



Frontier Services Group Limited 先豐服務集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 00500)

Interim Report 2014



* For identification purposes only

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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 Hu Qinggang

Independent Non-Executive Directors

Mr Yap Fat Suan, Henry
Professor Lee Hau Leung
Mr William J. Fallon
Dr Harold O. Demuren

Audit Committee

Mr Yap Fat Suan, Henry (*Chairman*)
Professor Lee Hau Leung
Mr William J. Fallon

Remuneration Committee

Professor Lee Hau Leung (*Chairman*)
Mr Erik D. Prince
Mr Ko Chun Shun, Johnson
Mr Yap Fat Suan, Henry
Mr William J. Fallon

Nomination Committee

Mr Erik D. Prince (*Chairman*)
Mr Ko Chun Shun, Johnson
Mr Yap Fat Suan, Henry
Professor Lee Hau Leung
Mr William J. Fallon

COMPANY SECRETARY

Mr Chan Kam Kwan, Jason

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Kaplan & Stratton
Michael Li & Co.

PRINCIPAL BANKERS

Bank of China Limited
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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

Investor Relations Department
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Management Discussion And Analysis

The board of directors (the "Board") of Frontier Services Group Limited (the "Company") presents the unaudited consolidated results and financial position of the Company and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2014, together with the comparative figures for the corresponding period in 2013. These condensed consolidated interim financial statements have not been audited but reviewed by the Company's audit committee.

REVIEW OF RESULTS

Overall Performance

	Six-month period ended 30 June 2014			Six-month period ended 30 June 2013		
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Revenue	13,534	-	13,534	17,679	-	17,679
Cost of sales	(5,948)	-	(5,948)	(4,756)	-	(4,756)
Gross profit	7,586	-	7,586	12,923	-	12,923
Other income and other gains/(losses), net	(61,456)	-	(61,456)	(4,943)	-	(4,943)
Marketing, selling and distribution costs	(3,819)	-	(3,819)	(3,073)	-	(3,073)
Administrative expenses	(65,467)	-	(65,467)	(24,894)	-	(24,894)
Other operating income/(expenses), net	(8,255)	-	(8,255)	175	-	175
Operating loss	(131,411)	-	(131,411)	(19,812)	-	(19,812)
Finance costs	(2,511)	-	(2,511)	-	-	-
Share of profit/(loss) of joint ventures	6,730	-	6,730	(8,411)	-	(8,411)
Share of loss of associates	(2,832)	-	(2,832)	(2,789)	-	(2,789)
Loss before income tax	(130,024)	-	(130,024)	(31,012)	-	(31,012)
Income tax credit	227	-	227	198	-	198
Loss after tax	(129,797)	-	(129,797)	(30,814)	-	(30,814)
Impairment of available-for-sale financial assets	-	-	-	-	(23,094)	(23,094)
Income tax credit	-	-	-	-	2,666	2,666
After-tax loss recognised on disposal	-	-	-	-	(20,428)	(20,428)
Loss for the period	(129,797)	-	(129,797)	(30,814)	(20,428)	(51,242)

Revenue

**Six-month period ended
30 June**

2014 2013
HK\$'000 HK\$'000

Continuing operations:

Aviation and logistics business	497	–
Advertising agency business	286	1,150
Financial market information business	12,751	13,695
Digital broadcasting business	–	2,834

13,534 17,679

As there was no more revenue from the digital broadcasting business in the first half of 2014, the Group recorded a decrease of 23% in revenue in the current period when compared to the corresponding period in 2013.

Gross Profit and Gross Profit Margin

The Group recorded a decrease of 41% in gross profit in the first half of 2014 when compared to the corresponding period in 2013, as no more relatively high-margin sales from the digital broadcasting business was recorded in the current period. Overall gross profit margin decreased from 73% to 56%.

Other Income and Other Gains/(Losses), Net

	Six-month period ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income on bank balances	7,001	5,009
Interest income on available-for-sale financial assets	–	894
Non-compete income	–	866
Provision for impairment of available-for-sale financial assets	(46,721)	–
Provision for impairment of interest in a joint venture	(5,659)	–
Provision for impairment of an advance to a joint venture	(2,104)	–
Provision for impairment of interest in an associate	(14,040)	(3,292)
Provision for impairment of an advance to an associate	–	(9,843)
Loss on disposal of subsidiaries, net	(69)	–
Others	136	1,423
	(61,456)	(4,943)

Pursuant to the share swap agreement entered into by the Company and REORIENT GROUP LIMITED (“RGL”) on 23 November 2013 and the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014, the Company allotted and issued 56,976,571 new shares of the Company at the closing price of HK\$1.57 per share on 14 January 2014 to REORIENT GLOBAL LIMITED, a direct wholly-owned subsidiary of RGL nominated by RGL, in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK\$2.40 per share. The RGL’s shares are classified as listed equity investment under available-for-sale financial assets and a provision for impairment of HK\$46,721,000 was made when the RGL’s shares were marked to market on 14 January 2014.

In the current period, provision for impairment was made for the Group’s investment in a joint venture of HK\$5,659,000 and the advance to a joint venture of HK\$2,104,000, which is engaged in the development, operation and provision of related services of interactive TV media systems, in light of its financial position and operating performance.

In the current period, provision for impairment was made for the Group’s investment in an associate of HK\$14,040,000, which is engaged in the development and provision of online games, in light of its financial position and operating performance.

In the last period, provision for impairment was made for the Group’s investment in an associate of HK\$3,292,000 and the advance to an associate of HK\$9,843,000, 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 near 1.5 times in the operating expenses for the current period as more management team and subcontractors were engaged for the development of the Group's aviation and logistics business and the share-based compensation of HK\$19,788,000 resulted from the issue of share options under the Company's share option scheme.

Other Operating Income/(Expenses), Net

	Six-month period ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Acquisition-related costs	(7,666)	–
Reversal of / (provision for) impairment of trade and other receivables	(26)	177
Write-off of a deposit	(388)	–
Loss on disposal of property, plant and equipment	(175)	–
Others	–	(2)
	(8,255)	175

Acquisition-related costs for the current period represent the professional fee incurred for the acquisitions of Phoenix Aviation Limited ("Phoenix") and its five aircraft, which were completed on 28 July 2014.

After-tax 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 six-month period ended 30 June 2013. Details of the loss are set out in Note 10 to these condensed consolidated interim financial statements.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business

In December 2013, the Group acquired Frontier Services Limited ("FSL") which holds 49% equity interest in Kijipwa Aviation Limited ("Kijipwa"). Kijipwa holds certain Kenyan licences and certificates and provides logistics and aircraft maintenance services out of the Mombasa region of Eastern Kenya. During the current period, the Group's aviation and logistics business has contributed HK\$497,000 in revenue with an operating loss of HK\$19,747,000 to the Group. The period was one of transition for Kijipwa, as the Group pursued the acquisition of Phoenix. During this time of transition, the Group's resources have been directed toward maintaining Kijipwa's licences, implementing new information technology systems, renewing its existing real estate lease, and attending to Kijipwa's limited base of existing customers. Due to the foregoing, Kijipwa's results for the period fell below management expectations. With the Phoenix acquisition now completed (see below), Kijipwa will be integrated into the broader strategic plan for the Group's aviation and logistics business.

Advertising Agency Business

Although the operation of the Group's advertising agency business has been scaled down since the second quarter of 2013, the Group's advertising agency business still recorded profitable results for the current period because of the recognition of income brought forward from last year.

Financial Market Information Business

The Group's financial market information business recorded a 7% decrease in revenue and an operating loss of HK\$1,707,000 in the current period.

Direct Investments

All direct investments incurred losses in the current period. Provision for impairment was made for the Group's interest in those direct investments in the current period.

PROSPECTS

The Group completed the acquisition of Phoenix, including a certain portion of its aircraft fleet, in late July 2014. Phoenix is among the largest and most active private providers of air ambulance and regional charter flying in Africa. Phoenix holds key licences and regulatory authorisations in its home country of Kenya, in addition to Angola, Ethiopia, Puntland (a semi-autonomous region of Somalia), Tanzania, and Uganda. Also, Phoenix holds important customer approvals from the United Nations, the British government, and the U.S. government. Phoenix also provides maintenance, repair and overhaul ("MRO") services to third parties from its Nairobi, Kenya, base of operations. In its MRO line of business, Phoenix is certified by Cessna Aircraft Corporation, one of the largest manufacturers of light jet aircraft in the world. Consequently, the acquisition of Phoenix and its fleet assets will immediately and substantially expand the size and reach of the Group's aviation and logistics business. The Group intends to capitalise upon the platform to secure business throughout Africa, with a focus on growing with Phoenix's existing customers and generating new business from infrastructure, mineral, and hydrocarbon operators. To that end, the Group's operating base was moved from Mombasa, Kenya, to Nairobi, Kenya, during the current period.

On the whole, the Group aims to build out a pan-African services business with key capabilities in aviation, frontier construction, logistics, and risk management. Over time, the Group seeks to diversify its core business to include other logistics-related verticals such as ground transportation, maritime services, and exploration support services.

Clients from China have been identified by the Group as a major untapped market. According to the 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. This level of investment creates a range of opportunities across numerous commercial sectors for the Group to support Chinese enterprises active across Africa.

Leveraging the Group's global relationships with the wide range of businesses, non-governmental organisations, and host and foreign governments present in the African marketplace, and the Group's personnel's experience and expertise, the Group aims to grow into the pre-eminent provider of aviation and logistics services in expeditionary markets.

The Group will from time to time review its capital needs and will consider different means to strengthen its capital base to support its rapid expansion in the next few years.

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 Company 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. The Company granted 112,357,828 share options to the Group's eligible directors and employees under its share option scheme during the six-month period ended 30 June 2014 (2013: Nil).

The total number of employees of the Group as at 30 June 2014 was 97 (31 December 2013: 78).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2014, the Group recorded total assets of HK\$974,073,000 (31 December 2013: HK\$886,278,000) which were financed by liabilities of HK\$221,690,000 (31 December 2013: HK\$130,612,000), non-controlling interests of HK\$116,250,000 (31 December 2013: HK\$116,782,000) and shareholders' equity of HK\$636,133,000 (31 December 2013: HK\$638,884,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2014 amounted to HK\$0.53 (31 December 2013: HK\$0.56).

The Group recorded a net cash and bank balance of HK\$555,050,000 (31 December 2013: HK\$711,760,000) after deducting bank borrowings of HK\$138,834,000 (31 December 2013: Nil) as at 30 June 2014. During the six-month period ended 30 June 2014, bank borrowings were raised for the acquisition of aircraft and equipment in respect of the Group's aviation and logistics business, which are secured by the Group's non-current bank deposits. The bank borrowings are due in February and May 2016. Although the Group has sufficient internal funds for its daily operations, the Group may consider to obtain additional banking facilities for its future business development and expansion if necessary. On the basis of the Group's net borrowings relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was 0% (31 December 2013: Nil).

At 30 June 2014, the Company had 374,259,113 outstanding share options, out of which 146,352,828 share options were granted under its share option schemes. If the share options were exercised, a gross proceed of approximately HK\$360,356,000 in aggregate would be raised before deducting any issuing expenses.

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 ("HK\$"), Renminbi ("RMB") and United States dollars ("US\$"). Surplus cash is generally placed in 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 HK\$ and US\$. The exchange rate of US\$ against HK\$ 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. Although there are fluctuations in the exchange rate of RMB in the first half of 2014, 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 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.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 3 March 2014, FSL entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix at a consideration of US\$14,000,000 (equivalent to approximately HK\$108,507,000). Subsequent to the financial position date, the acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2014.

Charges on Assets

The Group had bank deposits amounting to approximately HK\$150,701,000 pledged to banks as security for bank borrowings as at 30 June 2014 (31 December 2013: Nil).

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2014 (31 December 2013: Nil). However, the Group always seeks for new investment opportunities in the aviation and logistics business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

Capital Expenditure Commitments

On 3 March 2014, FSG Aviation Limited ("FSGA"), a wholly-owned subsidiary of the Company, entered into a conditional aircraft purchase agreement for the acquisition of five aircraft from Phoenix at a consideration of US\$6,000,000 (equivalent to approximately HK\$46,503,000). Subsequent to the financial position date, the acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.

At 30 June 2014, the Group had contracted capital expenditure commitments (including that for the acquisition of aircraft from Phoenix) amounting to approximately HK\$95,477,000 (31 December 2013: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014.

Condensed Consolidated Income Statement

For the six-month period ended 30 June 2014

	Note	Six-month period ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Revenue	3	13,534	17,679
Cost of sales		(5,948)	(4,756)
Gross profit		7,586	12,923
Other income and other gains/(losses), net		(61,456)	(4,943)
Marketing, selling and distribution costs		(3,819)	(3,073)
Administrative expenses		(65,467)	(24,894)
Other operating income/(expenses), net		(8,255)	175
Operating loss		(131,411)	(19,812)
Finance costs	4	(2,511)	–
Share of profit/(loss) of joint ventures		6,730	(8,411)
Share of loss of associates		(2,832)	(2,789)
Loss before income tax		(130,024)	(31,012)
Income tax credit	5	227	198
Loss for the period from continuing operations		(129,797)	(30,814)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	6(b)	–	(20,428)
LOSS FOR THE PERIOD	7	(129,797)	(51,242)
Attributable to:			
Equity holders of the Company			
– Continuing operations		(129,265)	(30,814)
– Discontinued operations		–	(20,428)
		(129,265)	(51,242)
Non-controlling interests			
– Continuing operations		(532)	–
– Discontinued operations		–	–
		(532)	–
		(129,797)	(51,242)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8		
– Continuing operations		(10.84) cents	(2.71) cents
– Discontinued operations		– cents	(1.79) cents
		(10.84) cents	(4.50) cents

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2014

	Note	Six-month period ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
LOSS FOR THE PERIOD		(129,797)	(51,242)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		(6,926)	11,199
– Change in value of available-for-sale financial assets	10	3,561	–
Other comprehensive income/(loss) for the period, net of tax		(3,365)	11,199
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(133,162)	(40,043)
Attributable to:			
– Equity holders of the Company		(132,630)	(40,043)
– Non-controlling interests		(532)	–
		(133,162)	(40,043)
Total comprehensive loss attributable to equity holders of the Company arising from:			
– Continuing operations		(132,630)	(19,821)
– Discontinued operations		–	(20,222)
		(132,630)	(40,043)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		64,172	4,703
Goodwill		94,975	94,975
Interests in joint ventures		20,228	19,318
Interests in associates		10,112	33,339
Pledged bank deposits	13	150,701	–
Deferred income tax assets		223	226
Available-for-sale financial assets	10	46,293	–
Total non-current assets		386,704	152,561
CURRENT ASSETS			
Trade receivables	11	1,216	4,340
Prepayments, deposits and other receivables		42,880	17,527
Tax receivables		90	90
Short-term bank deposits		10,435	2,268
Cash and cash equivalents		532,748	709,492
Total current assets		587,369	733,717
CURRENT LIABILITIES			
Trade payables	12	5,878	7,026
Other payables and accruals		32,144	64,674
Tax payables		1,272	11,116
Total current liabilities		39,294	82,816
Net current assets		548,075	650,901
TOTAL ASSETS LESS CURRENT LIABILITIES		934,779	803,462
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		43,562	47,796
Bank borrowings	13	138,834	–
Total non-current liabilities		182,396	47,796
Net assets		752,383	755,666
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	14	119,651	113,953
Reserves		516,482	524,931
Non-controlling interests		636,133	638,884
Total equity		752,383	755,666

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2014

	Attributable to equity holders of the Company									Non-controlling interests	Total equity	
	Share capital	Share premium	Contributed surplus	Exchange reserve	General reserve	Other capital reserve	Equity instrument reserve	Share-based compensation reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited												
Balance at 1 January 2013	113,953	1,724	628,235	46,165	12,801	(287)	-	879	(142,096)	661,374	116,250	777,624
Loss for the period	-	-	-	-	-	-	-	-	(51,242)	(51,242)	-	(51,242)
Other comprehensive income												
– Currency translation differences	-	-	-	11,199	-	-	-	-	-	11,199	-	11,199
Transfer to general reserve	-	-	-	-	3,040	-	-	-	(3,040)	-	-	-
Balance at 30 June 2013	113,953	1,724	628,235	57,364	15,841	(287)	-	879	(196,378)	621,331	116,250	737,581
Unaudited												
Balance at 1 January 2014	113,953	1,724	628,235	65,377	15,841	-	132,100	9,017	(327,363)	638,884	116,782	755,666
Loss for the period	-	-	-	-	-	-	-	-	(129,265)	(129,265)	(532)	(129,797)
Other comprehensive income/(loss)												
– Currency translation differences	-	-	-	(6,926)	-	-	-	-	-	(6,926)	-	(6,926)
– Change in value of available-for-sale financial assets (Note 10)	-	-	-	-	-	-	3,561	-	-	3,561	-	3,561
Disposal of a subsidiary	-	-	-	119	-	-	-	-	-	119	-	119
Issue of shares	5,698	83,756	-	-	-	-	-	-	-	89,454	-	89,454
Grant of share options	-	-	-	-	-	-	-	19,788	-	19,788	-	19,788
Issue of options (Note 15)	-	-	-	-	-	-	20,518	-	-	20,518	-	20,518
Transfer to general reserve	-	-	-	-	16,392	-	-	-	(16,392)	-	-	-
Balance at 30 June 2014	119,651	85,480	628,235	58,570	32,233	-	156,179	28,805	(473,020)	636,133	116,250	752,383

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2014

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	(95,113)	67,723
Net cash used in investing activities	(62,524)	(121,505)
Net cash used in financing activities	(12,589)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(170,226)	(53,782)
Cash and cash equivalents at beginning of the period	709,492	600,993
Exchange differences	(6,518)	9,574
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	532,748	556,785
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	29,872	263,998
Short-term bank deposits, with original maturities of three months or less	502,876	292,787
	532,748	556,785

Notes to Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

Frontier Services Group 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 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.

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

These condensed consolidated interim financial statements have not been audited but reviewed by the Company's audit committee. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 22 August 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six-month period ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim 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. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Impact of New, Amended and Revised HKFRSs

In the current period, 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 2014. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the period.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2014 and have not been early adopted:

HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
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 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
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.

3 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 6, the discontinued STB Business (as defined in Note 6) under the DVB Business have been classified as discontinued operations.

3 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2014 by operating segments is as follows:

	Unaudited								
	Continuing operations						Discontinued operations		
	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	Total HK\$'000
Revenue (from external customers)	497	286	12,751	-	-	-	13,534	-	13,534
Depreciation	367	182	71	-	-	719	1,339	-	1,339
Operating loss	(19,747)	(1,397)	(1,707)	(21,803)	-	(86,757)	(131,411)	-	(131,411)
Finance costs	-	-	-	-	-	(2,511)	(2,511)	-	(2,511)
Share of profit/(loss) of joint ventures	-	7,584	-	(854)	-	-	6,730	-	6,730
Share of loss of associates	-	-	-	(2,832)	-	-	(2,832)	-	(2,832)
Loss before income tax							(130,024)	-	(130,024)
Income tax credit							227	-	227
Loss for the period							(129,797)	-	(129,797)
Total assets	190,051	102,047	19,132	20,564	-	642,279	974,073	-	974,073
Total liabilities	2,368	7,331	9,346	8,808	-	193,837	221,690	-	221,690

3 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2013 by operating segments is as follows:

	Unaudited								
	Continuing operations						Discontinued operations		
	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	Total HK\$'000
Revenue (from external customers)	-	1,150	13,695	-	2,834	-	17,679	-	17,679
Depreciation	-	223	71	-	-	718	1,012	-	1,012
Operating profit/(loss) (Note (i))	-	(3,285)	(783)	(13,135)	6,085	(8,694)	(19,812)	(23,094)	(42,906)
Share of loss of joint ventures	-	(7,274)	-	(1,137)	-	-	(8,411)	-	(8,411)
Share of loss of associates	-	-	-	(2,789)	-	-	(2,789)	-	(2,789)
Loss before income tax							(31,012)	(23,094)	(54,106)
Income tax credit							198	2,666	2,864
Loss for the period							(30,814)	(20,428)	(51,242)
Total assets (Note (ii))	-	122,324	22,927	53,033	27,436	603,726	829,446	-	829,446
Total liabilities (Note (iii))	-	29,595	8,993	23,011	23,919	6,347	91,865	-	91,865

Notes:

- (i) The operating profit under the continuing operations of the DVB Business for the six-month period ended 30 June 2013 is stated after crediting, inter alia, the technology licensing income of HK\$2,834,000, the non-compete income of HK\$866,000 and interest income from the expected periodic adjustment payments of HK\$894,000, of the discontinued STB Business.
- (ii) The total assets under the continuing operations of the DVB Business as at 30 June 2013 represent the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business.
- (iii) The total liabilities under the continuing operations of the DVB Business as at 30 June 2013 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.

4 FINANCE COSTS

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest expenses on bank borrowings wholly repayable within five years	901	–
Financing arrangement fee	1,610	–
	2,511	–

5 INCOME TAX CREDIT

	Six-month period ended 30 June 2014			Six-month period ended 30 June 2013		
	Continuing operations (Unaudited) HK\$'000	Discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Continuing operations (Unaudited) HK\$'000	Discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Current income tax						
– Hong Kong						
– Provision for the period	–	–	–	(16)	–	(16)
– Outside Hong Kong						
– Provision for the period	–	–	–	(346)	–	(346)
– Adjustment in respect of prior periods	227	–	227	560	–	560
	227	–	227	198	–	198
Deferred income tax						
– Outside Hong Kong	–	–	–	–	2,666	2,666
Income tax credit	227	–	227	198	2,666	2,864

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

Income tax expenses are recognised based on management's estimate of the weighted average annual income tax expected for the full financial year.

5 INCOME TAX CREDIT *(Continued)*

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period 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% (2013: 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.

6 DISCONTINUED OPERATIONS

(a) Discontinued Operations

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.

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

6 DISCONTINUED OPERATIONS *(Continued)*

(b) Loss from Discontinued Operations

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

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue (Note 3)	–	–
Cost of sales	–	–
Gross profit	–	–
Other income and other gains/(losses), net	–	–
Marketing, selling and distribution costs	–	–
Administrative expenses	–	–
Other operating income/(expenses), net	–	–
Loss before income tax	–	–
Income tax credit (Note 5)	–	–
Loss after tax of discontinued operations	–	–
Impairment of available-for-sale financial assets (Note 10)	–	(23,094)
Income tax credit (Note 5)	–	2,666
After-tax loss recognised on disposal	–	(20,428)
Loss for the period	–	(20,428)
Loss attributable to:		
Equity holders of the Company	–	(20,428)
Non-controlling interests	–	–
	–	(20,428)

6 DISCONTINUED OPERATIONS *(Continued)*

(c) Analysis of the Cash Flows from Discontinued Operations

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	–	–
Net cash generated from/(used in) investing activities	–	–
Net cash generated from/(used in) financing activities	–	–
	–	–

7 LOSS FOR THE PERIOD

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

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of provision of aviation and logistics services	1,267	–
Cost of provision of advertising agency services	41	66
Cost of provision of online financial market information	4,640	4,690
Depreciation	1,339	1,012
Share-based compensation	19,788	–
Net exchange gains	(197)	(699)
Impairment of available-for-sale financial assets (Note 10)	–	23,094
Other operating (income)/expenses, net:		
Acquisition-related costs	7,666	–
Provision for/(reversal of) impairment of trade and other receivables	26	(177)
Write-off of a deposit	388	–
Loss on disposal of property, plant and equipment	175	–
Others	–	2
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	(7,001)	(5,009)
Interest income on available-for-sale financial assets	–	(894)
Non-compete income	–	(866)
Provision for impairment of available-for-sale financial assets (Note 10)	46,721	–
Provision for impairment of interest in a joint venture	5,659	–
Provision for impairment of an advance to a joint venture	2,104	–
Provision for impairment of interest in an associate	14,040	3,292
Provision for impairment of an advance to an associate	–	9,843
Loss on disposal of subsidiaries, net	69	–
Others	(136)	(1,423)

8 LOSS PER SHARE

The calculation of the basic loss per share for the period 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 period.

The calculation of the diluted loss per share for the period 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 period assuming the conversion of the exchangeable preference shares 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 period) based on the monetary value 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:

	Six-month period ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Weighted average number of ordinary shares in issue	1,192,415,763	1,139,531,432
Adjustment for preference shares	–	–
Adjustment for share options	57,212,445	–
Weighted average number of ordinary shares for diluted loss per share	1,249,628,208	1,139,531,432
	HK\$'000	HK\$'000
Group's loss attributable to the equity holders of the Company		
– Continuing operations	(129,265)	(30,814)
– Discontinued operations	–	(20,428)
	(129,265)	(51,242)

The basic and diluted loss per share for each of the six-month periods ended 30 June 2014 and 2013 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

9 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2014 (2013: Nil).

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014			31 December 2013		
	Hong Kong listed equity investment (Unaudited) HK\$'000	Periodic adjustment payments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Hong Kong listed equity investment (Audited) HK\$'000	Periodic adjustment payments (Audited) HK\$'000	Total (Audited) HK\$'000
At 1 January	-	-	-	-	48,944	48,944
Addition (Note (i))	89,453	-	89,453	-	-	-
Change in value	3,561	-	3,561	-	-	-
Receipt of periodic adjustment payments	-	-	-	-	(27,436)	(27,436)
Impairment (Notes (i), (ii), 6(b) and 7)	(46,721)	-	(46,721)	-	(23,094)	(23,094)
Interest accretions	-	-	-	-	894	894
Exchange differences	-	-	-	-	692	692
At financial position date	46,293	-	46,293	-	-	-

Notes:

- (i) Pursuant to an agreement entered into by the Company and REORIENT GROUP LIMITED ("RGL") on 23 November 2013 and the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014, the Company allotted and issued 56,976,571 new shares of the Company at the closing price of HK\$1.57 per share on 14 January 2014 to REORIENT GLOBAL LIMITED, a direct wholly-owned subsidiary of RGL nominated by RGL, in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK\$2.40 per share (the "listed equity investment"). A provision for impairment of HK\$46,721,000 was made when the RGL's shares were marked to market on 14 January 2014. At 30 June 2014, the fair value of the listed equity investment was based on quoted market price of the RGL's shares.
- (ii) Management considered that the full recoverability of the periodic adjustment payments was remote following the discontinuation of the STB Business, therefore an impairment for the periodic adjustment payments of HK\$23,094,000 was recorded as loss for the discontinued STB Business during the six-month period ended 30 June 2013.

11 TRADE RECEIVABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	314	1,494
7 – 12 months	14	–
Over 12 months	888	2,846
	1,216	4,340

The fair value of trade receivables approximates its carrying amount.

The Group's principal trading terms with its customers are payment in advance or on credit for a period up to three months in general. 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, if necessary.

12 TRADE PAYABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	4,250	6,355
7 – 12 months	1,628	671
	5,878	7,026

The fair value of trade payables approximates its carrying amount.

13 BANK BORROWINGS

The bank borrowings are repayable as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
After one year but within two years	138,834	–
Less: current portion	–	–
Non-current portion	138,834	–

The bank borrowings bear interest with reference to London Interbank Offered Rate plus margins ranging from 2.2% to 2.6% per annum with due dates in February and May 2016. All the bank borrowings are secured by pledged bank deposits amounting to approximately RMB119,619,000 (equivalent to approximately HK\$150,701,000) (31 December 2013: Nil).

14 SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised		
At 31 December 2013 and 30 June 2014	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2013	1,139,531,432	113,953
Issue of shares on 14 January 2014 (Note 10)	56,976,571	5,698
At 30 June 2014	1,196,508,003	119,651

15 EQUITY INSTRUMENT RESERVE

On 14 January 2014, option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK\$0.80 per share were granted to Reorient Financial Markets Limited ("RFML") for the settlement of the financial advisory service provided by RFML, thus resulted in equity instrument reserve of approximately HK\$20,518,000 for the six-month period ended 30 June 2014.

16 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

The Group's capital expenditure commitments outstanding at the financial position date not provided for in the financial statements were as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted for	95,477	–
Authorised but not contracted for	–	–
	95,477	–

(b) Financial Commitments

On 3 March 2014, Frontier Services Limited ("FSL"), a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix Aviation Limited ("Phoenix") at a consideration of US\$14,000,000 (equivalent to approximately HK\$108,507,000). The acquisition was completed on 28 July 2014 subsequent to the financial position date.

Save as mentioned above, the Group did not have any other significant financial commitments at 30 June 2014 (31 December 2013: Nil).

16 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Operating Lease Commitments

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Land and buildings		
– Not later than one year	2,570	1,996
– Later than one year but not later than five years	3,450	1,153
	6,020	3,149
Office equipment		
– Not later than one year	91	183
Motor vehicle		
– Not later than one year	118	235
Total		
– Not later than one year	2,779	2,414
– Later than one year but not later than five years	3,450	1,153
	6,229	3,567

(d) Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 June 2014 and 31 December 2013.

17 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to the transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group entered into the following material related party transactions.

	Six-month period ended	
	30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Provision of advisory services to		
– A related company of a director	288	–
Receipt of consultancy services from		
– A company owned by a director	1,234	–
– A related company of a director of a subsidiary	1,233	–
Receipt of financial advisory services from		
– A related company of a shareholder and a director	3,966	–
Issue of shares to		
– A related company of a shareholder and a director	89,453	–
Subscription of shares from		
– A related company of a shareholder and a director	89,453	–
Issue of share options to		
– A related company of a shareholder and a director	20,518	–
Transfer of intangibles to		
– An associate	–	9,336

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

17 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Details of Key Management Compensation of the Group

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short-term employee benefits	7,291	1,779
Post-employment benefits	132	59
Share-based compensation	19,500	–
	26,923	1,838

The directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of the Company are regarded as the key management personnel of the Group.

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables		
– A related company of a director	(11)	–
Trade payables		
– A joint venture	1,638	–

17 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Other Period-End/Year-End Balances

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Prepayments, deposits and other receivables		
– Joint ventures	1,260	3,392
– An associate	6,832	6,960
– A related company of a director of a subsidiary	371	–
Other payables and accruals		
– A related company of a shareholder and a director	1,551	20,518
– Associates	8,808	15,041
– A related company of a director of a subsidiary	81	–
– A company owned by a director	1,234	–

18 FAIR VALUE ESTIMATION

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

- (a) Quoted prices (unadjusted) in active markets 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 available-for-sale financial assets with respect to the listed equity investment amounting to HK\$46,293,000 at 30 June 2014 (31 December 2013: Nil) is based on the quoted market price of the listed equity investment.

The fair value of the derivative financial liabilities included in other payables and accruals amounting to HK\$1,851,000 at 30 June 2014 (31 December 2013: HK\$8,081,000) is determined using a discounted cash flow approach which is not based on observable inputs.

The available-for-sale financial assets with respect to the listed equity investment was classified as level 1 at 30 June 2014 (31 December 2013: Not applicable) and the derivative financial liabilities included in other payables and accruals were classified as level 3 at 30 June 2014 and 31 December 2013.

During the six-month period ended 30 June 2014, there were no transfers of financial instruments between levels 1, 2 and 3.

19 EVENTS AFTER THE FINANCIAL POSITION DATE

- (a) On 3 March 2014, FSL entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix at a consideration of US\$14,000,000 (equivalent to approximately HK\$108,507,000). The acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.
- (b) On 3 March 2014, FSG Aviation Limited ("FSGA"), a wholly-owned subsidiary of the Company, entered into a conditional aircraft acquisition agreement with Phoenix for the acquisition of five aircraft at a consideration of US\$6,000,000 (equivalent to approximately HK\$46,503,000). On the same date, FSGA and Phoenix also entered into a lease arrangement pursuant to which FSGA would lease the entire fleet of the five aircraft back to Phoenix for a term of five years at an annual rent amount of US\$1,500,000 (equivalent to approximately HK\$11,626,000). The acquisition of aircraft was completed on 28 July 2014 and the lease arrangement has taken into effect on 1 August 2014.

Other Information

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

At 30 June 2014, 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

Name of director	Number of ordinary shares held				Number of underlying shares held			Total	% of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total	Personal interests	Corporate interests	Total		
Mr Erik D. Prince ("Mr Prince")	-	-	-	-	307,673,485 (Note (i))	-	307,673,485	307,673,485	25.71%
Mr Ko Chun Shun, Johnson ("Mr Ko")	-	2,040,816 (Note (ii))	280,753,290 (Note (iii))	282,794,106	-	22,790,628 (Note (iv))	22,790,628	305,584,734	25.54%
Mr Gregg H. Smith	150,000	-	-	150,000	11,395,000 (Note (v))	-	11,395,000	11,545,000	0.96%
Mr Hu Qinggang	2,556,000	-	-	2,556,000	7,000,000 (Note (v))	-	7,000,000	9,556,000	0.80%
Mr Yap Fat Suan, Henry	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.12%
Professor Lee Hau Leung	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.12%
Mr William J. Fallon	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.12%
Dr Harold O. Demuren	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.12%

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

Notes:

- (i) This represents Mr Prince's interest in the option for the rights to subscribe for up to 307,673,485 new shares of the Company.
- (ii) These shares were held by the spouse of Mr Ko.
- (iii) 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 held by REORIENT GLOBAL LIMITED ("RGlobal") (a direct wholly-owned subsidiary of REORIENT GROUP LIMITED ("RGL")) under the SFO by virtue of his interests in RGL of which Mr Ko is the chairman, an executive director and the controlling shareholder.
- (iv) These interests represent the deemed interests of Mr Ko in the 22,790,628 share options of the Company granted to Reorient Financial Markets Limited ("RFML") (an indirect wholly-owned subsidiary of RGL) under the SFO by virtue of his interests in RGL.
- (v) These interests represent the share options of the Company granted to the respective directors under the Company's share option scheme.

Save as mentioned above, at 30 June 2014, 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 in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above and in the section titled "Share options" below, at no time during the six-month period ended 30 June 2014 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 30 June 2014, 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

Name	Number of ordinary shares held			Number of underlying shares held			% of the issued share capital of the Company	
	Direct beneficially owned	Through controlled corporations	Total	Direct beneficially owned	Through controlled corporations	Total		
Easy Flow Investments Limited	237,592,607	-	237,592,607	-	-	-	237,592,607	19.86%
CITIC Investment (HK) Limited	-	237,592,607 (Note (i))	237,592,607	-	-	-	237,592,607	19.86%
CITIC Corporation Limited (formerly known as CITIC Limited)	-	237,592,607 (Note (ii))	237,592,607	-	-	-	237,592,607	19.86%
CITIC Group Corporation	-	237,592,607 (Note (iii))	237,592,607	-	-	-	237,592,607	19.86%
Rich Hill Capital Limited	175,500,000	-	175,500,000	-	-	-	175,500,000 (Note (vii))	14.67%
RGL	-	56,976,571	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (iv) and (vii))	6.67%
Gainhigh Holdings Limited ("Gainhigh")	-	56,976,571	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (v) and (vii))	6.67%
Insula Holdings Limited ("Insula")	-	56,976,571	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (vi) and (vii))	6.67%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

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 interests in Easy Flow Investments Limited.
- (ii) CITIC Corporation 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 interests 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 interests in CITIC Corporation Limited. Mr Luo Ning and Mr Hu Qinggang, the executive directors of the Company, are employees of CITIC Group Corporation.
- (iv) These interests represent:
 - (a) the deemed interests of RGL in the 56,976,571 ordinary shares held by RGlobal under the SFO by virtue of its interests in RGlobal; and
 - (b) the deemed interests of RGL in the 22,790,628 share options of the Company held by RFML under the SFO by virtue of its interests in RFML.
- (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 interests in RGL.
- (vi) Insula was deemed to be interested in the shares and underlying shares of the Company interested by Gainhigh under the SFO by virtue of its interests 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 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.

Save as disclosed above, at 30 June 2014, 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 shares 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.

SHARE OPTIONS

At 30 June 2014, the Company had the following outstanding share options:

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 Board resolutions passed on 10 January 2014 and 8 April 2014 respectively, the following share options were granted under the New Scheme during the six-month period ended 30 June 2014 with fair value of HK\$0.5646 for Option I, HK\$0.5691 for Option II, HK\$0.5730 for Option III and HK\$0.4475 for Option IV 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	10/01/2014	34,185,942	1.50	10/01/2015 to 09/01/2018	10/01/2014	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
Option II	10/01/2014	34,185,943	1.50	10/01/2016 to 09/01/2018	10/01/2014	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
Option III	10/01/2014	34,185,943	1.50	10/01/2017 to 09/01/2018	10/01/2014	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
Option IV	08/04/2014	9,800,000	0.97	08/04/2015 to 07/04/2020	08/04/2014	1.613%	0%	59%	0.89	08/04/2014 to 07/04/2020

SHARE OPTIONS *(Continued)*Share Option Scheme *(Continued)*

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

	Six-month period ended 30 June			
	2014		2013	
	Weighted average exercise price per share (Unaudited) HK\$	Number of options (Unaudited)	Weighted average exercise price per share (Unaudited) HK\$	Number of options (Unaudited)
Old Scheme				
At 1 January and 30 June	1.99	1,000,000	1.99	1,000,000
New Scheme				
At 1 January	0.82	32,995,000	–	–
Granted and accepted	1.45	112,357,828	–	–
At 30 June	1.31	145,352,828	–	–
Total		146,352,828		1,000,000

Out of the 146,352,828 outstanding share options at 30 June 2014, 22,600,000 options were exercisable (30 June 2013: 1,000,000). No share option was exercised during the six-month periods ended 30 June 2014 and 2013.

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

Expiry date	Exercise price per share HK\$	Number of options	
		30 June 2014 (Unaudited)	31 December 2013 (Audited)
Old Scheme			
11 February 2017	1.99	1,000,000	1,000,000
New Scheme			
9 January 2018	1.50	102,557,828	–
24 November 2018	0.82	32,995,000	32,995,000
7 April 2020	0.97	9,800,000	–
		145,352,828	32,995,000

SHARE OPTIONS *(Continued)*

Share Option Scheme *(Continued)*

The details of movements of the outstanding share options issued under the Company's share option schemes during the six-month period ended 30 June 2014 are as follows:

	Outstanding options at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options reclassified during the period	Outstanding options at 30 June 2014	Weighted average closing price before dates of exercise HK\$
Old Scheme							
Date of share options granted	12 February 2007						
Exercise price	HK\$1.99						
Exercise period	12 August 2007 – 11 February 2017						
Held by service provider							
In aggregate	500,000	–	–	–	–	500,000	–
Date of share options granted							
Date of share options granted	12 February 2007						
Exercise price	HK\$1.99						
Exercise period	12 February 2008 – 11 February 2017						
Held by service provider							
In aggregate	500,000	–	–	–	–	500,000	–

SHARE OPTIONS *(Continued)*Share Option Scheme *(Continued)*

	Outstanding options at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options reclassified during the period	Outstanding options at 30 June 2014	Weighted average closing price before dates of exercise HK\$
New Scheme							
Date of share options granted	25 November 2013						
Exercise price	HK\$0.82						
Exercise period	25 November 2013 – 24 November 2018						
Held by directors							
Mr Xu Qiang (Note (i))	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 service providers							
In aggregate	600,000	-	-	-	7,000,000	7,600,000	-
	21,600,000	-	-	-	-	21,600,000	
Second Scheme							
Date of share options granted	25 November 2013						
Exercise price	HK\$0.82						
Exercise period	25 November 2014 – 24 November 2018						
Held by a director							
Mr Gregg H. Smith	11,395,000	-	-	-	-	11,395,000	-

SHARE OPTIONS (Continued)

Share Option Scheme (Continued)

	Outstanding options at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options reclassified during the period	Outstanding options at 30 June 2014	Weighted average closing price before dates of exercise HK\$
New Scheme (Continued)							
Date of share options granted	10 January 2014						
Exercise price	HK\$1.50						
Exercise period	10 January 2015 – 9 January 2018						
Held by a director							
Mr Prince	-	34,185,942	-	-	-	34,185,942	-
Date of share options granted	10 January 2014						
Exercise price	HK\$1.50						
Exercise period	10 January 2016 – 9 January 2018						
Held by a director							
Mr Prince	-	34,185,943	-	-	-	34,185,943	-
Date of share options granted	10 January 2014						
Exercise price	HK\$1.50						
Exercise period	10 January 2017 – 9 January 2018						
Held by a director							
Mr Prince	-	34,185,943	-	-	-	34,185,943	-

SHARE OPTIONS *(Continued)*Share Option Scheme *(Continued)*

	Outstanding options at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options reclassified during the period	Outstanding options at 30 June 2014	Weighted average closing price before dates of exercise HK\$
New Scheme (Continued)							
Date of share options granted	8 April 2014						
Exercise price	HK\$0.97						
Exercise period	8 April 2015 – 7 April 2020						
Held by directors							
Mr Yap Fat Suan, Henry	-	1,400,000	-	-	-	1,400,000	-
Professor Lee Hau Leung	-	1,400,000	-	-	-	1,400,000	-
Mr William J. Fallon	-	1,400,000	-	-	-	1,400,000	-
Dr Harold O. Demuren	-	1,400,000	-	-	-	1,400,000	-
Held by employees							
In aggregate	-	4,200,000	-	-	-	4,200,000	-
	-	9,800,000	-	-	-	9,800,000	

Note:

- (i) Mr Xu Qiang resigned as an executive director on 24 March 2014 and was appointed as a consultant for the Company.

SHARE OPTIONS *(Continued)*

Other Options

The details of movements of the outstanding options of the Company other than those issued by the Company under its share option schemes during the six-month period ended 30 June 2014 are as follows:

	Outstanding options at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options reclassified during the period	Outstanding options at 30 June 2014	Weighted average closing price before dates of exercise HK\$
Mr Prince (Note (i))	205,115,657	-	-	-	-	205,115,657	-
RFML (Note (ii))	-	22,790,628	-	-	-	22,790,628	-
	205,115,657	22,790,628	-	-	-	227,906,285	

Notes:

- (i) These 205,115,657 options are exercisable for a five-year period from 3 December 2013 to 2 December 2018 at an exercise price of HK\$0.73 per share.
- (ii) On 14 January 2014, option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK\$0.80 per share were granted to RFML for the settlement of the financial advisory service provided by RFML with a fair value of HK\$0.9003 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
14/01/2014	22,790,628	0.80	14/01/2014 to 13/01/2017	14/01/2014	0.67%	0%	51%	1.57	14/01/2014 to 13/01/2017

Out of the 227,906,285 outstanding other options at 30 June 2014, all options were exercisable (30 June 2013: Nil). No share option was exercised during the six-month periods ended 30 June 2014 and 2013.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2013 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

Mr Ko Chun Shun, Johnson, an executive director of the Company, was appointed as an executive director of Climax International Company Limited, a company listed on the Main Board of the Stock Exchange, with effect from 22 August 2014.

Mr Luo Ning, an executive director of the Company, was re-designated as an executive director of CITIC Telecom International Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 26 April 2014. He also resigned as an executive director of CITIC 21CN Company Limited, a company listed on the Main Board of the Stock Exchange, with effect from 30 April 2014.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2014, the Board of the Company has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors of the Company.

These unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2014 of the Group have been reviewed by the audit committee.