out a pan African logistics, aviation services and risk management business with operations throughout the continent of Africa and gradually diversify our aviation services business to other logistic related services in Africa including ground transportation, maritime services and exploration support service.

Our business model is centred on aviation capabilities which support logistics operations and security for fixed and mobile assets. We will provide end-to-end secured land and sea logistics for investors, businesses, governments and financial institutions operating in Africa. We will also help to secure supply lines, safeguard construction sites, mining operations, refineries, pipelines and drilling operations, provide maritime transportation and reconnaissance, and provide high value asset and personnel transportation and escort. Besides, we will have a keen focus on Humanitarian Missions and will provide its customers with the ability to proactively address issues associated with community development, the environment, human health and safety and to react quickly to crisis situations.

Clients from China will potentially become a major market for us. According to National Bureau of Statistics of China, China's stock of direct investment in Africa amounted to US$21.7 billion at the end of 2012. For 2012, the related net overseas direct investment totalled US$2.5 billion. The Export-Import Bank of China reportedly forecast in November 2013 that Beijing and state-owned banks would provide a total of US$1 trillion of financing to the continent of Africa over the next 12 years.

Leveraging on the business relations in Africa and China as well as the global businesses, NGOs and other organisations entering the African market place, and our personnel's experience and expertise, we hope that in the near future, our Group will be the pre-eminent provider of logistics and security services in expeditionary markets.

Erik D. Prince
Chairman

Hong Kong, 21 March 2014

Management Discussion and Analysis

REVIEW OF RESULTS

Overall Performance

	Year ended 31 December 2013			Year ended 31 December 2012		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue	32,340	–	32,340	55,225	247,920	303,145
Cost of sales	(9,647)	–	(9,647)	(8,946)	(119,848)	(128,794)
Gross profit	22,693	–	22,693	46,279	128,072	174,351
Other income and other gains/(losses), net	11,793	–	11,793	(2,311)	32,565	30,254
Marketing, selling and distribution costs	(6,145)	–	(6,145)	(7,726)	(50,030)	(57,756)
Administrative expenses	(80,466)	–	(80,466)	(59,691)	(78,464)	(138,155)
Other operating expenses, net	(27,261)	–	(27,261)	(944)	(244,134)	(245,078)
Share option compensation	(59,702)	–	(59,702)	–	–	–
Operating loss	(139,088)	–	(139,088)	(24,393)	(211,991)	(236,384)
Share of profit/(loss) of joint ventures	11,633	–	11,633	(14,542)	–	(14,542)
Share of loss of associates	(4,588)	–	(4,588)	(1,869)	–	(1,869)
Loss before income tax	(132,043)	–	(132,043)	(40,804)	(211,991)	(252,795)
Income tax expenses	(26,971)	–	(26,971)	(2,729)	(21,624)	(24,353)
Loss after tax	(159,014)	–	(159,014)	(43,533)	(233,615)	(277,148)
Change in value of available-for-sale financial assets	–	–	–	–	18,130	18,130
Impairment of available-for-sale financial assets	–	(23,094)	(23,094)	–	–	–
Gain on disposal of digital broadcasting business	–	–	–	–	49,294	49,294
Income tax expenses	–	(287)	(287)	–	(5,000)	(5,000)
After-tax gain/(loss) recognised on disposal	–	(23,381)	(23,381)	–	62,424	62,424
Loss for the year	(159,014)	(23,381)	(182,395)	(43,533)	(171,191)	(214,724)

Revenue

	2013 **HK$'000**	2012 HK$'000
Continuing operations:		
Aviation and logistics business	**16**	–
Advertising agency business	**1,796**	17,773
Financial market information business	**27,676**	29,060
Digital broadcasting business	**2,852**	8,392
	32,340	55,225
Discontinued operations:		
Digital broadcasting business	**–**	247,920
	32,340	303,145

The Group recorded a consolidated revenue of HK$32,340,000 in 2013, representing a decrease of 89% when compared to last year (2012: HK$303,145,000). The decrease in the Group's consolidated revenue was mainly resulted from the disposal of the digital broadcasting business in late 2012 and the scale-down of the traditional business of TV ad time agency sourcing since the second quarter of 2013.

Gross Profit and Gross Profit Margin

The Group recorded a decrease of 87% in gross profit for the year when compared to last year, as a result of the decrease in gross profit from the discontinued digital broadcasting business and the advertising agency business. Overall gross profit margin increased from 58% to 70% as no more low-margin sales from the discontinued digital broadcasting business was recorded in 2013.

Other Income and Other Gains/(Losses), Net

	2013 HK$'000	2012 HK$'000
Interest income on bank balances	**17,858**	6,356
Interest income on loan to a joint venture	**605**	–
Interest income on trade receivables	**–**	1,978
Interest income on available-for-sale financial assets	**894**	4,618
Value-added tax refund	**–**	4,716
Non-compete income	**866**	2,597
Consultancy fee income from a joint venture	**1,203**	2,137
Other income from an associate	**1,506**	–
Realisation of exchange reserve as a result of the repayment of an inter-company loan	**–**	21,362
Write-back of contingent consideration payable in respect of the acquisition of an associate	**–**	23,255
Provision for impairment of an advance to an associate	**(10,248)**	–
Provision for impairment of interest in an associate	**(3,292)**	(37,747)
Provision for impairment of interest in a joint venture	**–**	(1,435)
Gain on disposal of a subsidiary	**823**	–
Others	**1,578**	2,417
	11,793	30,254

During the current year, provision for impairment was made for the Group's interest in an associate of HK$3,292,000 and the advance to an associate of HK$10,248,000, both of which are engaged in the provision of online Chinese language learning services, in light of their financial position and operating performance.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded an increase of 28% in the marketing, selling and distribution costs and administrative expenses for the continuing operations for the current year when compared to last year. The increase was mainly attributable to the share-based compensation of HK$8,138,000 resulted from the issue of share options under the Company's share option scheme in November 2013 and the increase in the cost of salaries and bonuses.

Other Operating Expenses, Net

	2013 HK$'000	2012 HK$'000
Provision for/(reversal of) impairment of trade receivables and other receivables	**(1,269)**	203,848
Provision for inventories	**–**	23,736
Amortisation of deferred development costs	**–**	7,882
Write-off of trade receivables	**–**	174
Write-off of deferred development costs	**–**	6,523
Provision for impairment of property, plant and equipment	**–**	2,239
Net loss on disposal of property, plant and equipment	**476**	357
Acquisition-related costs	**21,541**	–
Write-off of value-added tax receivables	**2,634**	–
Others	**3,879**	319
	27,261	245,078

Most of the other operating expenses incurred in 2012 was related to the discontinued digital broadcasting business.

Acquisition-related costs for the current year represent the professional fee (including a fee option granted to the financial advisor) incurred for the acquisition of Frontier Services Limited ("FSL"), a wholly-owned subsidiary of the Company acquired in December 2013.

Share of Profit/(Loss) of Joint Ventures/Associates

The Group's share of results of joint ventures reflected the improvement of the operating results of a joint venture, Midas Media Limited ("Midas"), which is engaged in the advertising agency business, for the year.

The Group's share of loss of associates increased as more losses were incurred by the associates engaged in the online Chinese language learning business and the online game business.

After-tax Gain/(Loss) Recognised on Disposal

An impairment of the available-for-sale financial assets of HK$23,094,000 regarding the periodic adjustment payments for the disposal of the Group's discontinued set top box business in 2010 was recorded as a loss under the discontinued operations of the Group during the current year. Details of the loss are set out in Note 23 to the consolidated financial statements.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business

The Group completed the acquisition of FSL on 3 December 2013 and recorded a revenue of HK$16,000 and an operating loss of HK$461,000 for the one-month operation in December 2013. A one-off share option compensation of HK$59,702,000 was also recorded in the results of the segment.

Advertising Agency Business

The Group has scaled down the traditional business of TV ad time agency sourcing since the second quarter of 2013. The sourcing activities were kept to a minimal as a result of significant pricing squeeze from procurement clients and the slowdown of the economy in China. The signing of certain brand accounts by Midas and the temporary rebound in procurement demand from certain clients in the second half of 2013 led to a profitable result for the year recorded by Midas.

Financial Market Information Business

The Group's financial market information business recorded a 5% decrease in revenue and an operating loss of HK$3,235,000 in 2013 as compared to a breakeven position in 2012.

Direct Investments

The Group holds non-controlling positions in a few businesses:

Online Game Business

Shanghai Boyojoy Network Technology Co., Limited (上海博游網絡科技有限公司) ("Boyojoy") recorded a loss in 2013. Although its first web game product, the "Call of Gods", continues to generate further contribution after releases of additional non-English versions, the delay of the introduction of a number of new games to the end of the year and the increase in marketing expenses and staff costs led to a loss position of Boyojoy in 2013.

Others

It includes, among others, two associates engaged in the online Chinese language learning business. These two associates incurred losses in the past few years and have become inactive since September 2013.

PROSPECTS

In December 2013, the Group acquired FSL which indirectly holds certain Kenyan licences and certificates and provides logistics and aircraft maintenance services out of the Mombasa region of Eastern Kenya. The Group recently also entered into a conditional share purchase agreement for the acquisition of Phoenix Aviation Limited ("Phoenix") which principal business activities include (i) the provision of worldwide air ambulance services, as well as corporate and ad-hoc charter flights; (ii) repair and maintenance of third-party aircraft across East Africa, for which Phoenix holds approvals from the respective aviation authorities in Kenya, Tanzania, Uganda, Ethiopia and Angola, in addition to its status as a Cessna

Approved Maintenance Organisation; (iii) search and rescue operations; (iv) regional cargo and passenger movements; and (v) transport of high-end individuals and government personnel. Building upon the regional presence and personnel, we aim to build out a pan African logistics, aviation services and risk management business with operations throughout the continent of Africa and gradually diversify our aviation services business to other logistic related services in Africa including ground transportation, maritime services and exploration support service.

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EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay level of its employees is competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. Employees are offered discretionary year-end bonus based on individual merit.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. In November 2013, the Group granted 32,395,000 share options to its eligible directors or employees under the share option scheme (2012: Nil).

The total number of employees of the Group as at 31 December 2013 was 78 (2012: 87).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2013, the Group recorded total assets of HK$886,278,000 (2012: HK$895,075,000) which were financed by liabilities of HK$130,612,000 (2012: HK$117,451,000), non-controlling interests of HK$116,782,000 (2012: HK$116,250,000) and shareholders' equity of HK$638,884,000 (2012: HK$661,374,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2013 amounted to HK$0.56 (2012: HK$0.58).

The Group had cash and bank balances of HK$711,760,000 (2012: HK$600,993,000) without any bank borrowings (2012: Nil) as at 31 December 2013. The increase in the cash and bank balances was resulted mainly from the receipts of trade receivables and the expected periodic adjustment payments for the disposal of the discontinued set top box business during the current year. Although the Group has sufficient internal funds for its daily operations, the Group may consider to obtain banking facilities for its future business development if necessary.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank balances are held mainly in Hong Kong dollars ('HKD"), Renminbi ("RMB") and United States dollars ("USD"). Surplus cash is generally placed in short to medium term deposits and investments in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates mainly in Hong Kong, Mainland China and Kenya.

For the operations in Hong Kong, most of the transactions are denominated in HKD and USD. The exchange rate of USD against HKD is relatively stable and the related currency exchange risk is considered minimal.

For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. No financial instrument was used for hedging purposes. It is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

For the operations in Kenya, most of the transactions are denominated in USD and Kenyan Shillings ("KES"). The exchange rate of KES against USD or HKD is relatively stable and the related currency exchange risk is considered not material.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 3 December 2013, the Group completed the acquisition of 100% of the issued share capital of FSL at a consideration comprising the payment of US$3,000,000 (equivalent to approximately HK$23,256,000) in cash and the grant of option for the rights to subscribe for up to 205,115,657 new shares of the Company at an exercise price of HK$0.73 per share. Details of the acquisition are set out in Note 14 to the consolidated financial statements.

In September 2013, the Group disposed of a subsidiary, which is engaged in the development of a specialised child education and social media website, at a gain of HK$823,000.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2013.

Charges on Assets

The Group did not have any assets pledged to third parties as at 31 December 2013.

Future Plans for Material Investments or Capital Assets

At 31 December 2013, the Group did not have any concrete future plans for material investments or capital assets. However, the Group always seeks for new investment opportunities in the aviation and logistics business to broaden the revenue and profit bases of the Group and enhance shareholders' value in long term.

Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 31 December 2013.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013.

Events after the Financial Position Date

Details of the material events after the financial position date which require adjustment of or disclosure in these consolidated financial statements are set out in Note 36 to the consolidated financial statements.

Corporate Governance Report

INTRODUCTION

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability, transparency and protection of shareholders' interest in general. The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own corporate governance policy, subject to amendments from time to time.

COMPLIANCE WITH THE CODE

In the opinion of the directors, the Company has complied with the code provisions of the Code throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

At the date of this annual report, the Board of Directors (the "Board") of the Company comprises eight directors, including six executive directors (Mr Erik D. Prince (Chairman), Mr Ko Chun Shun, Johnson (Deputy Chairman), Mr Luo Ning (Deputy Chairman), Mr Gregg H. Smith (Chief Executive Officer), Mr Xu Qiang (Chief Operating Officer) and Mr Hu Qinggang (Chief Financial Officer)) and two independent non-executive directors (Mr Chu Hon Pong and Mr Yap Fat Suan, Henry), following the appointment of Mr Erik D. Prince as an executive director of the Company on 10 January 2014 and the passing away of Mr Liu Tsun Kie, an independent non-executive director of the Company, on 23 January 2014. The Company will endeavour to identify a suitable candidate to fill the vacancy as soon as practicable to comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Code and in any event within three months from 23 January 2014 and will make a further announcement upon such appointment.

The roles of the Chairman and the Chief Executive Officer are separate and are exercised by different individuals. One of the independent non-executive directors is a professional accountant, which is in compliance with the requirement of the Listing Rules. There are also three board committees under the Board, which are the Remuneration Committee, the Audit Committee and the Nomination Committee.

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance while the day-to-day operations and management of the Group are delegated by the Board to management, and ensuring adequacy of resources, qualifications, experience and training programmes and budget of the financial staff.

In accordance with the Company's Bye-laws, at each annual general meeting of the Company one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors is appointed for a specific term of not more than three years and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws and the Listing Rules. To determine the non-executive directors' independence, assessments are carried out upon appointment, annually and at any other time were the circumstances warrant reconsideration by the Nomination Committee. Save that Mr Yap Fat Suan, Henry is an independent non-executive director of China WindPower Group Limited, for which Mr Ko Chun Shun, Johnson is also a vice-chairman and a substantial shareholder, the two independent non-executive directors do not have any relationships with any members of the Board. The Company has received from each of the independent non-executive directors (except for Mr Liu Tsun Kie (deceased)) an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive directors meet the requirements for independence as set out in Rule 3.13 of the Listing Rules. It is also noted that Mr Luo Ning, Mr Xu Qiang and Mr Hu Qinggang are all employees of CITIC Group Corporation, a substantial shareholder of the Company, or its subsidiaries. Save for disclosed herein, there is no other relationship between each of the Board members.

Every newly appointed director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the directors regular updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Company's expense. All directors are required to provide the Company with their record of training they received during the year ended 31 December 2013.

During the year ended 31 December 2013, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The directors acknowledged their responsibility for preparing the financial statements of the Company and the Group for the year ended 31 December 2013. They must ensure that the financial statements of the Company and the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Remuneration Committee

The Remuneration Committee currently comprises four directors, namely Mr Chu Hon Pong (Chairman), Mr Erik D. Prince, Mr Ko Chun Shun, Johnson and Mr Yap Fat Suan, Henry.

The terms of reference of the Remuneration Committee have been determined with reference to the Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive directors and senior management, and ensuring that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2013, the work performed by the Remuneration Committee includes, inter alia, the review of the Group's remuneration policy for its executive directors and senior management and their levels of remuneration.

Audit Committee

The Audit Committee currently comprises two independent non-executive directors, namely Mr Yap Fat Suan, Henry and Mr Chu Hon Pong.

Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the internal control procedures of the Company, to discuss with management and ensure discharge of duties for an effective internal control, to ensure adequacy of resources, qualifications, experience and training programmes and budget of the financial staff, and to engage independent legal or other advisers if necessary to perform investigations.

During the year ended 31 December 2013, the Audit Committee, among other matters, reviewed reports from the independent auditor regarding the review on interim results, audit on annual consolidated financial statements and review on non-exempt continuing connected transactions, discussed the internal control of the Group, and met with the independent auditor.

Nomination Committee

The Nomination Committee currently comprises four directors, namely Mr Erik D. Prince (Chairman), Mr Ko Chun Shun, Johnson, Mr Chu Hon Pong and Mr Yap Fat Suan, Henry.

The terms of reference of the Nomination Committee have been determined with reference to the Code. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board. On 23 November 2013 and 10 January 2014, the Nomination Committee nominated Mr Gregg H. Smith and Mr Erik D. Prince, respectively to the Board for appointment as executive directors. The nominations were made in accordance with the nomination policy and against the objective criteria, with due regard for the benefits of board diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service). The nominations were accepted respectively by the Board that Mr Gregg H. Smith and Mr Erik D. Prince were appointed as executive directors.

BOARD DIVERSITY POLICY

During the year, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit and contribution, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each director at the various meetings of the Company during the year ended 31 December 2013 are set out as below:

	Attended/Eligible to attend				
	Annual general meeting	**Board meetings**	**Remuneration committee meetings**	**Audit committee meetings**	**Nomination committee meetings**
Number of meetings	1	7	2	2	2
Executive directors					
Mr Ko Chun Shun, Johnson	1/1	7/7	2/2	N/A	2/2
Mr Luo Ning	1/1	7/7	N/A	N/A	N/A
Mr Gregg H. Smith (Note (i))	N/A	1/1	N/A	N/A	N/A
Mr Jin Wei (Note (ii))	1/1	7/7	N/A	N/A	N/A
Mr Xu Qiang	1/1	7/7	N/A	N/A	N/A
Mr Hu Qinggang	1/1	7/7	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr Chu Hon Pong	1/1	7/7	2/2	2/2	2/2
Mr Liu Tsun Kie (deceased)	1/1	7/7	2/2	2/2	2/2
Mr Yap Fat Suan, Henry	1/1	7/7	2/2	2/2	2/2

Note:

(i) Mr Gregg H. Smith was appointed as an executive director on 23 November 2013.
(ii) Mr Jin Wei resigned as an executive director on 10 January 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the directors' securities transactions. Having made specific enquiry by the Company, all directors (except for Mr Liu Tsun Kie (deceased)) have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the year ended 31 December 2013.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2013, all directors have participated in continuous professional development by self-studying of materials on the topics related to corporate governance and regulations:

Executive Directors	
Mr Ko Chun Shun, Johnson	Self-study of relevant materials
Mr Luo Ning	Self-study of relevant materials
Mr Gregg H. Smith	Self-study of relevant materials
Mr Jin Wei	Self-study of relevant materials
Mr Xu Qiang	Self-study of relevant materials
Mr Hu Qinggang	Self-study of relevant materials
Independent Non-Executive Directors	
Mr Chu Hon Pong	Self-study of relevant materials
Mr Liu Tsun Kie (deceased)	Self-study of relevant materials
Mr Yap Fat Suan, Henry	Self-study of relevant materials

AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditor for the year ended 31 December 2013. The statement by the independent auditor of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 31 to 32 of this annual report.

The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2013 is summarised as follows:

	HK$'000
Auditing services	1,310
Non-auditing services	
Fee for reviewing the interim results for the six-month period ended 30 June 2013	559
	1,869

COMPANY SECRETARY

The Company does not engage an external service provider as its company secretary. Mr Chan Kam Kwan, Jason, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and has the responsibility for reviewing its effectiveness. The Company and its subsidiaries have adopted a set of internal control procedures and policies to safeguard the assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively.

The Board also reviews at least annually the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board and the Audit Committee have delegated the Group's Internal Audit Department or external service providers to conduct review of the effectiveness of the internal control system of the Group. The review did not identify any significant issues in the internal control system of the Group.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with the shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders may also at any time send their enquiries and concerns to the Board by addressing to the Chief Executive Officer by post or by email. The contact details are set out in the Corporate Information section of this Annual Report.

Subject to Section 74 of the Companies Act 1981 of Bermuda (the "Act") and Bye-law 58 of the Bye-laws of the Company, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company have the right, by written requisition to the Board or the secretary of the Company, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within three months after the deposit of such requisition. Any number of shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. Shareholders should follow the requirements and procedures as set out in Section 79 of the Act for putting forward such proposal at a general meeting.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Erik D. Prince, aged 44, has been appointed as an executive director and the Chairman of the Group on 10 January 2014. He is also a director of a subsidiary of the Company and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr Prince is a US-born entrepreneur, philanthropist, military veteran and private equity investor with business interests in Africa, Europe, the Middle East and North America in the fields of logistics, aviation services, manufacturing, natural resource development and energy. He is the founder and chairman of Frontier Resource Group, a private equity firm active across the African continent in areas such as exploration, mining and energy development. Mr Prince is the founder of Blackwater, a global private security company, which he sold in 2010 after successfully growing the company over the course of more than a decade into the premier provider of global security and logistics solutions to the US Government and others. In addition, Mr Prince purchased Presidential Airways in 2003 and grew it from a one-plane operation into a global logistics and aviation business with over 70 fixed and rotary wing aircraft operating in Africa, the Middle East and North America; he sold the company in 2010. Mr Prince was educated at Hillsdale College. Upon graduation, he enlisted in the US Navy, where he served as a Navy SEAL officer until 1996.

Mr Ko Chun Shun, Johnson, aged 62, had been the Chairman of the Group since 1998 and has been re-designated to be a Deputy Chairman on 10 January 2014. He is also a director of various subsidiaries of the Company and a committee member of the Remuneration Committee and the Nomination Committee of the Company. He is also the chairman of Varitronix International Limited and REORIENT GROUP LIMITED and the vice-chairman of China WindPower Group Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has extensive experience in direct investment, merger and acquisition, TMT (Telecommunications, Media and Technology), advertising, electronic manufacturing service, financial service and property investment.

Mr Luo Ning, aged 55, has been an executive director of the Company since October 2006 and was appointed as a Deputy Chairman of the Company on 10 January 2014. He is currently an assistant president of CITIC Limited, a vice-chairman of CITIC Guoan Group and the chairman of CITIC Networks Co., Ltd. He is also a director of CITIC Guoan Information Industry Company Limited, a public company listed on the Shenzhen Stock Exchange in the PRC. He is also the vice-chairman and an executive director of CITIC 21CN Company Limited and a non-executive director of Asia Satellite Telecommunications Holdings Limited and CITIC Telecom International Holdings Limited, which are listed on the Main Board of the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group Corporation, a substantial shareholder of the Company. Mr Luo has extensive experience in telecommunication business and graduated from The Wuhan People's Liberation Army Institute of Communication Command in the PRC.

Mr Gregg H. Smith, aged 51, has been an executive director and the Chief Executive Officer of the Company since 23 November 2013. He is a director of various subsidiaries of the Company. He was the group head of Investment Banking Services and a member of the Executive Management Committee of CIT Group, a company listed on the New York Stock Exchange and was a partner at Deloitte and the chief executive officer of Deloitte Corporate Finance LLC in the USA. He has extensive experience in investment banking, private equity, logistics and transportation, and security services. He maintains global financial, governmental and business relationships throughout the world including New York, Washington DC, London, Hong Kong, Paris, Beijing, Nairobi, Johannesburg, Dubai and Abu Dhabi. He graduated from the Michigan State University with a Bachelor of Arts Degree and has a master degree in Business Administration from the University of Michigan. Mr Smith is a former United States Marine.

Mr Xu Qiang, aged 51, has been the Chief Operating Officer of the Company since October 2006 and an executive director of the Company since 2009. He is also a director of certain subsidiaries of the Company. He has extensive experience in the telecommunication field. He is an assistant to the general manager of CITIC Networks Co., Ltd. He also worked in the Qingdao branch of China Unicom Limited and Qingdao Posts and Telecommunications Bureau. Mr Xu holds a bachelor degree in Engineering from the Beijing Institute of Posts and Telecommunications in the PRC.

Mr Hu Qinggang, aged 39, has been the Chief Financial Officer of the Company since October 2006. He is also a director of various subsidiaries of the Company. He has extensive experience in the finance field and has worked in the Finance Department of CITIC Group Corporation, a substantial shareholder of the Company, as the deputy director of the Finance and Planning Division. Mr Hu holds a bachelor degree in Economics from the Beijing University of Technology and a master degree in Economics from the University of International Business and Economics in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Chu Hon Pong, aged 64, has been an independent non-executive director of the Company since 2000. He is also a committee member of the Audit Committee and the Nomination Committee, and the chairman of the Remuneration Committee of the Company. He holds a master degree in Business Administration from Stevens Institute of Technology in New Jersey, the USA. He has extensive experience in direct investment, international trade, manufacturing, business and industrial management in the PRC, Vietnam and the USA. He is an executive director of Hong Kong Life Sciences and Technologies Group Limited which is listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr Yap Fat Suan, Henry, aged 68, has been an independent non-executive director of the Company since 2004. He is also a committee member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He holds a master degree in Business Administration from the University of Strathclyde, Glasgow, in the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in finance and accounting. He retired as the managing director of Johnson Matthey Hong Kong Limited in June 2007 and prior to that appointment he was the general manager of Sun Hung Kai China Development Limited. He is also an independent non-executive director of China WindPower Group Limited, which is listed on the Main Board of the Stock Exchange, and Brockman Mining Limited in January 2014, which is listed on the Main Board of the Stock Exchange and the Australian Securities Exchange.

SENIOR MANAGEMENT

Mr Uldarico Ard Peregrino Jr., aged 44, is the Managing Director of Kijipwa Aviation Limited, a 49% owned subsidiary of the Group. He has been a professional advising the corporate and national level security industry since 1994 and has managed complex, global security and logistics programs in Africa, the Middle East and Europe in various capacities over the past 20 years. Mr Peregrino began his career as a United States Marine and was assigned to special operation units as well as the US Marine Embassy Program. After completing his 7-plus years of service, Mr Peregrino entered the international corporate security industry, quickly progressing to managing large VIP security operations and developing critical training for close protection teams. He also served as a law enforcement officer where he was awarded two "Valor Awards". He has published papers on many security topics and has participated in the international arena as a featured speaker for the corporate security industry and law enforcement.

Biographical Details of Directors and Senior Management

Mr Charles Thompson, aged 42, has been the Director of Corporate Development of Frontier Services Limited, a wholly-owned subsidiary of the Company, since January 2014. Before joining the Group, he was the executive vice president of Hawke Aerospace Group, a rotary-wing aviation services business, and a managing director and shareholder of Edgeview Partners, LLC, a leading US middle-market investment bank. Mr Thompson has more than 15 years of industry experience in transportation and aviation through his tenure in operations, principal investing, investment banking and consulting. His network of relationships includes high-level contacts in New York, Washington DC, London, Abu Dhabi, Dubai and Nairobi. He graduated from Colby College with a Bachelor of Arts Degree and earned a Master of Business Administration from Columbia University in New York City.

Mr Huang Mingguo, aged 42, is the Chief Executive Officer of the Group's advertising agency business. He is also a director of certain subsidiaries of the Company and the executive chairman and chief executive officer of Midas Media Limited, a joint venture of the Group established with GroupM. He holds a bachelor degree in Chemistry from the Peking University in the PRC. Mr Huang worked as a project manager of the marketing research department of Procter & Gamble, China and also founded and operated various companies engaged in advertising and media, market research, capital management and investment in the PRC. In 2010, he was appointed as the chairman of Panmedia Institute, the first non-profit making think-tank for research and study on media knowledge and management in the PRC. Prior to joining the Group in June 2011, he was a senior vice-president of Media China Corporation Limited, which is listed on the Main Board of the Stock Exchange.

Mr Fung Man Yin, Sammy, aged 54, is the Group Financial Controller of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr Fung holds a bachelor degree in Economics and Accounting from the Newcastle University, England. Before joining the Company in October 2006, he worked with several international accounting firms and listed companies in England and Hong Kong over 20 years.

Mr Chan Kam Kwan, Jason, aged 40, has been the Company Secretary of the Company since 2006. He is also a director of certain subsidiaries of the Company. He graduated from the University of British Columbia in Canada with a bachelor degree in Commerce and is a member of the American Institute of Certified Public Accountants. He has extensive experience in accounting and corporate finance.

Report of the Directors

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and management. Details of the principal activities of the principal subsidiaries are set out in Note 18 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on pages 33 to 34.

The Board of Directors (the "Board") of the Company does not recommend the payment of any dividend (2012: HK$Nil) for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 126 of the Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in Note 15 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2013, which solely comprised contributed surplus, amounted to approximately HK$558,899,000 (2012: HK$558,899,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or there is no restriction against such rights under the laws of Bermuda.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr Erik D. Prince	(Appointed on 10 January 2014)
Mr Ko Chun Shun, Johnson	
Mr Luo Ning	
Mr Gregg H. Smith	(Appointed on 23 November 2013)
Mr Jin Wei	(Resigned on 10 January 2014)
Mr Xu Qiang	
Mr Hu Qinggang	

Independent Non-Executive Directors

Mr Chu Hon Pong	
Mr Liu Tsun Kie	(Deceased on 23 January 2014)
Mr Yap Fat Suan, Henry	

In accordance with the Company's Bye-laws, Mr Erik D. Prince, Mr Gregg H. Smith, Mr Hu Qinggang and Mr Yap Fat Suan, Henry will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all independent non-executive directors (except for Mr Liu Tsun Kie (deceased)) and considers them to be independent. Under the terms of their appointment, the independent non-executive directors are appointed for a specific term and are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 23 of the Annual Report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

At 31 December 2013, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations, as defined in Part XV of the Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of ordinary shares held				Number of underlying shares held				
Name of director	Personal interests	Family interests	Corporate interests	Total	Personal interests	Corporate interests	Total	Total	% of the issued share capital of the Company
Mr Ko Chun Shun, Johnson ("Mr Ko")	–	2,040,816 (Note (i))	280,753,290 (Note (ii))	282,794,106	–	22,790,628 (Note (iii))	22,790,628	305,584,734	26.82%
Mr Gregg H. Smith	–	–	–	–	11,395,000 (Note (iv))	–	11,395,000	11,395,000	1.00%
Mr Xu Qiang	–	–	–	–	7,000,000 (Note (iv))	–	7,000,000	7,000,000	0.61%
Mr Hu Qinggang	–	–	–	–	7,000,000 (Note (iv))	–	7,000,000	7,000,000	0.61%
Mr Chu Hon Pong	450,000	–	–	450,000	–	–	–	450,000	0.04%

Notes:

(i) These shares were held by the spouse of Mr Ko.

(ii) These interests represent:

(a) the deemed interests of Mr Ko in the 48,276,719 ordinary shares of the Company held by First Gain International Limited under the SFO by virtue of his interests in this company;

(b) the deemed interests of Mr Ko in the 175,500,000 ordinary shares of the Company held by Rich Hill Capital Limited under the SFO by virtue of his interests in this company; and

(c) the deemed interests of Mr Ko in the 56,976,571 ordinary shares of the Company to be swapped with REORIENT GROUP LIMITED ("RGL") under the SFO by virtue of his interests in RGL, in which Mr Ko is the chairman, an executive director and the controlling shareholder. Details of the share swap are set out in the Company's circular dated 20 December 2013 and Note 36 to the consolidated financial statements.

(iii) These interests represent the deemed interests of Mr Ko in the 22,790,628 share options of the Company to be granted to Reorient Financial Markets Limited ("RFML"), which is an indirect wholly-owned subsidiary of RGL, under the SFO by virtue of his interests in RFML. Details of the share options are set out in the Company's circular dated 20 December 2013 and Notes 28 and 36 to the consolidated financial statements.

(iv) These interests represent the share options of the Company granted to the respective directors under the Company's share option scheme, details of which are disclosed in Note 30 to the consolidated financial statements.

Save as disclosed above, at 31 December 2013, none of the directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above and in the share option scheme disclosed in Note 30 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, 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 to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2013, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Shares and Underlying Shares of the Company

	Number of ordinary shares held			Number of underlying shares held				
Name	Direct beneficially owned	Through controlled corporations	Total	Direct beneficially owned	Through controlled corporations	Total	Total	% of the issued share capital of the Company
Easy Flow Investments Limited	237,592,607	–	237,592,607	–	–	–	237,592,607	20.85%
CITIC Investment (HK) Limited	–	237,592,607 (Note (i))	237,592,607	–	–	–	237,592,607	20.85%
CITIC Limited	–	237,592,607 (Note (ii))	237,592,607	–	–	–	237,592,607	20.85%
CITIC Group Corporation	–	237,592,607 (Note (iii))	237,592,607	–	–	–	237,592,607	20.85%
Rich Hill Capital Limited	175,500,000	–	175,500,000	–	–	–	175,500,000 (Note (vii))	15.40%
RGL	56,976,571	–	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (iv) and (vii))	7.00%
Gainhigh Holdings Limited ("Gainhigh")	–	56,976,571	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (v) and (vii))	7.00%
Kwan Wing Holdings Limited ("Kwan Wing")	–	56,976,571	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (vi) and (vii))	7.00%
Mr Erik D. Prince ("Mr Prince")	–	–	–	205,115,657 (Note (viii))	–	205,115,657	205,115,657	18.00%

Notes:

(i) CITIC Investment (HK) Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in Easy Flow Investments Limited.

(ii) CITIC Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Investment (HK) Limited.

(iii) CITIC Group Corporation was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Limited. Mr Luo Ning and Mr Hu Qinggang, the executive directors of the Company, are employees of CITIC Group Corporation.

(iv) This represents the 56,976,571 ordinary shares of the Company to be swapped with RGL and the 22,790,628 share options of the Company to be granted to RFML, which is an indirect wholly-owned subsidiary of RGL.

(v) Gainhigh was deemed to be interested in the shares and underlying shares of the Company interested by RGL under the SFO by virtue of its interest in RGL.

(vi) Kwan Wing was deemed to be interested in the shares and underlying shares of the Company interested by RGL under the SFO by virtue of its interest in Gainhigh.

(vii) Mr Ko was deemed to be interested in the shares and underlying shares of the Company interested by these entities under the SFO by virtue of his interests in these entities. Such interests form a part of the corporate interests in the ordinary shares and the underlying shares of the Company interested by Mr Ko as set out in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above. Mr Ko is a director of Rich Hill Capital Limited.

(viii) This represents Mr Prince's interest in the option for the rights to subscribe for up to 205,115,657 new shares of the Company.

Save as disclosed above, at 31 December 2013, no other person (other than the directors or chief executive of the Company whose interests are set out in the section titled "Directors' interests and short positions in share and underlying shares of the Company or any associated corporations" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 24% (2012: 24%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 9% (2012: 6%). Purchases from the Group's five largest suppliers accounted for approximately 63% (2012: 42%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 22% (2012: 17%).

For the year ended 31 December 2012, the Group's five largest customers included three companies in which CITIC Group Corporation, a substantial shareholder of the Company, has indirect interests.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own 5% or more of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

On 28 December 2011, the Company entered into the Renewal Cooperation Agreement (the "Agreement") for a term up to 31 December 2014 with Easy Flow Investments Limited, a substantial shareholder of the Company and a subsidiary of CITIC Group Corporation, whereby the Company sold set top boxes and smart cards, and provided systems integration and ancillary related services to certain customers in which CITIC Group Corporation or its associates (as defined under the Listing Rules) have direct or indirect interests.

Subsequent to the disposal of the Group's digital set top box business in 2010 and the completion of the disposal of the Group's digital broadcasting business in late 2012, no transaction has been recorded by the Group under the Agreement during the year ended 31 December 2013.

During the year, the Company entered into two connected transactions in respect of the provision of financial advisory services by RFML and the share swap arrangement with RGL, where RFML is an indirect wholly-owned subsidiary of RGL in which Mr Ko is a controlling shareholder. Details of these two connected transactions are set out in Notes 36(a) and 36(b) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained at least 25% public float during the year as required under the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Erik D. Prince
Chairman

Hong Kong, 21 March 2014

Independent Auditor's Report

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FRONTIER SERVICES GROUP LIMITED
(Formerly known as DVN (Holdings) Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Frontier Services Group Limited (formerly known as DVN (Holdings) Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 125, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**32,340**	55,225
Cost of sales		**(9,647)**	(8,946)
Gross profit		**22,693**	46,279
Other income and other gains/(losses), net		**11,793**	(2,311)
Marketing, selling and distribution costs		**(6,145)**	(7,726)
Administrative expenses		**(80,466)**	(59,691)
Other operating expenses, net		**(27,261)**	(944)
Share option compensation	14(a)	**(59,702)**	–
Operating loss		**(139,088)**	(24,393)
Share of profit/(loss) of joint ventures		**11,633**	(14,542)
Share of loss of associates		**(4,588)**	(1,869)
Loss before income tax		**(132,043)**	(40,804)
Income tax expenses	7	**(26,971)**	(2,729)
Loss for the year from continuing operations		**(159,014)**	(43,533)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	8(b)	**(23,381)**	(171,191)
LOSS FOR THE YEAR	9	**(182,395)**	(214,724)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(158,846)**	(43,481)
– Discontinued operations		**(23,381)**	(171,191)
	31	**(182,227)**	(214,672)
Non-controlling interests			
– Continuing operations		**(168)**	(52)
– Discontinued operations		**–**	–
		(168)	(52)
		(182,395)	(214,724)

Consolidated Income Statement

For the year ended 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12		
– Continuing operations		**(13.94) cents**	(3.82) cents
– Discontinued operations		**(2.05) cents**	(15.02) cents
		(15.99) cents	(18.84) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR	**(182,395)**	(214,724)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	**19,212**	(2,967)
Other comprehensive income/(loss) for the year, net of tax	**19,212**	(2,967)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(163,183)**	(217,691)
Attributable to:		
– Equity holders of the Company	**(163,015)**	(217,639)
– Non-controlling interests	**(168)**	(52)
	(163,183)	(217,691)
Total comprehensive loss attributable to equity holders of the Company arising from:		
– Continuing operations	**(139,975)**	(33,552)
– Discontinued operations	**(23,040)**	(184,087)
	(163,015)	(217,639)

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**4,703**	5,110
Goodwill	16	**94,975**	–
Interests in joint ventures	19	**19,318**	8,019
Interests in associates	20	**33,339**	41,230
Deferred income tax assets	21	**226**	–
Available-for-sale financial assets	23	**–**	10,680
Total non-current assets		**152,561**	65,039
CURRENT ASSETS			
Available-for-sale financial assets	23	**–**	38,264
Trade receivables	24	**4,340**	140,180
Prepayments, deposits and other receivables	25	**17,527**	48,711
Tax receivables		**90**	1,888
Short-term bank deposits	26	**2,268**	–
Cash and cash equivalents	26	**709,492**	600,993
Total current assets		**733,717**	830,036
CURRENT LIABILITIES			
Trade payables	27	**7,026**	27,946
Other payables and accruals	28	**64,674**	54,045
Tax payables		**11,116**	9,167
Total current liabilities		**82,816**	91,158
Net current assets		**650,901**	738,878
TOTAL ASSETS LESS CURRENT LIABILITIES		**803,462**	803,917
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	21	**47,796**	26,293
Net assets		**755,666**	777,624

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	29	**113,953**	113,953
Reserves	31	**524,931**	547,421
		638,884	661,374
Non-controlling interests	32	**116,782**	116,250
Total equity		**755,666**	777,624

Signed on behalf of the Board on 21 March 2014 by

Erik D. Prince
Director

Gregg H. Smith
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

		Attributable to equity holders of the Company				
	Notes	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		113,953	897,582	1,011,535	117,941	1,129,476
Loss for the year		–	(214,672)	(214,672)	(52)	(214,724)
Other comprehensive loss – Currency translation differences	31	–	(2,967)	(2,967)	–	(2,967)
Repayment of an inter-company loan	9	–	(21,362)	(21,362)	–	(21,362)
Disposal of subsidiaries		–	(110,873)	(110,873)	(1,509)	(112,382)
Acquisition of additional equity interest in a subsidiary		–	(287)	(287)	(130)	(417)
At 31 December 2012		113,953	547,421	661,374	116,250	777,624
At 1 January 2013		**113,953**	**547,421**	**661,374**	**116,250**	**777,624**
Loss for the year		**–**	**(182,227)**	**(182,227)**	**(168)**	**(182,395)**
Other comprehensive income – Currency translation differences	31	**–**	**19,212**	**19,212**	**–**	**19,212**
Share option scheme – Share-based compensation		**–**	**8,138**	**8,138**	**–**	**8,138**
Disposal of a subsidiary	31 & 33	**–**	**287**	**287**	**–**	**287**
Acquisition of subsidiaries	31	**–**	**132,100**	**132,100**	**700**	**132,800**
At 31 December 2013		**113,953**	**524,931**	**638,884**	**116,782**	**755,666**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**76,798**	61,796
Income tax paid		**(2,008)**	(11,816)
Net cash generated from operating activities		**74,790**	49,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment ("PPE")	15	**(1,007)**	(3,475)
Proceeds from disposal of PPE	33	**180**	115
Acquisition of subsidiaries, net of cash acquired		**(22,523)**	(417)
Loan to a joint venture	19	**(37,703)**	–
Repayment of loan from a joint venture	19	**38,158**	–
Acquisition of an associate	20	**(8,169)**	(24,621)
Loan to an associate		**–**	(22,198)
Repayment of loan from an associate		**–**	3,076
Payment for deferred development costs	17	**–**	(6,326)
Increase in short-term bank deposits		**(2,268)**	–
Net proceeds from disposal of STB Business		**27,436**	35,467
Net proceeds from disposal of DBOSS Business		**3,180**	–
Interest received		**18,463**	6,356
Disposal of subsidiaries, net of cash disposed	33	**1,207**	149,482
Net cash generated from investing activities		**16,954**	137,459
NET INCREASE IN CASH AND CASH EQUIVALENTS		**91,744**	187,439
Cash and cash equivalents at beginning of the year		**600,993**	413,641
Exchange differences		**16,755**	(87)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**709,492**	600,993

Statement of Financial Position

As at 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**–**	–
Interests in subsidiaries	18	**512,075**	368,008
Interest in a joint venture	19	**–**	–
Total non-current assets		**512,075**	368,008
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**522**	7,886
Cash and cash equivalents	26	**8,307**	46,835
Total current assets		**8,829**	54,721
CURRENT LIABILITIES			
Other payables and accruals	28	**36,343**	15,087
Total current liabilities		**36,343**	15,087
Net current assets/(liabilities)		**(27,514)**	39,634
Total assets less current liabilities/Net assets		**484,561**	407,642
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	29	**113,953**	113,953
Reserves	31	**370,608**	293,689
Total equity		**484,561**	407,642

Signed on behalf of the Board on 21 March 2014 by

Erik D. Prince
Director

Gregg H. Smith
Director

Notes to Consolidated Financial Statements

1 GENERAL INFORMATION

Frontier Services Group Limited (formerly known as DVN (Holdings) Limited) (the "Company") is a limited liability company incorporated in Bermuda. The address of its principal place of business is Suite 3902, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of aviation and logistics services, the provision of advertising agency services and the provision of online financial market information. In 2012, the Group was also engaged in the design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software until November 2012 when the Group disposed of and discontinued such business. Details of the disposal are set out in Note 8.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 21 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments, which are carried at fair value. The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

Impact of new, amended and revised HKFRSs

In the current year, the Group has adopted all the new and amended HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2013. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the year, except for the following amended HKFRSs:

(a) HKAS 1 (Revised) (Amendment) "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income". The amendment requires companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future and (ii) items which would never be reclassified to profit or loss. The adoption of this amendment only affects the presentation of the consolidated statement of comprehensive income.

(b) HKFRS 10 "Consolidated Financial Statements". Under HKFRS 10, there is a single approach for determining control for the purpose of consolidation of subsidiaries by an entity based on the concept of power, variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC) – Int 12 (for special purpose entities). The adoption of this HKFRS does not have any impact on the Group as all subsidiaries within the Group satisfy the requirements for control under HKFRS 10.

(c) HKFRS 11 "Joint Arrangements". Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. In accordance with HKFRS 11, a joint venture is accounted for by the Group using the equity method under HKAS 28 (2011) "Investments in Associates and Joint Ventures", while assets, liabilities, revenue and expenses of a joint operation are apportioned between the joint operators in accordance with the agreement. As each investor of the joint arrangements invested by the Group has joint control and rights to the net assets of the arrangements, the Group's investments in the joint arrangements are joint ventures and are accounted for by the Group using the equity method under HKAS 28 (2011). The adoption of this HKFRS does not have any material financial impact on the Group.

(d) HKFRS 12 "Disclosure of Interests in Other Entities". This standard specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities. The adoption of this HKFRS only affects the disclosures relating to the subsidiaries, joint arrangements and associates in the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

Impact of new, amended and revised HKFRSs *(Continued)*

(e) HKFRS 13 "Fair Value Measurement". This standard establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. The adoption of this HKFRS only affects disclosures on financial assets and financial liabilities in the Group's and the Company's financial statements.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2013 and have not been early adopted:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
HKAS 27 (2011) (Amendment), HKFRS 10 (Amendment) and HKFRS 12 (Amendment)	Investment Entities
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 9	Financial Instruments
HKFRS 9 (Amendment) and HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9 (Amendment)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39
HKFRS 14	Regulatory Deferral Accounts
HK(IFRIC) – Int 21	Levies
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle

The Group has commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

The consolidated financial statements made up to 31 December include the financial statements of the Company and all its subsidiaries and also incorporate the Group's interests in joint ventures and associates on the basis set out in Note 2.2(b) below.

(a) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses (Note 2.6). Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid/received and the relevant share of the carrying value of net assets of the subsidiary acquired/disposed of is recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recognised in profit or loss.

(b) Associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. A joint venture is an arrangement whereby the Group or the Company and other investors contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.6).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates and joint ventures *(Continued)*

The Group determines at each financial position date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the consolidated income statement.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The contingent consideration arising from the acquisition of associate or joint venture is measured at fair value using the discounted cash flow analysis method.

In fair value approach, all contingent considerations are recognised and measured at fair value at the acquisition date. The contingent consideration is classified either as a liability or as equity. Contingent consideration that is classified as an equity instrument is not re-measured. Contingent consideration that is classified as liability is accounted for as per Note 2.9. Any change in the contingent consideration is then accounted for in profit or loss.

In the Company's statement of financial position, the investment in joint ventures is accounted for at cost less provision for impairment losses (Note 2.6). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Goodwill *(Continued)*

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$.

In prior years, the directors regarded Renminbi ("RMB") as the functional currency of the Company. During the year ended 31 December 2013, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from RMB to HK$ with effect from 1 November 2013 as HK$ has become the currency that mainly influences the operation of the Group's significant entities. The change of functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates".

As the Company is listed on the Main Board of the Stock Exchange, the directors consider that it is more appropriate to adopt HK$ as the Group's and the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign Currency Translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the financial position date;

(ii) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, Plant and Equipment *(Continued)*

Property, plant and equipment which depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives are as follows:

Leasehold improvements	Over the shorter of the term of the lease and the estimated useful life
Furniture and fixtures	18% to 32%
Office equipment	18% to 48%
Network equipment and tooling	10% to 33.3%
Motor vehicles	18% to 33.3%
Hangars	2.5%
Aircraft	10%
Generators and tools	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within other income or other operating expenses in the consolidated income statement.

2.6 Impairment of Non-Financial Assets

Non-financial assets which have an indefinite useful life – for example, goodwill or intangible asset not ready to use – are not subject to amortisation but are tested annually for impairment. Non-financial assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each financial position date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the financial position date classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits and other receivables, and cash and bank balances in the consolidated statement of financial position.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of other categories. They are included in non-current assets unless the financial asset matures or management intends to dispose of it within twelve months after the financial position date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial Assets *(Continued)*

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within other income or other operating expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired or have been legally transferred and the Group has transferred substantially all the risks and rewards of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of Financial Assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio;

- national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of Financial Assets *(Continued)*

(a) Assets carried at amortised cost *(Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade and other receivables is described in Note 2.10.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria set out in Note 2.8(a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are only reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated Income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial Liabilities

(a) Classification

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade payables, other payables and accruals, and other financial liabilities.

(b) Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, in the case of a financial liability not at fair value through profit or loss, less transaction costs that are directly attributable to the issue of the financial liability.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

2.10 Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those with maturities greater than twelve months after the financial position date are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) after the financial position date. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the countries where the Group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Current and Deferred Income Tax *(Continued)*

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Employee Benefits

(a) Pension obligations

The Group participates in several defined contribution plans, under which the Group pays fixed contributions into separate entities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employees' services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, including any market performance conditions (for example, an entity's share price) and excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each financial position date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the option issuer issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Employee Benefits *(Continued)*

(b) Share-based compensation *(Continued)*

The Group recognises the effects of modifications that increase the total fair value of the share-based compensation arrangement or are otherwise beneficial to the employees. The Group shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the Group cancels or settles a grant of equity instruments during the vesting period, the Group should treat this as an acceleration of vesting and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The grant by the Company of options over its equity instruments to the employees of the subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to the Company's equity.

(c) Employee leave entitlement and long service payment

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the pre-tax expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rendering of services

Service fee income in relation to the provision of aviation and logistics services is recognised in the accounting period in which the services are rendered and revenue can be reliably measured.

Service fee income in relation to the provision of financial market information is recognised on a straight-line basis over the period of the service contract.

Advertising agency fee income is recognised in the accounting period in which the services are rendered and revenue can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue Recognition *(Continued)*

(b) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to and goods are accepted by the customers and collectibility of the related receivables is reasonably assured.

(c) Design, integration and installation of digital broadcasting systems

Revenue from the design and installation of digital broadcasting systems is recognised upon the satisfactory completion of each installation and acceptance by the customers.

(d) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount of the receivable to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

(e) Licensing income

Licensing income is recognised when the significant risks and rewards of ownership have been transferred to and the licences are granted to the licensees.

(f) Leasing income

Revenue from the leasing of digital broadcasting network equipment and technical knowhow and related software is recognised on an agreed portion of net subscription income received from ultimate customers of the lessee in accordance with the respective agreements over the period the services are rendered.

2.18 Operating Leases

Leases in which a significant portion of the risks and rewards of ownerships are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.19 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Discontinued Operations

Disposed assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and, on the disposal, the post-tax gain or loss recognised on the measurement to fair value less costs to sell of the assets or disposal group(s) constituting the discontinued operation.

2.21 Related Parties

A person or entity is considered to be related to the Group if:

(a) a person or a close member of that person's family (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group;

(b) the entity and the Group are members of the same group, which means that each parent, subsidiary and fellow subsidiary is related to the others;

(c) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;

(d) both entities are joint ventures of the same third party;

(e) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(f) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Related Parties *(Continued)*

(g) the entity is controlled or jointly controlled by a person identified in (a); or

(h) a person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

2.22 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values with resulting gain or loss recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group is exposed to a variety of financial risks which result from its operating and investing activities. Management periodically analyses and reviews measures to manage the Group's exposure to market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

At 31 December 2013, the Group's financial instruments mainly consisted of trade receivables, deposits and other receivables, cash and bank balances, trade payables and other payables.

(a) Market risk

i. Foreign currency risk

The Group operates mainly in Mainland China and Hong Kong and the major foreign currency risk arises from fluctuations in RMB. For majority of transactions conducted in Hong Kong, both sales and cost of sales are denominated in the same currency either HK$ or United States dollars ("US$"). For operations in Mainland China, all revenues and purchases are denominated in RMB. As such, the Group does not hold or issue any derivative financial instruments for hedging purposes. Given the trend of strong performance of RMB against HK$, the directors expect that the appreciation of RMB in the long-run would have a favourable impact on the Group. Therefore, the Group has not used any derivative financial instruments to hedge its foreign currency risk.

The foreign currency risk arising on those assets and liabilities denominated in US$ is insignificant as HK$ is pegged to US$.

For the operations in Kenya, most of the transactions are denominated in US$ and Kenyan Shillings ("KES"). The exchange rate of KES against US$ or HK$ is relatively stable and the related currency exchange risk is considered not material.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

ii. *Cash flow and fair value interest rate risk*

The Group's cash flow interest rate risk arises from bank balances and deposits and the Group's fair value interest rate risk arises primarily from available-for-sale financial assets and other payables. The Group has not used any derivative financial instruments to hedge its cash flow and fair value interest rate risk.

At 31 December 2013, if interest rates had increased/decreased by 25 basis points (2012: 25 basis points) with all other variables held constant, the Group's loss after income tax and accumulated losses would have had been approximately HK$1,642,000 (2012: HK$1,311,000) higher/lower and other components of equity would had been approximately HK$1,642,000 (2012: HK$725,000) lower/higher.

The sensitivity analysis above had been determined assuming that the change in interest rates had occurred at the financial position date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date, and that all other variables had remained constant. The stated increase/decrease represented management's assessment of reasonably possible changes in interest rates over the period until the next annual financial position date. The analysis was performed on the same basis for 2012.

iii. *Price risk*

The Group is not exposed to any equity securities risk or commodity price risk.

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amounts of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements. The Group's exposure to credit risk is mainly related to its trade receivables, deposits and other receivables, and cash and bank balances.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables are presented net of the provision for impairment. Credit risks and exposures are controlled and monitored on an ongoing basis by performing individual credit evaluations for all customers. These evaluations focus on the customer's past history of making payments when due and the current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts.

Surplus cash of the Group is generally placed in short to medium term deposits and investments with reputable banks.

(c) Liquidity risk

The Group implements a prudent liquidity risk management to regularly monitor current and expected liquidity requirements for maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit facilities available from various banks if necessary. The liquidity risk of the Group is primarily attributable to trade payables, and other payables and accruals.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(c) Liquidity risk *(Continued)*

The financial liabilities that had contractual maturities as at the financial position date were summarised as follow:

	On demand HK$'000	Within 1 year HK$'000	Total HK$'000
Group			
At 31 December 2013			
Trade payables	**–**	**7,026**	**7,026**
Other payables and accruals	**–**	**51,781**	**51,781**
	–	**58,807**	**58,807**
At 31 December 2012			
Trade payables	–	27,946	27,946
Other payables and accruals	–	41,079	41,079
	–	69,025	69,025
Company			
At 31 December 2013			
Other payables and accruals	**–**	**36,343**	**36,343**
At 31 December 2012			
Other payables and accruals	–	14,216	14,216

3.2 Capital Management

The Group regards its total equity as capital. The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to support the Group's sustainable growth and to maintain an optimal capital structure to reduce the cost of capital.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital Management *(Continued)*

The Group reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012. The Group is not subject to any externally imposed capital requirements.

The Group monitors its capital structure on the basis of a total liabilities-to-total assets ratio, which shows the proportion of the Group's assets being financed through debt. During the year ended 31 December 2013, the Group's strategy was to maintain the total liabilities-to-total assets ratio below 50% (2012: 50%). The total liabilities-to-total assets ratio at 31 December 2013 was as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Total liabilities	**130,612**	117,451
Total assets	**886,278**	895,075
Total liabilities-to-total assets ratio	**15%**	13%

3.3 Fair Value Estimation

The different levels of financial instruments carried at fair value have been defined as follows:

(a) Quoted prices (unadjusted) in active market for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of the derivative financial liabilities included in other payables and accruals amounting to HK$8,081,000 as at 31 December 2013 (2012: HK$7,800,000) is determined using a discounted cash flow approach which is not based on observable inputs. Both the available-for-sale financial assets and the derivative financial liabilities were classified as level 3 as at 31 December 2013 and 2012 and there were no transfers between levels 1, 2 and 3 during the year.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair Value Estimation *(Continued)*

The changes in the Group's level 3 financial assets are presented in Note 23. The changes in the Group's level 3 financial liabilities are presented in Note 28.

For fair value measurements in level 3 at 31 December 2013, if the market interest rate had increased/decreased by 25 basis points (2012: 25 basis points) with all other variables held constant, the Group's loss after income tax and accumulated losses/retained earnings would not have any material financial impact (2012: decreased/increased HK$590,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Estimated Impairment of Goodwill

The Group reviews annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.2(c). The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates (Note 16).

There is no impairment charge arisen in the CGU in Frontier Services Limited ("FSL") (included in the operating segment of AL Business) during the year ended 31 December 2013. If the estimated growth rate beyond the 5-year period used in the value in use calculation for the CGU in FSL had been 10% lower than management's estimates at 31 December 2013, the Group would have recognised an impairment of goodwill of HK$3,863,000.

If the estimated cost of capital used in determining the pre-tax discount rate for the CGU in FSL had been 10% higher than management's estimates, the Group would have recognised a further impairment of goodwill of HK$34,071,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Consolidation of Entities in which the Group Holds Less Than Majority of Voting Rights

FSL is a shareholder of Kijipwa Aviation Limited ('KAL") with a 49% equity interest and has the power to govern the financial and operating policies of KAL so as to obtain returns from the activities of KAL through the board representation. The Group considers that it controls KAL even though it owns less than 50% of the voting rights.

4.3 Trade Receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectibility and aging analysis of trade receivables, and judgement of management. A considerable amount of judgement is required in assessing the realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment might be required.

4.4 Deferred Income Tax

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred income tax liabilities are recognised in respect of the unremitted earnings of subsidiaries in Mainland China generated subsequent to 31 December 2007, except to the extent that the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgement is required to determine the amount of deferred income tax liabilities to be recognised, which is based upon the estimated timing of dividend distribution.

4.5 Contingent Consideration

The Group applies equity method of accounting to account for its interest in one of its associates. The investment was initially recognised at cost which included a contingent consideration with a fair value of HK$23,255,000 at the acquisition date. The fair value of the contingent consideration was estimated by management assuming that the associate was able to meet certain key performance criteria defined in the investment agreement. In making the judgement, management evaluated, among other factors, the financial performance, and operational and financing cash flow of the associate, and the industry and sector performance.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Contingent Consideration *(Continued)*

At 31 December 2012, management re-assessed the contingent consideration arrangement and considered that the chance of achieving the key performance criteria by the associate within the time frame set out in the investment agreement was remote. The contingent consideration payable amounting to HK$23,255,000 was reversed and accounted for in profit or loss under "Other income and other gains/(losses), net" during the year ended 31 December 2012.

During the year ended 31 December 2013, the Group was confirmed not be required to pay the contingent consideration as the associate was not able to achieve the key performance criteria within the time frame set out in the investment agreement.

4.6 Fair Value Estimates on Consideration and Acquisition of Subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair value of the consideration and the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entities will impact the carrying amounts of goodwill and the identifiable assets and liabilities.

Consideration transferred, that is not part of business combination, is accounted for separately. In assessing the portion of the fair value of consideration for the acquisition of FSL, an estimate of the fair value of business is used. Details of the fair value estimate on acquisition of FSL are set out in Note 16.

4.7 Available-for-Sale Financial Assets

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for available-for-sale financial assets that are not traded in active markets. Determining the cash flows requires management to make assumptions regarding the expected sales quantity of set top boxes to be sold by the acquirer of the STB Business (as defined in Note 8) and the timing of the respective sales receipts.

At 31 December 2012, if the expected receipt from the related sales applied in the discounted cash flow analysis had increased/decreased by 10% from management's estimates, the Group's loss after income tax and accumulated losses/retained earnings would have decreased/increased by approximately HK$3,519,000.

5 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board of the Company. Management has determined the operating segments based on the internal reports reviewed by the Board of the Company that are used to assess performance and allocate resources. The Group's operating segments are structured and managed separately according to the products and services provided by different strategic business units that the products and services offered are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(i) Aviation and logistics business ("AL Business") – Provision of aviation and logistics services;

(ii) Advertising agency business ("AA Business") – Provision of advertising agency services;

(iii) Financial market information business ("FMI Business") – Provision of online financial market information;

(iv) Direct Investments – Other direct investments of information technology business; and

(v) Digital broadcasting business ("DVB Business") – Design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software.

Others include corporate income and expenses and others.

As further explained in Note 8, the discontinued STB Business, the DB Business and the DBOSS Business (as defined in Note 8) under the DVB Business have been classified as discontinued operations.

There are some changes in the operating segments presented during the year ended 31 December 2013. The operating segment "Aviation and logistics business" has been newly presented for the year ended 31 December 2013 as a result of the acquisition of 100% of the issued share capital of FSL which is engaged in the aviation and logistics business.

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2013 by operating segments is as follows:

	Continuing operations							Discontinued operations	Total
	AL Business HK$'000	AA Business HK$'000	FMI Business HK$'000	Direct Investments HK$'000	DVB Business HK$'000	Others HK$'000	Total HK$'000	DVB Business HK$'000	HK$'000
Revenue (from external customers)	16	1,796	27,676	–	2,852	–	32,340	–	32,340
Depreciation	2	428	143	–	–	1,290	1,863	–	1,863
Amortisation	–	–	–	–	–	–	–	–	–
Operating profit/(loss) (Note (i))	(60,163)	(8,331)	(3,235)	(13,540)	6,118	(59,937)	(139,088)	(23,094)	(162,182)
Share of profit/(loss) of joint ventures	–	13,863	–	(2,230)	–	–	11,633	–	11,633
Share of loss of associates	–	–	–	(4,588)	–	–	(4,588)	–	(4,588)
Loss before income tax							(132,043)	(23,094)	(155,137)
Income tax expenses							(26,971)	(287)	(27,258)
Loss for the year							(159,014)	(23,381)	(182,395)
Total assets	96,790	103,972	20,865	52,578	–	612,073	886,278	–	886,278
Total assets include:									
Interests in joint ventures	–	9,160	–	10,158	–	–	19,318	–	19,318
Interests in associates	–	–	–	33,339	–	–	33,339	–	33,339
Total liabilities	497	13,568	9,323	15,041	–	92,183	130,612	–	130,612
Capital expenditure	–	135	40	–	–	832	1,007	–	1,007
Interest income	–	1,047	–	–	894	17,416	19,357	–	19,357

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2012 by operating segments is as follows:

	Continuing operations							Discontinued operations	Total
	AL Business HK$'000	AA Business HK$'000	FMI Business HK$'000	Direct Investments HK$'000	DVB Business HK$'000	Others HK$'000	Total HK$'000	DVB Business HK$'000	HK$'000
Revenue (from external customers)	–	17,773	29,060	–	8,392	–	55,225	247,920	303,145
Depreciation	–	578	205	–	568	106	1,457	3,300	4,757
Amortisation	–	–	–	–	101	–	101	7,781	7,882
Operating profit/(loss) (Note (i))	–	7,310	(154)	(17,134)	9,065	(23,480)	(24,393)	(144,567)	(168,960)
Share of loss of joint ventures	–	(12,109)	–	(2,433)	–	–	(14,542)	–	(14,542)
Share of loss of associates	–	–	–	(1,869)	–	–	(1,869)	–	(1,869)
Loss before income tax							(40,804)	(144,567)	(185,371)
Income tax expenses							(2,729)	(26,624)	(29,353)
Loss for the year							(43,533)	(171,191)	(214,724)
Total assets (Note (ii))	–	164,518	24,772	72,687	48,944	584,154	895,075	–	895,075
Total assets include:									
Interests in joint ventures	–	(4,316)	–	12,335	–	–	8,019	–	8,019
Interests in associates	–	–	–	41,230	–	–	41,230	–	41,230
Total liabilities (Note (iii))	–	38,805	10,049	23,025	29,971	15,601	117,451	–	117,451
Capital expenditure	–	15	72	–	2,569	755	3,411	6,390	9,801
Interest income	–	93	1	–	9,249	198	9,541	3,411	12,952

5 SEGMENT INFORMATION *(Continued)*

Notes:

(i) The operating profit under the continuing operations of the DVB Business for the year ended 31 December 2013 is stated after crediting, inter alia, the technology licensing income of HK$2,852,000 (2012: HK$8,392,000), the non-compete income of HK$866,000 (2012: HK$2,597,000) and interest income from the expected periodic adjustment payments of HK$894,000 (2012: HK$4,618,000), of the discontinued STB Business, which have not been transferred to the Purchaser (as defined in Note 8) upon the completion of the DB Disposal (as defined in Note 8).

(ii) The total assets under the continuing operations of the DVB Business as at 31 December 2012 represent the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business, which have not been transferred to the Purchaser upon the completion of the DB Disposal.

(iii) The total liabilities under the continuing operations of the DVB Business as at 31 December 2012 represent the deferred income tax liabilities provided for the expected periodic adjustment payments classified as available-for-sale financial assets and the deferred income of the discontinued STB Business.

The Company is domiciled in Hong Kong. The Group's revenue from external customers by geographical regions is as follows:

	Group					
	2013			2012		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
The PRC						
– Mainland China	**4,648**	**–**	**4,648**	26,165	244,207	270,372
– Hong Kong	**18,818**	**–**	**18,818**	19,705	3,713	23,418
Africa	**16**	**–**	**16**	–	–	–
Others	**8,858**	**–**	**8,858**	9,355	–	9,355
	32,340	**–**	**32,340**	55,225	247,920	303,145

There is no revenue derived from external customers with amounts equal to or above 10% of the Group's revenue for the years ended 31 December 2013 and 2012.

5 SEGMENT INFORMATION *(Continued)*

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Total assets for reportable segments	**274,205**	310,921
Corporate assets	**612,073**	584,154
Total assets of the Group	**886,278**	895,075

The total of non-current assets other than financial instruments and deferred income tax assets by geographical regions is as follows:

	Group					
	2013			2012		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
The PRC						
– Mainland China	**55,219**	**–**	**55,219**	53,230	–	53,230
– Hong Kong	**1,002**	**–**	**1,002**	985	–	985
Africa	**96,001**	**–**	**96,001**	–	–	–
Others	**113**	**–**	**113**	144	–	144
	152,335	**–**	**152,335**	54,359	–	54,359

6 REVENUE

An analysis of revenue is as follows:

	Group					
	2013			2012		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue from provision of aviation and logistics services	**16**	**–**	**16**	–	–	–
Advertising agency fee income	**1,796**	**–**	**1,796**	17,773	–	17,773
Revenue from provision of online financial market information	**27,676**	**–**	**27,676**	29,060	–	29,060
Revenue from sales of goods and services	**–**	**–**	**–**	–	213,848	213,848
Revenue from design, integration and installation of digital broadcasting systems	**–**	**–**	**–**	–	23,628	23,628
Licensing and leasing income	**2,852**	**–**	**2,852**	8,392	10,444	18,836
	32,340	**–**	**32,340**	55,225	247,920	303,145

7 INCOME TAX EXPENSES

	Group					
	2013			2012		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Current income tax						
– Hong Kong						
– Provision for the year	**–**	**–**	**–**	58	–	58
– Adjustment in respect of prior years	**(10)**	**–**	**(10)**	–	–	–
– Outside Hong Kong						
– Provision for the year	**303**	**–**	**303**	2,671	8,577	11,248
– Adjustment in respect of prior years	**66**	**–**	**66**	–	4,889	4,889
	359	**–**	**359**	2,729	13,466	16,195
Deferred income tax						
– Outside Hong Kong	**26,612**	**287**	**26,899**	–	13,158	13,158
Income tax expenses	**26,971**	**287**	**27,258**	2,729	26,624	29,353

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The corporate income tax in Mainland China has been provided at the rate of 25% (2012: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Mainland China corporate income tax purpose.

7 INCOME TAX EXPENSES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. During the year ended 31 December 2013, a provision for deferred withholding tax of HK$26,612,000 was provided in respect of the potential distribution to be made by certain subsidiaries established in Mainland China.

The reconciliation between the income tax expenses on the Group's loss before income tax and the theoretical amount of income tax expenses that would arise using the domestic tax rate applicable to each of the group companies for the year is as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Loss before income tax		
– Continuing operations	**(132,043)**	(40,804)
– Discontinued operations	**(23,094)**	(144,567)
	(155,137)	(185,371)
Tax calculated at the rates applicable in the countries concerned	**(24,433)**	(44,140)
Tax incentives	**–**	(4,421)
Tax effects of:		
– Income not subject to tax	**(3,430)**	(7,981)
– Expenses not deductible for tax purposes	**17,354**	77,733
– Utilisation of previously unrecognised tax losses	**(755)**	(23,022)
– Tax losses not recognised	**11,854**	12,657
– Derecognition of deferred income tax assets	**–**	8,158
– Withholding tax	**26,612**	5,480
– Adjustment in respect of prior years	**56**	4,889
Income tax expenses	**27,258**	29,353

8 DISCONTINUED OPERATIONS

(a) Discontinued Operations

(I) On 23 October 2009, the Company, Crystal Cube Limited (the "Seller", a wholly-owned subsidiary of the Company), Cisco Systems (HK) Limited (the "Acquirer") and Billion Champion International Limited (the "Subject Company", a then indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement, pursuant to which the Seller agreed to sell 100% of the issued share capital of the Subject Company to the Acquirer (the "STB Disposal").

On the same date, 億添視頻技術(上海)有限公司 (the "Seller WFOE", a then wholly-owned subsidiary of the Subject Company) and a number of the Company's indirect wholly-owned subsidiaries (the "Group Vendor Companies") entered into an asset purchase agreement, pursuant to which the Group Vendor Companies would transfer the digital set top box business (the "STB Business") and the set top box assets (the "STB Assets") to the Seller WFOE.

The STB Disposal and the transfer of the STB Business and the STB Assets were completed on 5 May 2010 and the Group ceased to have any equity interest in the Subject Company and the Seller WFOE.

(II) On 3 July 2012, the Company entered into a conditional agreement (the "Conditional Agreement") with Jinhui Holdings Limited (the "DB Purchaser"), pursuant to which the Company agreed to sell and the DB Purchaser agreed to purchase, the entire issued share capital of Allsure Limited ("Allsure"), a then wholly-owned subsidiary of the Company, and certain other relevant assets of the Group relating to the digital broadcasting business of the Group, which include, inter alia, design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital broadcasting systems and the related software (the "DB Business", which was one of the major components of the Group's DVB Business) (the "DB Disposal") at an aggregate consideration of approximately RMB128,000,000 (equivalent to approximately HK$157,413,000).

Upon the completion of the DB Disposal on 17 October 2012, the Group ceased to have any equity interest in Allsure. Certain DB Business related inventories and prepayments, which had not been transferred to the DB Purchaser pursuant to the Conditional Agreement, had been subsequently disposed of by the Group.

8 DISCONTINUED OPERATIONS *(Continued)*

(a) Discontinued Operations *(Continued)*

(III) On 30 August 2012, 天柏寬帶網絡科技(北京)有限公司 (the "DBOSS Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with AVIT Ltd. (深圳市佳創視訊技術股份有限公司) (the "DBOSS Purchaser"), pursuant to which the DBOSS Vendor agreed to sell and the DBOSS Purchaser agreed to purchase, the entire paid-up capital of 天柏寬帶網絡技術(北京)有限公司, a then wholly-owned subsidiary of the DBOSS Vendor relating to the Group's operation of the DVN Business Operation Support System (the "DBOSS Business") (the "DBOSS Disposal") at an aggregate consideration of RMB27,000,000 (equivalent to approximately HK$33,150,000).

Upon the completion of the DBOSS Disposal on 19 November 2012, the Group ceased to engage in all its existing DVB Business except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the STB Business in 2010 for accounting purpose, which were wholly recognised over a period of three years up to 5 May 2013.

8 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit/(Loss) from Discontinued Operations

The analysis of the profit/(loss) from the STB Business, the DB Business and the DBOSS Business presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" is as follows:

	Year ended 31 December 2013				Year ended 31 December 2012			
	STB Business HK$'000	**DB Business HK$'000**	**DBOSS Business HK$'000**	**Total HK$'000**	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
Revenue (Note 6)	**–**	**–**	**–**	**–**	–	238,447	9,473	247,920
Cost of sales	**–**	**–**	**–**	**–**	–	(119,848)	–	(119,848)
Gross profit	**–**	**–**	**–**	**–**	–	118,599	9,473	128,072
Other income and other gains/(losses), net	**–**	**–**	**–**	**–**	–	32,006	559	32,565
Marketing, selling and distribution costs	**–**	**–**	**–**	**–**	–	(45,034)	(4,996)	(50,030)
Administrative expenses	**–**	**–**	**–**	**–**	–	(63,127)	(15,337)	(78,464)
Other operating expenses (Note (i))	**–**	**–**	**–**	**–**	–	(243,359)	(775)	(244,134)
Loss before income tax	**–**	**–**	**–**	**–**	–	(200,915)	(11,076)	(211,991)
Income tax expenses (Note 7)	**–**	**–**	**–**	**–**	–	(21,624)	–	(21,624)
Loss after tax of discontinued operations	**–**	**–**	**–**	**–**	–	(222,539)	(11,076)	(233,615)
Change in value of available-for-sale financial assets (Note 23)	**–**	**–**	**–**	**–**	18,130	–	–	18,130
Impairment of available-for-sale financial assets (Note 23)	**(23,094)**	**–**	**–**	**(23,094)**	–	–	–	–
Gain on disposal of digital broadcasting business	**–**	**–**	**–**	**–**	–	23,637	25,657	49,294
Income tax credit/(expenses) (Note 7)	**(287)**	**–**	**–**	**(287)**	15,061	(20,061)	–	(5,000)
After-tax gain/(loss) recognised on disposal	**(23,381)**	**–**	**–**	**(23,381)**	33,191	3,576	25,657	62,424
Profit/(loss) for the year	**(23,381)**	**–**	**–**	**(23,381)**	33,191	(218,963)	14,581	(171,191)
Profit/(loss) attributable to:								
Equity holders of the Company	**(23,381)**	**–**	**–**	**(23,381)**	33,191	(218,963)	14,581	(171,191)
Non-controlling interests	**–**	**–**	**–**	**–**	–	–	–	–
	(23,381)	**–**	**–**	**(23,381)**	33,191	(218,963)	14,581	(171,191)

8 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit/(Loss) from Discontinued Operations *(Continued)*

Notes:

	Year ended 31 December 2013				Year ended 31 December 2012			
	STB Business HK$'000	**DB Business HK$'000**	**DBOSS Business HK$'000**	**Total HK$'000**	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
(i) Other operating expenses including:								
Provision for impairment of trade receivables	–	–	–	–	–	156,026	–	156,026
Provision for impairment of other receivables	–	–	–	–	–	47,822	–	47,822
Provision for inventories	–	–	–	–	–	23,736	–	23,736
Provision for impairment of property, plant and equipment	–	–	–	–	–	2,239	–	2,239

(ii) During the year ended 31 December 2012, additional provision for impairment of trade receivables of approximately HK$156,026,000 was made after taking into account of financial difficulties of the trade debtors, delinquency in payments, business relationship and transaction volumes with the trade debtors, and the past due aging analysis of trade receivables.

(c) Analysis of the Cash Flows from Discontinued Operations

	Year ended 31 December 2013				Year ended 31 December 2012			
	STB Business HK$'000	**DB Business HK$'000**	**DBOSS Business HK$'000**	**Total HK$'000**	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
Net cash generated from/(used in) operating activities	–	–	–	–	–	123,300	(10,398)	112,902
Net cash generated from/(used in) investing activities	–	–	–	–	35,467	(1,641)	(1,338)	32,488
Net cash generated from/(used in) financing activities	–	–	–	–	–	(257,945)	13,180	(244,765)
	–	–	–	–	35,467	(136,286)	1,444	(99,375)

9 LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	Group	
	2013 **HK$'000** **(Note (i))**	2012 HK$'000 (Note (i))
Cost of provision of advertising agency services	**214**	430
Cost of provision of online financial market information	**9,418**	8,516
Cost of provision of aviation and logistics services	**15**	–
Cost of inventories sold	**–**	119,848
Depreciation (Note 15)	**1,863**	4,757
Auditor's remuneration		
– Audit services	**1,310**	2,275
– Non-audit services	**559**	1,065
Employee benefit expenses (Note 10)	**60,231**	103,005
Operating lease rentals on land and buildings	**6,246**	11,554
Operating lease rentals on motor vehicle	**235**	235
Operating lease rentals on office equipment	**204**	177
Net exchange losses	**1,069**	–
Change in value of available-for-sale financial assets (Note 23)	**–**	(18,130)
Gain on disposal of digital broadcasting business (including exchange reserve realised of HK$110,873,000)	**–**	(49,294)
Impairment of available-for-sale financial assets (Note 23)	**23,094**	–
Other operating expenses, net including:		
Amortisation of deferred development costs (Note 17)	**–**	7,882
Write-off of deferred development costs (Note 17)	**–**	6,523
Provision for impairment of property, plant and equipment (Note 15)	**–**	2,239
Net loss on disposal of property, plant and equipment (Note 33)	**476**	357
Provision for inventories	**–**	23,736
Provision for/(reversal of) impairment of trade receivables (Note 24)	**(2,887)**	156,026
Write-off of trade receivables	**–**	174
Write-off of value-added tax receivables	**2,634**	–
Provision for impairment of prepayments, deposits and other receivables	**1,618**	47,822
Acquisition-related costs	**21,541**	–
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	**(17,858)**	(6,356)
Interest income on loan to a joint venture	**(605)**	–
Interest income on trade receivables	**–**	(1,978)
Interest income on available-for-sale financial assets	**(894)**	(4,618)
Gain on disposal of a subsidiary	**(823)**	–
Value-added tax refund	**–**	(4,716)
Government grants	**(471)**	(573)
Non-compete income	**(866)**	(2,597)
Realisation of exchange reserve as a result of the repayment of an inter-company loan	**–**	(21,362)
Consultancy fee income from a joint venture	**(1,203)**	(2,137)
Other income from an associate	**(1,506)**	–
Write-back of contingent consideration payable in respect of the acquisition of an associate	**–**	(23,255)
Provision for impairment of an advance to an associate	**10,248**	–
Provision for impairment of interest in an associate (Note 20)	**3,292**	37,747
Provision for impairment of interest in a joint venture (Note 19)	**–**	1,435
Others	**(1,107)**	(1,844)

9 LOSS FOR THE YEAR *(Continued)*

Note:

(i) The income and expenses for the years ended 31 December 2013 and 2012 shown above covered both continuing and discontinued operations.

10 EMPLOYEE BENEFIT EXPENSES

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries and bonuses	**47,994**	89,978
Share-based compensation	**7,924**	–
Pension costs – defined contribution plans	**1,321**	6,755
Termination benefits	**1,360**	3,765
Unutilised annual leave	**101**	1,031
Other benefits	**1,531**	7,270
	60,231	108,799
Less: Costs capitalised	**–**	(5,794)
	60,231	103,005

Details of the emoluments of the directors (who were also the key management personnel of the Group) and senior management are as follows:

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' Emoluments

The remuneration of each director of the Company for the year ended 31 December 2013 is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	Share-based compensation HK$'000	Other benefits HK$'000 Note (i)	Total HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,600	–	–	–	1,720
Mr Gregg H. Smith	–	366	11,629	–	414	116	12,525
Mr Luo Ning	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–	–
Mr Xu Qiang	–	1,356	5,000	45	2,503	54	8,958
Mr Hu Qinggang	–	1,556	1,600	76	2,503	51	5,786
Mr Chu Hon Pong	144	–	–	–	–	–	144
Mr Liu Tsun Kie	144	–	–	–	–	–	144
Mr Yap Fat Suan, Henry	144	–	–	–	–	–	144
Total	552	3,278	19,829	121	5,420	221	29,421

The remuneration of each director of the Company for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	Share-based compensation HK$'000	Other benefits HK$'000 Note (i)	Total HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,595	–	–	–	1,715
Dr Lui Pan (Note (ii))	120	3,783	–	30	–	231	4,164
Mr Luo Ning	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–	–
Mr Xu Qiang	–	1,346	2,085	40	–	48	3,519
Mr Hu Qinggang	–	1,546	2,185	74	–	63	3,868
Mr Chu Hon Pong	144	–	–	–	–	–	144
Mr Liu Tsun Kie	144	–	–	–	–	–	144
Mr Yap Fat Suan, Henry	144	–	–	–	–	–	144
Total	672	6,675	5,865	144	–	342	13,698

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' Emoluments *(Continued)*

Notes:

(i) Other benefits include club membership fee, housing allowance, medical insurance, travel insurance and other statutory welfare contributions.

(ii) Dr Lui Pan retired as an executive director on 1 November 2012. In addition to the remuneration disclosed above, unutilised annual leave of HK$3,534,000 and long service payment of HK$205,000 were paid to Dr Lui Pan upon his retirement, where the long service payment was fully offset by accrued benefits derived from the employer's contributions to the Mandatory Provident Fund Scheme.

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: two) individuals during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**2,488**	2,438
Discretionary bonuses	**1,643**	2,405
Share-based compensation	**536**	–
Contributions to pension schemes	**51**	50
	4,718	4,893

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2013**	2012
HK$2,000,001-HK$2,500,000	**1**	1
HK$2,500,001-HK$3,000,000	**1**	1

11 LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

The loss attributable to the ordinary equity holders of the Company for the year ended 31 December 2013 dealt with in the financial statements of the Company was approximately HK$63,319,000 (2012: HK$528,297,000).

12 LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the Group's loss from continuing operations and discontinued operations attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted loss per share for the year is based on the Group's loss from continuing operations and discontinued operations attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year assuming the conversion of the exchangeable preference shares (Note 32) and the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the year) based on the monetary values of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted loss per share is set out as follows:

	Group	
	2013	2012
Weighted average number of ordinary shares in issue	**1,139,531,432**	1,139,531,432
Adjustment for preference shares	**–**	–
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted loss per share	**1,139,531,432**	1,139,531,432
	HK$'000	HK$'000
Group's loss attributable to the equity holders of the Company		
– Continuing operations	**(158,846)**	(43,481)
– Discontinued operations	**(23,381)**	(171,191)
	(182,227)	(214,672)

The basic and diluted loss per share for each of the years ended 31 December 2013 and 2012 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

13 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend (2012: HK$Nil) for the year.

14 BUSINESS COMBINATION

On 23 November 2013, the Company, Frontier Management Holdings Limited ("FMHL") and Mr Erik D. Prince ("Mr Prince") entered into a conditional agreement in relation to the acquisition of 100% of the issued share capital of FSL, which plans to engage in the provision of aviation and logistics services to international customers operating in the natural resources sector in East Africa, at a consideration comprising the payment of US$3,000,000 (equivalent to approximately HK$23,256,000) in cash and the grant of option for the rights to subscribe for up to 205,115,657 new shares of the Company at an exercise price of HK$0.73 per share. The acquisition was completed on 3 December 2013. The acquisition of FSL represents an opportunity for the Group to venture into the aviation and logistics business in Africa.

14 BUSINESS COMBINATION *(Continued)*

The following table summarised the consideration paid for the issued share capital of FSL, the acquisition-related costs, the analysis of the net cash outflow from the acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	HK$'000
Purchase consideration	
Cash paid	**23,256**
Grant of option (a)	**132,100**
	155,356
Acquisition-related costs, included in other operating expenses	
Financial advisory service fee (Notes 35 and 36)	**20,518**
Legal and other professional fees and expenses	**1,023**
	21,541
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**(23,256)**
Cash and cash equivalents in subsidiaries acquired	**272**
Net cash outflow from acquisition	**(22,984)**
Property, plant and equipment	**1,026**
Deferred income tax assets	**226**
Receivables (b)	**213**
Cash and cash equivalents	**272**
Payables	**(358)**
Total identifiable net assets	**1,379**
Non-controlling interests (c)	**(700)**
Goodwill on acquisition (d)	**94,975**
	95,654
Share option compensation (a)	**59,702**
	155,356

The relevant fair value of net assets acquired stated above is on a provisional basis.

14 BUSINESS COMBINATION *(Continued)*

(a) Grant of option and share option compensation

On 3 December 2013, the option for the rights to subscribe for up to 205,115,657 new shares of the Company at an exercise price of HK$0.73 per share was granted to FMHL with a total fair value of HK$132,100,000, of which HK$59,702,000 represents the share option compensation for motivating Mr Prince (as the owner of the vendor of FSL) to roll out the FSL's business plan and was charged to the consolidated income statement, details of which is set out in Note 31.

(b) Acquired receivables

The fair value and the gross contractual amounts of receivables is approximately HK$213,000, which include trade receivables with a fair value of approximately HK$157,000. The fair values of trade and other receivables approximate their carrying amounts. There is no contractual cash flow for the acquired receivables which is expected to be uncollected.

(c) Non-controlling interests

The Group recognised the non-controlling interests at its fair value for this acquisition. The fair value of the non-controlling interests was estimated based on the proportion of net assets acquired shared by non-controlling interests.

(d) Goodwill on acquisition

The Group recognised a goodwill of approximately HK$94,975,000 in the consolidated statement of financial position, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of HK$1,379,000 as at 3 December 2013.

Goodwill is attributable to the anticipated net cash inflows of the acquired business.

(e) Revenue and profit contribution

The acquired business contributed revenue of approximately HK$16,000 and net loss after tax of approximately HK$60,163,000, which includes the share option compensation of HK$59,702,000, to the Group for the period from 3 December 2013 (date of acquisition) to 31 December 2013. If the acquisition had occurred on 1 January 2013, the contribution to the consolidated revenue and consolidated net loss after tax for the year ended 31 December 2013 would have been approximately HK$728,000 and HK$64,117,000, respectively.

15 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Network equipment and tooling HK$'000	Hangars HK$'000	Aircraft HK$'000	Generators and tools HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2012									
Cost	4,936	58,449	–	–	–	7,409	17,476	3,361	91,631
Accumulated depreciation and impairment	(3,169)	(53,515)	–	–	–	(3,818)	(9,786)	(2,223)	(72,511)
Net carrying amount	1,767	4,934	–	–	–	3,591	7,690	1,138	19,120
Year ended 31 December 2012									
Opening net carrying amount	1,767	4,934	–	–	–	3,591	7,690	1,138	19,120
Additions	–	8	–	–	–	2,585	781	101	3,475
Disposals (Note 33)	–	–	–	–	–	(115)	(220)	(137)	(472)
Disposal of subsidiaries	(879)	(199)	–	–	–	(525)	(3,210)	(856)	(5,669)
Depreciation (Note 9)	(718)	(575)	–	–	–	(1,231)	(1,533)	(700)	(4,757)
Impairment (Note 8(b))	–	–	–	–	–	(770)	(433)	(1,036)	(2,239)
Transfer	–	(4,130)	–	–	–	–	(1,929)	1,929	(4,130)
Exchange differences	(10)	(38)	–	–	–	(13)	(155)	(2)	(218)
Closing net carrying amount	160	–	–	–	–	3,522	991	437	5,110
At 31 December 2012									
Cost	2,329	–	–	–	–	5,436	5,802	930	14,497
Accumulated depreciation and impairment	(2,169)	–	–	–	–	(1,914)	(4,811)	(493)	(9,387)
Net carrying amount	160	–	–	–	–	3,522	991	437	5,110
Year ended 31 December 2013									
Opening net carrying amount	**160**	**–**	**–**	**–**	**–**	**3,522**	**991**	**437**	**5,110**
Additions	**519**	**–**	**–**	**–**	**–**	**–**	**473**	**15**	**1,007**
Acquisition of subsidiaries (Note 14)	**–**	**–**	**311**	**659**	**21**	**–**	**27**	**8**	**1,026**
Disposals (Note 33)	**–**	**–**	**–**	**–**	**–**	**(50)**	**(463)**	**(143)**	**(656)**
Disposal of a subsidiary (Note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Depreciation (Note 9)	**(323)**	**–**	**(1)**	**–**	**–**	**(931)**	**(456)**	**(152)**	**(1,863)**
Exchange differences	**(3)**	**–**	**1**	**–**	**–**	**81**	**6**	**2**	**87**
Closing net carrying amount	**353**	**–**	**311**	**659**	**21**	**2,622**	**570**	**167**	**4,703**
At 31 December 2013									
Cost	**2,874**	**–**	**312**	**659**	**21**	**5,337**	**4,076**	**468**	**13,747**
Accumulated depreciation and impairment	**(2,521)**	**–**	**(1)**	**–**	**–**	**(2,715)**	**(3,506)**	**(301)**	**(9,044)**
Net carrying amount	**353**	**–**	**311**	**659**	**21**	**2,622**	**570**	**167**	**4,703**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000
At 1 January 2012 and 2013	
Cost	414
Accumulated depreciation	(414)
Net carrying amount	–
Year ended 31 December 2012 and 2013	
Opening net carrying amount	–
Depreciation	–
Closing net carrying amount	–
At 31 December 2012 and 2013	
Cost	**414**
Accumulated depreciation	**(414)**
Net carrying amount	**–**

16 GOODWILL

Group

	HK$'000
At 1 January 2013	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Year ended 31 December 2013	
Opening net carrying amount	–
Additions	**94,975**
Exchange differences	–
Closing net carrying amount	**94,975**
At 31 December 2013	
Cost	**94,975**
Accumulated impairment	–
Net carrying amount	**94,975**

Goodwill is monitored by management at the operating segment level with reference to the business performance based on geography and type of business. With the acquisition of FSL during the year ended 31 December 2013 (Note 14), the Group qualifies the AL Business as a separate reportable operating segment.

The recoverable amount of a CGU is determined based on value-in-use calculation. This calculation is made with the use of discounted cash flow model, based on financial budget approved by management covering a 5-year period. Cash flow beyond the 5-year period is extrapolated using the estimated growth rate of 3%. Management determines budgeted gross margin based on past performance and its expectation of market development. The weighted average growth rate used is consistent with the forecast in the industry. The discount rate of 18% used is pre-tax and reflects specific risk relating to the relevant operating segment.

17 DEFERRED DEVELOPMENT COSTS

Group

	HK$'000
At 1 January 2012	
Cost	79,140
Accumulated amortisation and impairment	(46,288)
Net carrying amount	32,852
Year ended 31 December 2012	
Opening net carrying amount	32,852
Additions	6,326
Amortisation charge (Note 9)	(7,882)
Write-off (Note 9)	(6,523)
Disposal of subsidiaries	(24,693)
Exchange differences	(80)
Closing net carrying amount	–
At 31 December 2012	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
Year ended 31 December 2013	
Opening and closing net carrying amount	**–**
At 31 December 2013	
Cost	**–**
Accumulated amortisation and impairment	**–**
Net carrying amount	**–**

18 INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**229,312**	72,345
Less: Provision for impairment	**(73,418)**	(72,345)
	155,894	–
Amounts due from subsidiaries	**560,933**	570,286
Less: Provision for amounts due from subsidiaries	**(204,752)**	(202,278)
	356,181	368,008
	512,075	368,008

The balances with subsidiaries are unsecured, interest-free and without fixed terms of repayment. The fair values of the amounts due from subsidiaries approximate their carrying amounts.

The table below lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
DVN (Group) Limited	British Virgin Islands	US$10 ordinary US$15,000,000 preference	100%	–	Investment holding and management
DVN (Management) Limited	Hong Kong	HK$2 ordinary	100%	–	Provision of administrative and management services

18 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company Directly	Indirectly	Principal activities
Frontier Services Limited (Note 14)	Bermuda	US$1,000 common	100%	–	Investment holding and provision of aviation and logistics services
Kijipwa Aviation Limited (Notes 4.2 and 14)	Kenya	KES7,496,900 ordinary	–	49%	Provision of aviation and logistics services
天柏寬帶網絡科技(北京)有限公司	Mainland China*	RMB100,000,000 paid-up capital	–	100%	Investment holding and management
柏視數碼科技(上海)有限公司	Mainland China*	US$10,000,000 paid-up capital	–	100%	Design, development, integration and sales of digital broadcasting systems and related software
北京惠信博思技術有限公司	Mainland China	RMB40,000,000 paid-up capital	–	100%	Investment holding and management
北京信柏視訊技術有限公司	Mainland China	RMB100,000,000 paid-up capital	–	100%	Inactive
Sinofocus Media (Holdings) Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding and management
Sinofocus Media Limited	Hong Kong	HK$10,000 ordinary	–	100%	Advertising agency, investment holding and management
Guangdong SinoFocus Media Limited	Mainland China*	RMB50,000,000 paid-up capital	–	100%	Advertising agency
Data Source Technology Limited ("Data Source")	Hong Kong	HK$5,000,000 ordinary	–	100%	Inactive

18 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
北京合縱聯橫廣告有限公司	Mainland China*	RMB5,000,000 paid-up capital	–	100%	Advertising agency
上海真樂見廣告有限公司	Mainland China	RMB500,000 paid-up capital	–	100%	Advertising agency
Dynamic Network Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding and management
Telequote Data International Limited	Hong Kong	HK$10,000 ordinary	–	100%	Provision of online financial market information
Telequote Network (Singapore) Pte Limited	Singapore	SGD2 ordinary	–	100%	Provision of online financial market information

* Registered as wholly foreign owned enterprise with limited liability under the PRC law

In September 2013, the Group disposed of its 100% equity interest in 廣州中見正信廣告有限公司, a then wholly-owned subsidiary for a net proceeds of RMB1,000,000 (equivalent to approximately HK$1,207,000), resulted in a gain on disposal of the subsidiary of HK$823,000 (Note 9).

In April 2011, the Group invested HK$2,550,000 for a 51% equity interest in Data Source. Pursuant to the terms of the investment agreement, the Group considered each of the shareholders of Data Source had joint control over the financial and operating policies of Data Source and therefore the investment in Data Source was treated as joint venture since then. In November 2013, the Group acquired the remaining 49% equity interest in Data Source at a consideration of HK$443,000 and classified Data Source as a subsidiary.

19 INTERESTS IN JOINT VENTURES

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**8,019**	23,963
Disposal of a joint venture	**(461)**	–
Share of profit/(loss) of joint ventures	**11,633**	(14,542)
Impairment (Note 9)	**–**	(1,435)
Exchange differences	**127**	33
At 31 December	**19,318**	8,019

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
	–	–

19 INTERESTS IN JOINT VENTURES *(Continued)*

Details of the joint ventures as at 31 December 2013 are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/ paid-up capital	Interest held	Principal activities
Midas Media Limited ("Midas")	Mainland China*	RMB10,000,000 paid-up capital	50%	Advertising agency and brand consulting
Beijing Tongfang Ehero Technology Co., Ltd ("Tongfang Ehero")	Mainland China	RMB63,800,000 paid-up capital	33.33%	Development, operation and the provision of related services of interactive TV media systems
Jiangsu Hongtian Broad Communication Co., Ltd#	Mainland China	RMB30,000,000 paid-up capital	50%	Dormant

Directly held by the Company

* Registered as wholly foreign owned enterprise with limited liability under the PRC law

Jiangsu Hongtian Broad Communication Co., Ltd has been dormant since July 2006 and an impairment provision of HK$14,200,000 has already been recognised in 2006 for the whole amount of the investment cost of the joint venture.

乾志互動數碼科技(上海)有限公司, which was previously a joint venture of the Group and a wholly-owned subsidiary of Data Source, was deregistered with the Department of Industry and Commerce Administration in the PRC in July 2013.

19 INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of Midas, the joint venture which is material to the Group, and reconciliation to the carrying amount of the Group's share of net assets of Midas are set out below:

	2013 HK$'000	2012 HK$'000
Proportion of the Group's ownership	**50%**	50%
Non-current assets	**435**	174
Current assets, including cash and cash equivalents of HK$197,171,000 (2012: HK$23,852,000)	**919,521**	41,206
Current liabilities	**(901,636)**	(50,973)
Net assets/(liabilities)	**18,320**	(9,593)
Carrying amount of the Group's share	**9,160**	(4,797)
Revenue, including interest income of HK$895,000 (2012: HK$19,000)	**52,686**	3,337
Expenses, including depreciation of HK$140,000 (2012: HK$26,000) and interest expense of HK$605,000 (2012: Nil)	**(23,020)**	(25,189)
Profit/(loss) before income tax	**29,666**	(21,852)
Income tax expenses	**(1,846)**	–
Profit/(loss) for the year	**27,820**	(21,852)
Group's share of profit/(loss) for the year	**13,910**	(10,926)
Other comprehensive income/(loss)	**47**	(11)
Total comprehensive income/(loss)	**13,957**	(10,937)
Dividend received from joint venture	**–**	–

19 INTERESTS IN JOINT VENTURES *(Continued)*

On 23 May 2013, Guangdong SinoFocus Media Limited ("Guangdong SinoFocus"), an indirect wholly-owned subsidiary of the Company, entered into a loan facility agreement with Midas and another joint venture investor, pursuant to which each of Guangdong SinoFocus and the joint venture investor agreed to extend a loan facility of up to RMB30 million (equivalent to approximately HK$37,703,000) to Midas where the terms of the loan facility was up to 30 September 2013. On 30 September 2013, Guangdong SinoFocus, Midas and the joint venture investor entered into an extension agreement to extend the term of the loan facility to 31 December 2013. The loan was fully repaid by Midas on 30 December 2013.

There are no contingent liabilities relating to the Group's interests in joint ventures.

Summarised financial information of the joint ventures which are not individually material to the Group is set as below:

	2013 **HK$'000**	2012 HK$'000
Loss after income tax	**(6,783)**	(9,618)
Group's share of loss for the year	**(2,277)**	(3,616)
Other comprehensive income/(loss)	**80**	(45)
Total comprehensive loss	**(2,197)**	(3,661)

20 INTERESTS IN ASSOCIATES

	Group	
	2013 **HK$'000**	2012 HK$'000
Carrying amount	**33,339**	41,230

20 INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates as at 31 December 2013 are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/ paid-up capital	Interest held	Principal activities
上海博游網絡科技有限公司 ("Boyojoy")	Mainland China	RMB1,818,100 paid-up capital	45%	Development and provision of online game
Chinese Online Corporation Limited ("COL")	Hong Kong	HK$125 ordinary	20%	Investment holding and management
天地華文(北京)科技有限公司 ("天地華文")	Mainland China*	HK$17,300,000 paid-up capital	20%	Provision of online Chinese language learning system, relevant teaching materials and related services
華誠互動(北京)影視傳播有限公司 ("華誠互動")	Mainland China	RMB10,000,000 paid-up capital	10%	Distribution of films and TV programmes

* Registered as wholly foreign owned enterprise with limited liability under the PRC law

In April 2011, the Group entered into an investment agreement with Boyojoy, pursuant to which the Group is entitled to acquire an ultimate shareholding of 35% by four stages based on the performance criteria by Boyojoy as defined in the investment agreement at a total consideration of RMB22,430,000 (equivalent to approximately HK$27,283,000). Pursuant to the terms of the investment agreement, the Group considered that it has significant influence over the financial and operating policies of Boyojoy and therefore, the investment has been treated as an associate. Upon signing the investment agreement, the Group first acquired 25% equity interest in Boyojoy at a consideration of RMB9,000,000 (equivalent to approximately HK$10,717,000). In January 2012, the Group partially made the second stage investment payment of approximately HK$8,313,000 upon the achievement of the performance criteria by Boyojoy and increased its equity interest in Boyojoy from 25% to 37%. In August 2013, the Group made the third stage investment payment of RMB6,500,000 (equivalent to approximately HK$8,169,000) upon the achievement of the performance criteria by Boyojoy and increased its equity interest in Boyojoy from 37% to 45%.

20 INTERESTS IN ASSOCIATES *(Continued)*

On 28 September 2011, the Group invested 20% equity interest in COL at a total consideration of US$6,000,000, including a contingent consideration of US$3,000,000. 天地華文 is a wholly-owned subsidiary of COL. Pursuant to the terms of the investment agreement, the Group considered that it has significant influence over the financial and operating policies of COL and 天地華文 and therefore, the investments in COL and 天地華文 have been treated as associates. In 2012, the Group paid US$2,100,000 (equivalent to approximately HK$16,308,000) for its investment in COL.

As it was considered that the chance of achieving the key performance criteria by COL within the time frame set out in the investment agreement was remote at 31 December 2012, the contingent consideration of US$3,000,000 (equivalent to approximately HK$23,255,000) payable for the investment in COL was written back and the investment cost of COL amounting to HK$37,747,000 was also impaired accordingly during the year ended 31 December 2012.

During the year, provision for impairment was further made for the investment in COL of HK$3,292,000 and the advance to 天地華文 of HK$10,248,000 in light of their financial position and operating performance. COL and 天地華文 have become inactive since September 2013.

There are no contingent liabilities relating to the Group's interests in associates.

Summarised financial information of Boyojoy which is material to the Group, and reconciliation to the carrying amount of the Group's share of net assets of Boyojoy are set out below:

	2013 HK$'000	2012 HK$'000
Proportion of the Group's ownership	**45%**	37%
Non-current assets	**31,613**	27,653
Current assets	**22,712**	22,459
Current liabilities	**(2,092)**	(950)
Net assets	**52,233**	49,162
Carrying amount of the Group's share	**23,505**	18,190
Revenue	**25,341**	36,566
Profit/(loss) after income tax	**(8,518)**	1,453
Group's share of profit/(loss) for the year	**(3,397)**	538
Other comprehensive income/(loss)	**444**	(206)
Total comprehensive income/(loss)	**(2,953)**	332

20 INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the associates which are not individually material to the Group is set out below:

	2013 **HK$'000**	2012 HK$'000
Loss after income tax	**(6,938)**	(10,518)
Group's share of loss for the year	**(1,191)**	(2,407)
Other comprehensive income/(loss)	**(382)**	220
Total comprehensive loss	**(1,573)**	(2,187)

21 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same tax authority. The deferred income tax assets and liabilities after offsetting are as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Deferred income tax assets	**226**	–
Deferred income tax liabilities	**(47,796)**	(26,293)
	(47,570)	(26,293)

21 DEFERRED TAXATION *(Continued)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**96**	12,678
Credited/(charged) to consolidated income statement	**20**	(12,539)
Acquisition of subsidiaries	**226**	–
Exchange differences	**–**	(43)
At 31 December	**342**	96

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2013, the Group did not recognise deferred income tax assets of HK$31,161,000 (2012: HK$20,254,000) in respect of unrecognised tax losses of HK$172,996,000 (2012: HK$117,647,000) that can be carried forward to offset against future taxable income. The unused tax losses include an amount of approximately HK$2,167,000 (2012: HK$3,685,000) arising in Mainland China and Kenya which is due to expire within one to five years for offsetting against future taxable profits of the companies in which the losses arise.

21 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Group											
	Accelerated tax depreciation		Withholding tax on unremitted profits		Deferred development costs		Expected periodic adjustment payments		Deferred income		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
At 1 January	**143**	93	**–**	–	**–**	6,010	**6,118**	22,572	**20,128**	–	**26,389**	28,675
Charged/(credited) to consolidated income statement	**–**	50	**26,612**	–	**–**	(4,431)	**533**	(15,061)	**–**	20,061	**27,145**	619
Settlement	**–**	–	**–**	–	**–**	–	**–**	(1,339)	**–**	–	**–**	(1,339)
Disposal of subsidiaries	**–**	–	**–**	–	**–**	(1,563)	**–**	–	**–**	–	**–**	(1,563)
Transfer	**–**	–	**–**	–	**–**	–	**(6,594)**	–	**–**	–	**(6,594)**	–
Exchange differences	**–**	–	**396**	–	**–**	(16)	**(57)**	(54)	**633**	67	**972**	(3)
At 31 December	**143**	143	**27,008**	–	**–**	–	**–**	6,118	**20,761**	20,128	**47,912**	26,389

At 31 December 2013, the Group has recognised deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$27,008,000 on the unremitted profits of subsidiaries in Mainland China amounting to HK$266,124,000 as the Company may intend to have dividends declared by the subsidiaries in Mainland China in the foreseeable future.

At 31 December 2013, the Group did not recognise deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$5,520,000 (2012: HK$37,292,000) on the unremitted profits of subsidiaries in Mainland China amounting to HK$64,791,000 (2012: HK$386,098,000), that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

22 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Loans and receivables				
– Trade receivables (Note 24)	**4,340**	140,180	**–**	–
– Deposits and other receivables (Note 25)	**5,268**	23,322	**6**	7,384
– Cash and bank balances (Note 26)	**711,760**	600,993	**8,307**	46,835
	721,368	764,495	**8,313**	54,219
Available-for-sale financial assets (Note 23)	**–**	48,944	**–**	–
	721,368	813,439	**8,313**	54,219
Other financial liabilities at amortised costs				
– Trade payables (Note 27)	**7,026**	27,946	**–**	–
– Other payables and accruals	**43,700**	33,279	**36,343**	14,216
	50,726	61,225	**36,343**	14,216
Derivative financial liabilities (Note 28)	**8,081**	7,800	**–**	–
	58,807	69,025	**36,343**	14,216

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**48,944**	61,797
Receipt of periodic adjustment payments	**(27,436)**	(35,467)
Change in value (Note 8(b))	**–**	18,130
Impairment (Note 9)	**(23,094)**	–
Interest accretions	**894**	4,618
Exchange differences	**692**	(134)
At 31 December	**–**	48,944
Less: Non-current portion	**–**	(10,680)
Current portion	**–**	38,264

The expected periodic adjustment payments were denominated in RMB and their fair value at 31 December 2012 was calculated at a discount rate of 6.70% per annum.

Management considered that the full recoverability of the available-for-sale financial assets is remote following the discontinuation of the STB Business, therefore an impairment of the available-for-sale financial assets of HK$23,094,000 was recorded as loss for the discontinued STB Business during the year ended 31 December 2013.

24 TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**4,340**	143,439
Less: Provision for impairment	**–**	(3,259)
	4,340	140,180

The fair value of trade receivables approximates its carrying amount.

24 TRADE RECEIVABLES *(Continued)*

The Group's principal trading terms with its customers are payment in advance or on credit. The credit period to direct sales customers is generally for a period up to three months. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers.

An aging analysis, based on the invoice date, of the trade receivables as at the financial position date is as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Within 6 months	**1,494**	139,037
7-12 months	**–**	8
Over 12 months	**2,846**	4,394
	4,340	143,439
Less: Provision for impairment	**–**	(3,259)
	4,340	140,180

At 31 December 2013, there was no trade receivables balance (2012: HK$3,259,000) which was subject to impairment. Provision for impairment was made for these receivables after taking into account of the financial difficulties of the trade debtors and delinquency in payments, business relationship and transaction volumes with the trade debtors. No provision for impairment was made for these receivables as at 31 December 2013 (2012: HK$3,259,000). The overdue aging analysis of these receivables as at the financial position date is as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Within 6 months	**–**	–
7-12 months	**–**	–
Over 12 months	**2,846**	3,259
	2,846	3,259

24 TRADE RECEIVABLES *(Continued)*

At 31 December 2013, trade receivables of HK$2,846,000 (2012: HK$85,868,000) were past due. After considering their creditworthiness, past collection history and settlement after the financial position date, these overdue trade receivables were not considered impaired. The past due aging analysis of these trade receivables without provision made is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 6 months	**–**	85,658
7-12 months	**–**	210
Over 12 months	**2,846**	–
	2,846	85,868

The carrying amounts of the Group's current trade receivables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
RMB	**4,293**	139,360
HK$	**–**	820
KES	**47**	–
	4,340	140,180

The maximum exposure to credit risk at the financial position date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

24 TRADE RECEIVABLES *(Continued)*

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**3,259**	99,727
(Reversal of)/provision for impairment	**(2,887)**	156,026
Write-off	**(426)**	–
Disposal of subsidiaries	**–**	(252,493)
Exchange differences	**54**	(1)
At 31 December	**–**	3,259

During the year ended 31 December 2013, a reversal of provision for impairment of approximately HK$2,887,000 (2012: additional provision of HK$156,026,000) was made after considering the collectibility, overdue aging analysis, past collection history and settlement after the financial position date of the trade receivables.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance of consideration receivable for the disposal of DBOSS Business	**–**	3,083	**–**	–
Other deposits and other receivables, net of provision	**5,268**	20,239	**6**	7,384
	5,268	23,322	**6**	7,384
Prepayments	**12,256**	24,551	**516**	502
Value-added tax receivables	**3**	838	**–**	–
	17,527	48,711	**522**	7,886

The fair values of prepayments, deposits and other receivables approximate their carrying amounts.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Movements in the provision for impairment of certain prepayments, deposits and other receivables, which were financial assets, are as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
At 1 January	**–**	3,475	**–**	–
Provision for impairment	**11,866**	47,822	**–**	–
Disposal of subsidiaries	**–**	(51,297)	**–**	–
Exchange differences	**177**	–	**–**	–
At 31 December	**12,043**	–	**–**	–

26 CASH AND BANK BALANCES

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Short-term bank deposits, with original maturities over three months	**2,268**	–	**–**	–
Cash at banks and on hand	**496,043**	175,456	**3,307**	5,629
Short-term bank deposits, with original maturities of three months or less	**213,449**	425,537	**5,000**	41,206
Cash and cash equivalents	**709,492**	600,993	**8,307**	46,835
	711,760	600,993	**8,307**	46,835

26 CASH AND BANK BALANCES *(Continued)*

Notes:

(i) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and six months depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(ii) At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$685,194,000 (2012: HK$533,324,000). RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

(iii) The fair values of all bank balances approximate their carrying amounts.

27 TRADE PAYABLES

An aging analysis, based on the invoice date, of the trade payables as at the financial position date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 6 months	**6,355**	26,212
7-12 months	**671**	1,536
Over 12 months	**–**	198
	7,026	27,946

The fair value of trade payables approximates its carrying amount.

28 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment payables (Note (i))	**7,193**	15,225	**–**	–
Derivative financial liabilities (Note (ii))	**8,081**	7,800	**–**	–
Value-added tax payable	**–**	1,006	**–**	–
Receipts in advance	**7,945**	11,989	**–**	–
Deferred income	**955**	926	**–**	871
Other payables and accruals	**19,982**	17,099	**15,825**	14,216
Accrued financial advisory service fee (Note (iii))	**20,518**	–	**20,518**	–
	64,674	54,045	**36,343**	15,087

28 OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(i) At 31 December 2013, the investment payables include the consideration payable to COL of US$900,000 (equivalent to approximately HK$6,960,000) (2012: US$900,000 (equivalent to approximately HK$6,976,000) and consideration payable to Boyojoy for the second stage of subscription of US$30,000 (equivalent to approximately HK$233,000) (2012: the second and third stages of subscription of US$30,000 and RMB6,500,000 (equivalent to approximately HK$8,249,000 in aggregate)) (Note 20).

(ii) The changes in the Group's level 3 financial liabilities are as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
At 1 January	**7,800**	7,003
Additions	**–**	799
Exchange differences	**281**	(2)
At 31 December	**8,081**	7,800

(iii) As further explained in Note 36(a), the accrued financial advisory service fee was settled by the Company by the grant of option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share on 14 January 2014 upon the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014 (Note 14).

29 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2012 and 2013	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2012 and 2013	1,139,531,432	113,953

30 SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") at a special general meeting held on 26 June 2002. At the special general meeting of shareholders held on 28 March 2012, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any twelve-month period shall not exceed 1% of the shares then in issue. During the year, 32,995,000 share options were granted under the New Scheme. The share option scheme limit was refreshed by a resolution passed at the special general meeting of shareholders held on 5 March 2014. The maximum number of options that can be granted by the Company was refreshed to 119,650,800. At the date of this report, the total number of options that can be granted was 119,650,800, representing approximately 10% of the number of issued shares of the Company.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares. The options are exercisable within the option period as determined by the Board of the Company.

The New Scheme is valid and effective for a period of 10 years commencing from 28 March 2012, the date of the approval of the New Scheme.

Pursuant to a Board resolution passed on 25 November 2013, the following share options were granted under the New Scheme with fair value of HK$0.3576 for Option I and HK$0.3586 for Option II per option using the Binominal option pricing model with the following input variables:

	Date of grant of share options	Number of options	Exercise price per option HK$	Exercise period of share options	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of share options HK$	Expected life
Option I	25/11/2013	21,600,000	0.82	25/11/2013 to 24/11/2018	25/11/2013	1.04%	0%	52%	0.75	25/11/2013 to 24/11/2018
Option II	25/11/2013	11,395,000	0.82	25/11/2014 to 24/11/2018	25/11/2013	1.04%	0%	52%	0.75	25/11/2013 to 24/11/2018

30 SHARE OPTION SCHEME *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise price were as follows:

	2013		2012	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
Old Scheme				
At 1 January and 31 December	**1.99**	**1,000,000**	1.99	1,000,000
New Scheme				
At 1 January	**–**	**–**	–	–
Granted and accepted	**0.82**	**32,995,000**	–	–
At 31 December		**32,995,000**		–

Out of the 33,995,000 outstanding options as at 31 December 2013, 22,600,000 options were exercisable (2012: 1,000,000). No share option was exercised during the years ended 31 December 2013 and 2012.

Share options outstanding at the financial position date have the following expiry date and exercise price:

	Exercise price per share	**Number of options**	
Expiry date	HK$	**2013**	2012
Old Scheme			
11 February 2017	1.99	**1,000,000**	1,000,000
New Scheme			
24 November 2018	0.82	**32,995,000**	–

30 SHARE OPTION SCHEME *(Continued)*

The details of movements of the outstanding share options during the year are as follows:

Old Scheme

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 August 2007 - 11 February 2017

	Outstanding options at 1 January 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2013	Weighted average closing price before dates of exercise HK$
Held by a service provider						
In aggregate	500,000	–	–	–	500,000	–

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 February 2008 - 11 February 2017

	Outstanding options at 1 January 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2013	Weighted average closing price before dates of exercise HK$
Held by a service provider						
In aggregate	500,000	–	–	–	500,000	–

30 SHARE OPTION SCHEME *(Continued)*

New Scheme

Date of share options granted 25 November 2013
Exercise price HK$0.82
Exercise period 25 November 2013 - 24 November 2018

	Outstanding options at 1 January 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2013	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Xu Qiang	–	7,000,000	–	–	7,000,000	–
Mr Hu Qinggang	–	7,000,000	–	–	7,000,000	–
Held by employees						
In aggregate	–	7,000,000	–	–	7,000,000	–
Held by a service provider						
In aggregate	–	600,000	–	–	600,000	–
	–	21,600,000	–	–	21,600,000	

Date of share options granted 25 November 2013
Exercise price HK$0.82
Exercise period 25 November 2014 - 24 November 2018

	Outstanding options at 1 January 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2013	Weighted average closing price before dates of exercise HK$
Held by a director						
Mr Gregg H. Smith	–	11,395,000	–	–	11,395,000	–

31 RESERVES

Group

	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Exchange reserve HK$'000 (Note (iii))	General reserve HK$'000 (Note (iv))	Other capital reserve HK$'000 (Note (v))	Equity instrument reserve HK$'000 (Note (vi))	Share-based compensation reserve HK$'000 (Note (vii))	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2012	1,724	628,235	181,367	30,122	–	–	879	55,255	897,582
Loss for the year	–	–	–	–	–	–	–	(214,672)	(214,672)
Other comprehensive loss – Currency translation differences	–	–	(2,967)	–	–	–	–	–	(2,967)
Repayment of an inter-company loan	–	–	(21,362)	–	–	–	–	–	(21,362)
Transfer to general reserve	–	–	–	9,934	–	–	–	(9,934)	–
Disposal of subsidiaries	–	–	(110,873)	(27,255)	–	–	–	27,255	(110,873)
Acquisition of additional equity interest in a subsidiary	–	–	–	–	(287)	–	–	–	(287)
At 31 December 2012	1,724	628,235	46,165	12,801	(287)	–	879	(142,096)	547,421
At 1 January 2013	**1,724**	**628,235**	**46,165**	**12,801**	**(287)**	**–**	**879**	**(142,096)**	**547,421**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(182,227)**	**(182,227)**
Other comprehensive income – Currency translation differences	**–**	**–**	**19,212**	**–**	**–**	**–**	**–**	**–**	**19,212**
Grant of share options	**–**	**–**	**–**	**–**	**–**	**–**	**8,138**	**–**	**8,138**
Issue of option (Note 14(a))	**–**	**–**	**–**	**–**	**–**	**132,100**	**–**	**–**	**132,100**
Transfer to general reserve	**–**	**–**	**–**	**3,040**	**–**	**–**	**–**	**(3,040)**	**–**
Disposal of a subsidiary (Note 33)	**–**	**–**	**–**	**–**	**287**	**–**	**–**	**–**	**287**
At 31 December 2013	**1,724**	**628,235**	**65,377**	**15,841**	**–**	**132,100**	**9,017**	**(327,363)**	**524,931**

31 RESERVES *(Continued)*

Company

	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Equity instrument reserve HK$'000 (Note (vi))	Share-based compensation reserve HK$'000 (Note (vii))	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2012	1,724	558,899	–	879	260,484	821,986
Loss for the year	–	–	–	–	(528,297)	(528,297)
At 31 December 2012	1,724	558,899	–	879	(267,813)	293,689
At 1 January 2013	**1,724**	**558,899**	**–**	**879**	**(267,813)**	**293,689**
Loss for the year	**–**	**–**	**–**	**–**	**(63,319)**	**(63,319)**
Grant of share options	**–**	**–**	**–**	**8,138**	**–**	**8,138**
Issue of option (Note 14(a))	**–**	**–**	**132,100**	**–**	**–**	**132,100**
At 31 December 2013	**1,724**	**558,899**	**132,100**	**9,017**	**(331,132)**	**370,608**

Notes:

(i) The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) The contributed surplus of the Company and of the Group arose from a scheme of arrangement on 31 October 1989 and capital reorganisations on 2 November 2001 and 18 December 2007. Pursuant to the Companies Act 1981 of Bermuda, a company incorporated in Bermuda is not permitted to pay dividends or make a distribution out of the contributed surplus if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4.

(iv) In accordance with the PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries in accordance with their articles of association.

31 RESERVES *(Continued)*

Notes:

(v) The other capital reserve represents the aggregate of the nominal value of the paid-up capital of a subsidiary acquired and the difference between the acquisition of equity interests attributable to the then non-controlling shareholders.

(vi) The equity instrument reserve represents the fair value of the following option granted for the acquisition of FSL on 3 December 2013 (Note 14(a)) with a fair value of HK$0.644 per option share using the Binominal option pricing model with the following input variables:

Date of grant of option	Number of option shares	Exercise price per option share HK$	Exercise period of option	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of option HK$	Expected life
03/12/2013	205,115,657	0.73	03/12/2013 to 02/12/2018	03/12/2013	1.08%	0%	52.4%	1.09	03/12/2013 to 02/12/2018

(vii) The share-based compensation reserve represents the fair value of the unexercised share options granted under the Company's share option schemes to the eligible participants recognised in accordance with the accounting policy set out in Note 2.15(b).

32 NON-CONTROLLING INTERESTS

Non-controlling interests include, inter alia, an amount of US$15,000,000 (equivalent to HK$116,250,000) preference shares issued by DVN (Group) Limited, a wholly-owned subsidiary of the Company, on 31 March 1999. The preference shareholder has the right at any time starting from 1 July 2000 to exchange all (but not part) of the preference shares into 31,250,000 ordinary shares of the Company at an exchange price which has been subsequently adjusted to HK$3.72 per share, pursuant to the Company's announcement dated 28 September 2006. The Company has the right, at its discretion, to request the preference shareholder to exercise his exchange right to exchange all (but not part) of the preference shares into the Company's ordinary shares at the exchange price at any time from 1 July 2000, provided that the average of the closing prices of the Company's ordinary shares for the 20 consecutive trading days ending on the trading day immediately preceding the date of giving notice of such compulsory exchange is not less than HK$10 per share.

33 CASH GENERATED FROM OPERATIONS

The reconciliation of loss for the year to cash generated from operations is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Loss for the year from continuing operations	**(159,014)**	(43,533)
Loss for the year from discontinued operations	**(23,381)**	(171,191)
	(182,395)	(214,724)
Adjustments for		
– Income tax expenses	**27,258**	29,353
– Depreciation	**1,863**	4,757
– Amortisation of deferred development costs	**–**	7,882
– Write-off of deferred development costs	**–**	6,523
– Share-based compensation	**8,138**	–
– Impairment of available-for-sale financial assets	**23,094**	–
– Change in value of available-for-sale financial assets	**–**	(18,130)
– Exchange difference from repayment of an inter-company loan	**–**	(21,362)
– Provision for impairment of trade receivables and other receivables	**8,979**	203,848
– Write-off of trade receivables	**–**	174
– Provision for inventories	**–**	23,736
– Net loss on disposal of property, plant and equipment (Note (i))	**476**	357
– Gain on disposal of digital broadcasting business	**–**	(49,294)
– Gain on disposal of a subsidiary (Note (ii))	**(823)**	–
– Provision for impairment of interest in a joint venture	**–**	1,435
– Provision for impairment of interest in an associate	**3,292**	37,747
– Provision for impairment of property, plant and equipment	**–**	2,239
– Write-back of contingent consideration payable in respect of the acquisition of an associate	**–**	(23,255)
– Share option compensation	**59,702**	–
– Interest income	**(19,357)**	(12,952)
– Share of (profit)/loss of joint ventures	**(11,633)**	14,542
– Share of loss of associates	**4,588**	1,869
Changes in working capital		
– Inventories	**–**	28,067
– Trade receivables, prepayments, deposits and other receivables	**154,988**	156,703
– Trade payables, other payables and accruals	**(2,479)**	(114,845)
Exchange differences	**1,107**	(2,874)
Cash generated from operations	**76,798**	61,796

33 CASH GENERATED FROM OPERATIONS *(Continued)*

Notes:

(i) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Group	
	2013 **HK$'000**	2012 HK$'000
Net carrying amount (Note 15)	**656**	472
Net loss on disposal of property, plant and equipment (Note 9)	**(476)**	(357)
Proceeds from disposal of property, plant and equipment	**180**	115

(ii) The effect on the financial position, the total consideration received and gain on disposal of a subsidiary, 廣州中見正信有限公司, for the year ended 31 December 2013 are as follows:

	Group
	2013 **HK$'000**
Net assets disposed of:	
Property, plant and equipment (Note 15)	**8**
Prepayments, deposits and other receivables	**90**
Other payables and accruals	**(1)**
	97
Release of other capital reserve (Note 31)	**287**
Gain on disposal (Note 9)	**823**
	1,207
Satisfied by:	
Consideration received, satisfied in cash and cash equivalents	**1,207**
Consideration received, after settlement of cost, fees and expenses	**1,207**
Cash and cash equivalents disposed of	**–**
Net cash inflow	**1,207**

(iii) Major non-cash transactions

The purchase consideration of HK$155,356,000 in relation to the acquisition of 100% of the issued share capital of FSL included the fair value of the option of HK$132,100,000 for the rights to subscribe for up to 205,115,657 new shares of the Company (Note 14).

34 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

The Group and the Company did not have any material capital expenditure commitments at 31 December 2013 and 2012.

(b) Financial Commitments

The Group and the Company did not have any significant financial commitments at 31 December 2013 and 2012.

(c) Operating Lease Commitments

The Group leases certain of its offices, staff quarters and office equipment under operating lease arrangements, which are negotiated for terms ranging from one to ten years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Land and buildings		
– Not later than one year	**1,996**	2,707
– Later than one year but not later than five years	**1,153**	3,010
	3,149	5,717
Office equipment		
– Not later than one year	**183**	–
Motor vehicle		
– Not later than one year	**235**	–
Total		
– Not later than one year	**2,414**	2,707
– Later than one year but not later than five years	**1,153**	3,010
	3,567	5,717

The Company did not have any commitments under operating lease arrangements at 31 December 2013 and 2012.

34 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(d) Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2013 and 2012.

35 RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Group with related parties:

(a) Sales or Purchases of Goods and Services and Other Income

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Sales of goods and services				
– A joint venture	**1,544**	–	**–**	–
– Related companies of a shareholder	**–**	49,585	**–**	–
– Associates	**–**	2,137	**–**	–
Interest income				
– A joint venture	**605**	–	**–**	–
Other income				
– An associate	**1,506**	–	**–**	–
Financial advisory service fee				
– A related company of a shareholder and a director	**20,518**	924	**20,518**	924
Capital trust service expense				
– A related company of a shareholder	**–**	661	**–**	–

All the transactions were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Details of Key Management Compensation of the Group

	Group	
	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**23,880**	13,554
Post-employment benefits	**121**	144
Share-based compensation	**5,420**	–
	29,421	13,698

The directors of the Company are regarded as the key management personnel of the Group.

(c) Year-End Balances Arising from Sales/Purchases and Services Rendered

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
– A joint venture	**–**	23,013	**–**	–

(d) Other Year-End Balances

	Group	
	2013	2012
	HK$'000	HK$'000
Prepayments, deposits and other receivables		
– Joint ventures	**3,392**	1,800
– An associate	**6,960**	19,122
Other payables and accruals		
– A related company of a shareholder and a director	**20,518**	–
– Associates	**15,041**	23,025

36 EVENTS AFTER THE FINANCIAL POSITION DATE

(a) Pursuant to the agreement and the supplementary agreement signed on 4 November 2013 and 23 November 2013, respectively between the Company and Reorient Financial Markets Limited ("RFML") regarding to the introduction of the opportunity to the Company for the acquisition of FSL and the provision of the related financial advisory services to the Company, the Company has granted the option rights to subscribe for up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share on 14 January 2014 to RFML for the financial advisory service fee upon the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014 (Note 28(iii)).

(b) Pursuant to an agreement signed on 23 November 2013 between the Company and REORIENT GROUP LIMITED ("RGL"), the Company had agreed to allot 56,976,571 new shares of the Company ("DVN Shares") at HK$0.75 (the closing price of the Company's shares on 23 November 2013) per share in return for the subscription of 17,805,178 new shares of RGL ("RGL Shares") at HK$2.40 (the closing price of RGL's shares on 23 November 2013) per share. Upon the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014, the Company has allotted and issued the DVN Shares at the closing price of HK$1.57 per share on 14 January 2014 to RGL in return for the subscription of the RGL Shares at the closing price of HK$2.40 per share in RGL. The initial loss on the share swap would be approximately HK$46,700,000. The RGL Shares are carried at fair value and classified as "Available-for-sale financial assets". Any changes in fair value are recognised in the consolidated statement of comprehensive income.

(c) On 10 January 2014, the Board appointed Mr Prince as an executive director and the Chairman of the Company and granted to Mr Prince the share options to subscribe for 102,557,828 new shares of the Company at an exercise price of HK$1.50 per share pursuant to the share option scheme of the Company subject to the approval of the shareholders of the Company. At the special general meeting of shareholders held on 5 March 2014, the share options were approved by the independent shareholders of the Company. The financial impact of the issue of share options will be ascertained in due course.

(d) Pursuant to a special resolution passed by the shareholders of the Company on 5 March 2014, the Company has obtained the approval from the Registrar of Companies in Bermuda on 6 March 2014 for the change of its name from DVN (Holdings) Limited to Frontier Services Group Limited. The Company is in the process of complying with the necessary filing procedures in Hong Kong.

(e) On 3 March 2014, FSL entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix Aviation Limited ("Phoenix") at a total consideration of US$14,000,000 (equivalent to approximately HK$109,200,000). On the same date, FSG Aviation Limited, a wholly-owned subsidiary of the Company, entered into a conditional aircraft acquisition agreement with Phoenix for the acquisition of 5 aircraft at a total consideration of US$6,000,000 (equivalent to approximately HK$46,800,000).

Save as disclosed above, there has been no other material event subsequent to the financial position date which requires adjustment of or disclosure in these consolidated financial statements.

Five Year Financial Summary

The consolidated results, and assets and liabilities of the Group for the last five financial years are summarised below.

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Results					
Revenue	**32,340**	303,145	567,724	787,710	705,312
Profit/(loss) before income tax	**(155,137)**	(185,371)	(130,218)	76,605	22,135
Income tax credit/(expenses)	**(27,258)**	(29,353)	12,373	(34,869)	(10,325)
Non-controlling interests	**168**	52	124	–	–
Profit/(loss) attributable to the equity holders of the Company	**(182,227)**	(214,672)	(117,721)	41,736	11,810
Assets and liabilities					
Property, plant and equipment	**4,703**	5,110	19,120	18,182	16,077
Goodwill	**94,975**	–	–	–	–
Deferred development costs	**–**	–	32,852	37,233	33,644
Investments	**52,657**	49,249	97,386	60,383	31,266
Other non-current assets	**226**	10,680	162,664	280,554	266,421
Net current assets	**650,901**	738,878	841,644	861,294	825,292
	803,462	803,917	1,153,666	1,257,646	1,172,700
Non-current liabilities	**(47,796)**	(26,293)	(24,190)	(37,125)	(3,892)
Net assets	**755,666**	777,624	1,129,476	1,220,521	1,168,808
Shareholders' equity	**638,884**	661,374	1,011,535	1,102,763	1,051,050
Non-controlling interests	**116,782**	116,250	117,941	117,758	117,758
	755,666	777,624	1,129,476	1,220,521	1,168,808