FRONTIER SERVICES GROUP LIMITED

先豐服務集團有限公司 *

(Incorporated in Bermuda with limited liability)

Website: www.fsgroup.com   www.irasia.com/listco/hk/frontier

(Stock Code: 00500)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of Frontier Services Group Limited (the "Company") announces the final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014, which have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Revenue	*3*	**310,444**	27,692
Cost of sales		**(171,471)**	(9,433)
Gross profit		**138,973**	18,259
Other income and other gains/(losses), net		**(48,246)**	4,434
Marketing, selling and distribution costs		**(8,079)**	(4,799)
Administrative expenses		**(199,374)**	(71,981)
Other operating expenses, net		**(9,990)**	(23,086)
Share option compensation		**–**	(59,702)
		(126,716)	(136,875)
Finance costs	*4*	**(8,630)**	–
Share of loss of joint ventures		**(1,108)**	(2,230)
Share of loss of associates		**(4,585)**	(4,588)
Loss before income tax		**(141,039)**	(143,693)
Income tax credit/(expenses)	*5*	**2,002**	(26,600)
Loss for the year from continuing operations		**(139,037)**	(170,293)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	*6(b)*	**8,065**	(12,102)
LOSS FOR THE YEAR	*7*	**(130,972)**	(182,395)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(138,505)**	(170,125)
– Discontinued operations		**8,065**	(12,102)
		(130,440)	(182,227)
Non-controlling interests			
– Continuing operations		**(532)**	(168)
– Discontinued operations		**–**	–
		(532)	(168)
		(130,972)	(182,395)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*		
– Continuing operations		**(11.58) cents**	(14.93) cents
– Discontinued operations		**0.67 cents**	(1.06) cents
		(10.91) cents	(15.99) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000* (Restated)
LOSS FOR THE YEAR	**(130,972)**	(182,395)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	**(6,093)**	19,212
– Change in value of available-for-sale financial assets	**27,420**	–
Other comprehensive income for the year, net of tax	**21,327**	19,212
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(109,645)**	(163,183)
Attributable to:		
– Equity holders of the Company	**(109,113)**	(163,015)
– Non-controlling interests	**(532)**	(168)
	(109,645)	(163,183)
Total comprehensive loss attributable to equity holders of the Company arising from:		
– Continuing operations	**(116,939)**	(154,282)
– Discontinued operations	**7,826**	(8,733)
	(109,113)	(163,015)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**342,878**	4,703
Goodwill and other intangibles		**125,237**	94,975
Interests in joint ventures		**–**	19,318
Interests in associates		**9,664**	33,339
Pledged bank deposits		**413,146**	–
Deferred income tax assets		**–**	226
Non-current prepayments		**43,426**	–
Prepaid operating lease rentals		**1,673**	–
Available-for-sale financial assets		**70,264**	–
Total non-current assets		**1,006,288**	152,561
CURRENT ASSETS			
Inventories		**5,524**	–
Trade receivables	*11*	**70,413**	4,340
Prepayments, deposits and other receivables		**32,993**	17,527
Tax receivables		**–**	90
Short-term bank deposits		**2,260**	2,268
Cash and cash equivalents		**283,295**	709,492
Total current assets		**394,485**	733,717
CURRENT LIABILITIES			
Trade payables	*12*	**18,746**	7,026
Other payables and accruals		**33,981**	64,674
Borrowings – current portion		**10,516**	–
Tax payables		**2,249**	11,116
Total current liabilities		**65,492**	82,816
Net current assets		**328,993**	650,901
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,335,281**	803,462
NON-CURRENT LIABILITIES			
Borrowings		**436,003**	–
Deferred income tax liabilities		**79,070**	47,796
		515,073	47,796
Net assets		**820,208**	755,666
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**122,950**	113,953
Reserves		**581,008**	524,931
		703,958	638,884
Non-controlling interests		**116,250**	116,782
Total equity		**820,208**	755,666

Notes:

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014 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. The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period. 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 for the year ended 31 December 2014 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.

1.2 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 2014. 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 HKAS:

HKAS 36 (Amendment) "Recoverable Amount Disclosures for Non-Financial Assets". This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 "Impairment of Assets" by the issue of HKFRS 13 "Fair Value Measurement". It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The adoption of this amendment does not have any material impact on the Group's financial position or performance but affects the disclosures of information in the Group'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 2014 and have not been adopted early:

HKAS 1 (Amendment)	Disclosure Initiatives
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 (Amendment) and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 9 (2014)	Financial Instruments
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
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
HKFRSs (Amendment)	Annual Improvements 2012-2014 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. In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

(iii) Direct Investments – Other direct investments;

(iv) Advertising agency business ("AA Business") – Provision of advertising agency services; 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) held under the DVB Business and the AA Business have been classified as discontinued operations.

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2014 by operating segments is as follows:

	Continuing operations					Discontinued operations			Total
	AL Business	FMI Business	Direct Investments	Others	Total	AA Business	DVB Business	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	284,624	25,820	–	–	310,444	295	–	295	310,739
Depreciation	7,572	151	–	838	8,561	193	–	193	8,754
Amortisation	727	–	–	–	727	–	–	–	727
Segment results	74,279	(5,141)	(68,598)	(127,256)	(126,716)	(2,040)	–	(2,040)	(128,756)
Finance costs	(8,630)	–	–	–	(8,630)	–	–	–	(8,630)
Share of profit/(loss) of joint ventures	–	–	(1,108)	–	(1,108)	9,577	–	9,577	8,469
Share of loss of associates	–	–	(4,585)	–	(4,585)	–	–	–	(4,585)
Profit/(loss) before income tax					(141,039)			7,537	(133,502)
Income tax credit					2,002			528	2,530
Profit/(loss) for the year					(139,037)			8,065	(130,972)
Total assets	1,256,371	10,744	86,717	46,941	1,400,773	–	–	–	1,400,773
Total assets include:									
Interests in joint ventures	–	–	–	–	–	–	–	–	–
Interests in associates	–	–	9,664	–	9,664	–	–	–	9,664
Total liabilities	534,002	9,520	9,046	27,997	580,565	–	–	–	580,565
Capital expenditure	195,058	349	–	1,064	196,471	–	–	–	196,471
Interest income	17,243	24	–	174	17,441	1,964	–	1,964	19,405

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	FMI Business	Direct Investments	Others	Total	AA Business	DVB Business	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)	(Restated)	(Restated)	(Restated)	
Revenue (from external customers)	16	27,676	–	–	27,692	1,796	2,852	4,648	32,340
Depreciation	2	143	–	1,290	1,435	428	–	428	1,863
Amortisation	–	–	–	–	–	–	–	–	–
Segment results	(60,163)	(3,235)	(13,540)	(59,937)	(136,875)	(8,331)	(16,976)	(25,307)	(162,182)
Finance costs	–	–	–	–	–	–	–	–	–
Share of profit/(loss) of joint ventures	–	–	(2,230)	–	(2,230)	13,863	–	13,863	11,633
Share of loss of associates	–	–	(4,588)	–	(4,588)	–	–	–	(4,588)
Profit/(loss) before income tax					(143,693)			(11,444)	(155,137)
Income tax expenses					(26,600)			(658)	(27,258)
Profit/(loss) for the year					(170,293)			(12,102)	(182,395)
Total assets	96,790	20,865	52,578	612,073	782,306	103,972	–	103,972	886,278
Total assets include:									
Interests in joint ventures	–	–	10,158	–	10,158	9,160	–	9,160	19,318
Interests in associates	–	–	33,339	–	33,339	–	–	–	33,339
Total liabilities	497	9,323	15,041	92,183	117,044	13,568	–	13,568	130,612
Capital expenditure	–	40	–	832	872	135	–	135	1,007
Interest income	–	–	–	17,416	17,416	1,047	894	1,941	19,357

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

	Group					
	2014			2013		
	Continuing operations ***HK$'000***	**Discontinued operations** ***HK$'000***	**Total** ***HK$'000***	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)	Total *HK$'000*
Africa	**284,624**	**–**	**284,624**	16	–	16
The PRC						
– Mainland China	**–**	**295**	**295**	–	4,648	4,648
– Hong Kong	**17,723**	**–**	**17,723**	18,818	–	18,818
Others	**8,097**	**–**	**8,097**	8,858	–	8,858
	310,444	**295**	**310,739**	27,692	4,648	32,340

Revenue derived from external customers with amounts equal to or above 10% of the Group's revenue is as follows:

		Group	
	Operating segment	**2014** ***HK$'000***	2013 *HK$'000*
Customer A	AL Business	**217,256**	–

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

	Group	
	2014 ***HK$'000***	2013 *HK$'000*
Total assets for reportable segments	**1,353,832**	274,205
Corporate assets	**46,941**	612,073
Total assets of the Group	**1,400,773**	886,278

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

	Group					
	2014			2013		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)	Total *HK$'000*
Africa	**510,077**	**–**	**510,077**	96,001	–	96,001
The PRC						
– Mainland China	**11,393**	**–**	**11,393**	45,577	9,642	55,219
– Hong Kong	**1,280**	**–**	**1,280**	1,002	–	1,002
Others	**128**	**–**	**128**	113	–	113
	522,878	**–**	**522,878**	142,693	9,642	152,335

3 REVENUE

An analysis of revenue is as follows:

	Group					
	2014			2013		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)	Total *HK$'000*
Revenue from provision of aviation and logistics services	**284,624**	**–**	**284,624**	16	–	16
Revenue from provision of online financial market information	**25,820**	**–**	**25,820**	27,676	–	27,676
Licensing and leasing income	**–**	**–**	**–**	–	2,852	2,852
Advertising agency fee income	**–**	**295**	**295**	–	1,796	1,796
	310,444	**295**	**310,739**	27,692	4,648	32,340

4 FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest expenses on bank borrowings		
– wholly repayable within five years	**5,020**	–
Interest expenses on finance leases		
– wholly repayable within five years	**980**	–
– wholly repayable after five years	**859**	–
	1,839	–
Total interest expenses on borrowings	**6,859**	–
Financing arrangement fee	**1,771**	–
	8,630	–

5 INCOME TAX CREDIT/(EXPENSES)

	Group					
	2014			2013		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*
Current income tax						
– Hong Kong						
– Adjustment in respect of prior years	–	–	–	10	–	10
– Outside Hong Kong						
– Provision for the year	**(3,221)**	–	**(3,221)**	68	(371)	(303)
– Adjustment in respect of prior years	**(436)**	**528**	**92**	(66)	–	(66)
	(3,657)	**528**	**(3,129)**	12	(371)	(359)
Deferred income tax						
– Outside Hong Kong	**5,659**	–	**5,659**	(26,612)	(287)	(26,899)
Income tax credit/(expenses)	**2,002**	**528**	**2,530**	(26,600)	(658)	(27,258)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (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. 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 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. For the year ended 31 December 2014, a reversal of HK$3,840,000 for deferred withholding tax (2013: provision of HK$26,612,000) was made in respect of the distribution made by a subsidiary established in Mainland China during the year.

The corporate income tax in Kenya has been provided at the rate of 30% (2013: 30%) on the profits for the Kenyan statutory financial reporting purpose, adjusted for those items that are not assessable or deductible for the Kenyan corporate income tax purpose. Pursuant to the Kenyan Income Tax Act, a 10% withholding tax is levied on dividends declared to non-residents from the enterprises established in Kenya. A lower withholding tax rate may be applied if there is a tax treaty between Kenya and the jurisdiction of the non-residents. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in Kenya in respect of earnings generated. For the years ended 31 December 2014 and 2013, no provision for deferred withholding tax was made in respect of the potential distribution to be made by those subsidiaries established in Kenya.

6 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.

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.

(II) On 7 October 2014, the Company entered into an agreement with 21 Holdings Limited (the “Purchaser”), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Sinofoucs Media (Holdings) Limited (“SMHL”), which was a then wholly-owned subsidiary of the Company engaged in the AA Business in the PRC through its subsidiaries, and a shareholder’s loan payable to the Company (the “AA Disposal”) at an aggregate consideration of HK$97,000,000.

The AA Disposal was completed on 10 November 2014 and the Group ceased to engage in the AA Business.

(III) As the operations of the AA Business and the DVB Business are considered as separate major lines of business and are discontinued during the years, they are accounted for as discontinued operations. The comparative financial information for the year ended 31 December 2013 has been reclassified to conform with current year presentation in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

(b) Profit/(Loss) from Discontinued Operations

The analysis of the profit/(loss) from the AA Business and the DVB 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 2014			Year ended 31 December 2013		
	AA Business *HK$'000*	**DVB Business** *HK$'000*	**Total** *HK$'000*	AA Business *HK$'000* (Restated)	DVB Business *HK$'000* (Restated)	Total *HK$'000* (Restated)
Revenue *(Note 3)*	**295**	–	**295**	1,796	2,852	4,648
Cost of sales	**(94)**	–	**(94)**	(214)	–	(214)
Gross profit	**201**	–	**201**	1,582	2,852	4,434
Other income and other gains/(losses), net	**2,147**	–	**2,147**	4,093	3,266	7,359
Marketing, selling and distribution costs	**(258)**	–	**(258)**	(1,346)	–	(1,346)
Administrative expenses	**(4,052)**	–	**(4,052)**	(8,485)	–	(8,485)
Other operating expenses *(Note (i))*	**(78)**	–	**(78)**	(4,175)	–	(4,175)
	(2,040)	–	**(2,040)**	(8,331)	6,118	(2,213)
Share of profit of a joint venture	**9,577**	–	**9,577**	13,863	–	13,863
Income tax credit/(expenses) *(Note 5)*	**528**	–	**528**	(252)	(119)	(371)
Profit after tax of discontinued operations	**8,065**	–	**8,065**	5,280	5,999	11,279
Impairment of available-for-sale financial assets	–	–	–	–	(23,094)	(23,094)
Income tax expenses *(Note 5)*	–	–	–	–	(287)	(287)
After-tax loss recognised on disposal	–	–	–	–	(23,381)	(23,381)
Profit/(loss) for the year	**8,065**	–	**8,065**	5,280	(17,382)	(12,102)
Profit/(loss) attributable to:						
Equity holders of the Company	**8,065**	–	**8,065**	5,280	(17,382)	(12,102)
Non-controlling interests	–	–	–	–	–	–
	8,065	–	**8,065**	5,280	(17,382)	(12,102)

Note:

(i) Other operating expenses including:

	Year ended 31 December 2014			Year ended 31 December 2013		
	AA Business ***HK$'000***	**DVB Business** ***HK$'000***	**Total** ***HK$'000***	AA Business *HK$'000* (Restated)	DVB Business *HK$'000*	Total *HK$'000* (Restated)
Provision for/(reversal of) impairment of trade receivables	**23**	–	**23**	(2,887)	–	(2,887)
Provision for impairment of other receivables	–	–	–	764	–	764
Loss on disposal of property, plant and equipment	**55**	–	**55**	–	–	–

(c) Analysis of the Cash Flows from Discontinued Operations

	Year ended 31 December 2014			Year ended 31 December 2013		
	AA Business ***HK$'000***	**DVB Business** ***HK$'000***	**Total** ***HK$'000***	AA Business *HK$'000* (Restated)	DVB Business *HK$'000*	Total *HK$'000* (Restated)
Net cash generated from/(used in) operating activities	**(3,688)**	–	**(3,688)**	114,208	–	114,208
Net cash generated from investing activities	**20,188**	–	**20,188**	1,637	–	1,637
Net cash used in financing activities	**(848)**	–	**(848)**	(44,153)	–	(44,153)
	15,652	–	**15,652**	71,692	–	71,692

The cash flows of the AA Business for the year ended 31 December 2014 were prepared based on the results of the AA Business as set out in Note 6(b), and the assets and liabilities directly attributable to the AA Business. As the treasury functions are centrally administered by the Company, the net cash inflows for the AA Business for the year ended 31 December 2014 were dealt with in the current account with the Company.

The effect on the financial position, the total considerations received and gain on disposal of the AA Business were as follows:

	2014
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**7**
Interest in a joint venture	**18,637**
Prepayments, deposits and other receivables	**200**
Cash and cash equivalents	**101,400**
Trade payables	**(3,706)**
Other payables and accruals	**(19,156)**
	97,382
Release of exchange reserve	**(4,437)**
Gain on disposal	**4,055**
	97,000
Satisfied by:	
Consideration received, satisfied in cash and cash equivalents	**97,000**
Consideration received, after settlement of cost, fees and expenses	**97,000**
Cash and cash equivalents disposed of	**(101,400)**
Net cash outflow	**(4,400)**

7 LOSS FOR THE YEAR

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
	(Note (i))	*(Note (i))*
Cost of provision of aviation and logistics services	**162,310**	15
Cost of provision of online financial market information	**9,161**	9,418
Cost of provision of advertising agency services	**94**	214
Depreciation	**8,754**	1,863
Amortisation of prepaid operating lease rentals	**20**	–
Net exchange losses	**2,990**	1,069
Impairment of available-for-sale financial assets	**–**	23,094
Other operating expenses, net including:		
– Acquisition-related costs	**8,776**	21,541
– Net loss on disposal of property, plant and equipment	**–**	476
– Provision for/(reversal of) impairment of trade receivables	**23**	(2,887)
– Write-off of value-added tax receivables	**–**	2,634
– Provision for impairment of prepayments, deposits and other receivables	**390**	1,618
– Amortisation of intangibles	**707**	–
(Other income) and other (gains)/losses, net:		
– Interest income on bank balances	**(19,405)**	(17,858)
– Interest income on loan to a joint venture	**–**	(605)
– Interest income on available-for-sale financial assets	**–**	(894)
– Gain on disposal of subsidiaries	**(4,766)**	(823)
– Net gain on disposal of property, plant and equipment	**(91)**	–
– Government grants	**–**	(471)
– Non-compete income	**–**	(866)
– Consultancy fee income from a joint venture	**–**	(1,203)
– Other income from an associate	**–**	(1,506)
– Loss on share swap	**46,721**	–
– Provision for impairment of interest in a joint venture	**7,837**	–
– Provision for impairment of an advance to a joint venture	**2,103**	–
– Provision for impairment of interest in an associate	**20,270**	3,292
– Provision for impairment of an advance to an associate	**–**	10,248
– Fair value changes in derivatives	**(6,230)**	–
– Others	**(340)**	(1,107)

Note:

(i) The income and expenses for the years ended 31 December 2014 and 2013 shown above covered both continuing and discontinued operations.

8 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the year is based on the Group's earnings/(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 earnings/(loss) per share for the year is based on the Group's earnings/(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 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 basic and diluted earnings/(loss) per share for each of the years ended 31 December 2014 and 2013 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

The weighted average number of ordinary shares for the calculation of the basic and diluted earnings/(loss) per share is set out as follows:

	Group	
	2014	2013
Weighted average number of ordinary shares in issue	**1,195,704,316**	1,139,531,432
	HK$'000	*HK$'000* (Restated)
Group's earnings/(loss) attributable to the equity holders of the Company		
– Continuing operations	**(138,505)**	(170,125)
– Discontinued operations	**8,065**	(12,102)
	(130,440)	(182,227)

9 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend (2013: Nil) for the year.

10 BUSINESS COMBINATION

On 3 March 2014, Frontier Services Limited ("FSL"), a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement (the "Share Purchase Agreement") for the acquisition of an equity interest in Phoenix Aviation Limited ("Phoenix") at a total consideration of US$14,000,000 (equivalent to approximately HK$108,493,000). 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$46,497,000). The acquisitions were completed on 28 July 2014. The acquisition of Phoenix would immediately enable the Group to better secure aviation and logistics business opportunities in Africa, including the provision of secure logistics services on behalf of local government agencies, non-governmental organisations, and mining, oil and gas operators working across the continent.

The following table summarised the considerations paid for the issued share capital and the 5 aircraft of Phoenix, the acquisition-related costs, the analysis of the net cash outflow from the acquisitions, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	HK$'000
Purchase consideration	
Cash paid	**108,493**
Acquisition-related costs, included in other operating expenses	
Financial advisory service fee	**3,966**
Legal and other professional fees and expenses	**4,810**
	8,776
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**(108,493)**
Cash and cash equivalents in subsidiary acquired	**10,654**
Net cash outflow on acquisition	**(97,839)**
Property, plant and equipment	**165,204**
Intangibles	**24,238**
Non-current prepayments	**31,808**
Prepaid operating lease rentals	**1,747**
Available-for-sale financial assets	**126**
Receivables (a)	**31,742**
Inventories	**5,662**
Cash and cash equivalents	**10,654**
Payables	**(50,560)**
Borrowings	**(80,780)**
Deferred income tax liabilities	**(38,077)**
Total identifiable net assets	**101,764**
Goodwill on acquisition (b)	**6,729**
	108,493

(a) Acquired receivables

The fair value and the gross contractual amounts of receivables is approximately HK$31,742,000 which include trade receivables with a fair value of approximately HK$29,807,000. The fair values of trade and other receivables approximate their carrying amounts. There is no contractual cash flow for the acquired receivables that are expected to be uncollected.

(b) Goodwill on acquisition

The Group recognised goodwill of approximately HK$6,729,000 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$101,764,000 as at the date of completion.

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

(c) Revenue and profit contribution

The acquired business contributed revenue of approximately HK$65,895,000 and net profit after tax of approximately HK$5,446,000 to the Group for the period from 28 July 2014 (date of acquisition) to 31 December 2014. If the acquisition had occurred on 1 January 2014, the contribution to the consolidated revenue and consolidated net profit after tax for the year ended 31 December 2014 would have been approximately HK$162,427,000 and HK$8,579,000, respectively.

11 TRADE RECEIVABLES

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**48,722**	48
31 days - 60 days	**10,053**	1,446
61 days - 90 days	**5,140**	–
Over 90 days	**6,498**	2,846
	70,413	4,340
Less: Provision for impairment	**–**	–
	70,413	4,340

The fair value of trade receivables approximates its carrying amount.

Credit period of 30 days are generally granted to major customers. 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:

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**13,811**	312
31 days - 60 days	**1,476**	–
61 days - 90 days	**256**	–
Over 90 days	**3,203**	6,714
	18,746	7,026

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	Year ended 31 December 2014			Year ended 31 December 2013		
	Continuing operations ***HK$'000***	**Discontinued operations** ***HK$'000***	**Total** ***HK$'000***	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)	Total *HK$'000*
Revenue	**310,444**	**295**	**310,739**	27,692	4,648	32,340
Cost of sales	**(171,471)**	**(94)**	**(171,565)**	(9,433)	(214)	(9,647)
Gross profit	**138,973**	**201**	**139,174**	18,259	4,434	22,693
Other income and other gains/(losses), net	**(48,246)**	**2,147**	**(46,099)**	4,434	7,359	11,793
Marketing, selling and distribution costs	**(8,079)**	**(258)**	**(8,337)**	(4,799)	(1,346)	(6,145)
Administrative expenses	**(199,374)**	**(4,052)**	**(203,426)**	(71,981)	(8,485)	(80,466)
Other operating expenses, net	**(9,990)**	**(78)**	**(10,068)**	(23,086)	(4,175)	(27,261)
Share option compensation	**–**	**–**	**–**	(59,702)	–	(59,702)
Operating loss	**(126,716)**	**(2,040)**	**(128,756)**	(136,875)	(2,213)	(139,088)
Finance costs	**(8,630)**	**–**	**(8,630)**	–	–	–
Share of profit/(loss) of joint ventures	**(1,108)**	**9,577**	**8,469**	(2,230)	13,863	11,633
Share of loss of associates	**(4,585)**	**–**	**(4,585)**	(4,588)	–	(4,588)
Profit/(loss) before income tax	**(141,039)**	**7,537**	**(133,502)**	(143,693)	11,650	(132,043)
Income tax credit/(expenses)	**2,002**	**528**	**2,530**	(26,600)	(371)	(26,971)
Profit/(loss) after tax	**(139,037)**	**8,065**	**(130,972)**	(170,293)	11,279	(159,014)
Impairment of available-for-sale financial assets	**–**	**–**	**–**	–	(23,094)	(23,094)
Income tax expenses	**–**	**–**	**–**	–	(287)	(287)
After-tax loss recognised on disposal	**–**	**–**	**–**	–	(23,381)	(23,381)
Profit/(loss) for the year	**(139,037)**	**8,065**	**(130,972)**	(170,293)	(12,102)	(182,395)

Revenue

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Continuing operations:		
Aviation and logistics business	**284,624**	16
Financial market information business	**25,820**	27,676
	310,444	27,692
Discontinued operations:		
Advertising agency business	**295**	1,796
Digital broadcasting business	**–**	2,852
	295	4,648
	310,739	32,340

The Group recorded a consolidated revenue of HK$310,739,000 in 2014, representing an increase of nearly 8.6 times when compared to the prior year (2013: HK$32,340,000). The strong growth in the Group's consolidated revenue resulted from the 2014 launch of the aviation and logistics ("AL") business which included the contribution of Phoenix business that was acquired by the Group at the end of July 2014.

Gross Profit and Gross Profit Margin

The Group recorded an increase in gross profit of nearly 5.1 times for the year when compared to 2013's results. This growth in absolute gross profit resulted directly from AL revenue earned during 2014. Overall gross profit margin decreased from 70% in 2013 to 45% this year as the Group's revenue mix shifted away from highly profitable niche technology sales toward the provision of aviation and other logistics services.

Other Income and Other Gains/(Losses), Net

	2014	2013
	HK$'000	*HK$'000*
Interest income on bank balances	**19,405**	17,858
Interest income on loan to a joint venture	**–**	605
Interest income on available-for-sale financial assets	**–**	894
Non-compete income	**–**	866
Consultancy fee income from a joint venture	**–**	1,203
Net gain on disposal of property, plant and equipment	**91**	–
Other income from an associate	**–**	1,506
Loss on share swap	**(46,721)**	–
Provision for impairment of interest in a joint venture	**(7,837)**	–
Provision for impairment of an advance to a joint venture	**(2,103)**	–
Provision for impairment of interest in an associate	**(20,270)**	(3,292)
Provision for impairment of an advance to an associate	**–**	(10,248)
Gain on disposal of subsidiaries	**4,766**	823
Fair value changes in derivatives	**6,230**	–
Others	**340**	1,578
	(46,099)	11,793

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 loss of HK$46,721,000 was made for the price difference arising from the share swap.

In the current year, a provision for impairment was made for the Group's investment in a joint venture of HK$7,837,000 and the advance to a joint venture of HK$2,103,000, which is engaged in the development, operation and provision of related services of interactive TV media systems, in light of its financial position and continuing loss-making performance.

In the current year, a provision for impairment was made for the Group's investment in an associate of HK$20,270,000, which is engaged in the development and provision of online games, in light of its financial position and continuing loss-making performance.

In last year, a 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$10,248,000, both of which are engaged in the provision of online Chinese language learning services, in light of their financial position and continuing loss-making performance.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded an increase of nearly 1.4 times in the operating expenses for the current year as more management team and subcontractors were engaged for the development of the Group's AL business, inclusion of the operating expenses of the Phoenix business and the share-based compensation of HK$42,263,000 for those share options issued under the Company's share option scheme.

Other Operating Expenses, Net

	2014	2013
	HK$'000	*HK$'000*
Acquisition-related costs	**8,776**	21,541
Provision for/(reversal of) impairment of trade and other receivables, net	**413**	(1,269)
Write-off of value-added tax receivables	–	2,634
Net loss on disposal of property, plant and equipment	–	476
Amortisation of intangibles	**707**	–
Others	**172**	3,879
	10,068	27,261

Acquisition-related costs for the current year represent the professional fees incurred for the acquisitions of Phoenix and its 5 aircraft.

Pro Forma Analysis of Results for Continuing Operations

The year ended 31 December 2014 saw significant change to the Group's business mix and considerable investment in its overall infrastructure, especially in the first half of the year in the AL segment. A pro forma comparison of results from continuing operations for the six-month period ended 30 June 2014 against the following six-month period ended 31 December 2014 presents the Group's growing core business and potential for growth and profitability going forward.

		Six-month period ended		
	Full year 2014 *HK$'000*	**30 June 2014** *HK$'000*	**31 December 2014** *HK$'000*	**Difference** *HK$'000*
Revenue	310,444	13,534	296,910	283,376
Gross profit	138,973	7,586	131,387	123,801
Operating profit/(loss)	(126,716)	(131,411)	4,695	136,106
Non-recurring charges	(80,725)	(27,975)	(52,750)	N/A
Adjusted operating profit/(loss)	(45,991)	(103,436)	57,445	160,881

For the interim six-month period ended 30 June 2014 ("1H"), the Group generated HK$13,534,000 of revenue. Revenue for the subsequent six-month period ended 31 December 2014 ("2H") was HK$296,910,000. The second half of 2014 saw the successful completion of the Phoenix acquisition and the launch of the Group's first major logistics program, and these two elements drove the substantial revenue growth over the most recent six-month period. Gross profit grew commensurately with the Group's 2H revenue increase. Specifically, gross profit for the first and second halves of 2014 was HK$7,586,000 and HK$131,387,000, respectively. Most notably, the Group's operating income swung from a loss of HK$131,411,000 in 1H-2014 to a profit of HK$4,695,000 in the second half as a rapidly growing base of revenue absorbed non-recurring charges and the Group's core administrative overhead.

Consistent with the vision to create a pan-African logistics services platform, the Group committed significant investment in restructuring the legacy business, acquiring the necessary assets and corporate entities, and recruiting staff during the most recent financial year. In total, the Group incurred an estimated HK$80,725,000 in one-time expenses associated with the restructuring of the platform and the launch of the AL business that should not have a carry-forward effect on the Group's results. The non-recurring charges mostly comprised of (a) share-based compensation of HK$42,263,000 incurred during 2014 to account for share options issued as consideration in connection with the Group's establishment of the AL business; (b) bonuses of HK$29,174,000 paid as one-time incentive and retention consideration for long-tenured staff; and (c) acquisition- and disposal-related costs of HK$8,831,000. If the effect of the non-recurring charges is eliminated, the Group's adjusted operating loss for the continuing operations would be HK$45,991,000 with a swing from an adjusted operating loss of HK$103,436,000 in 1H-2014 to an adjusted operating profit of HK$57,445,000 in 2H-2014.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business

Phoenix posted solid performance for the partial year 2014 following the Group's acquisition of its equity interest. In total, revenue for the five-month period following the acquisition was HK$65,895,000. Revenue from flying operations totalled HK$56,711,000 for the partial year 2014 compared to HK$51,793,000 for the same period during 2013. This 10% period-over-period growth resulted from higher utilisation of Phoenix's jets, which command a higher per-hour flight rate than its turboprop aircraft. Maintenance services, a smaller component of Phoenix's overall business, generated 2014 partial year revenue of HK$9,184,000. This figure was roughly equivalent with maintenance service revenue for the same portion of the prior year. Total gross profit was HK$27,048,000, with a gross margin well within the range of Phoenix's historical track record of profitability. Operating profit for the last five months of 2014 was HK$5,446,000.

An affiliate of the Group began performing large-scale logistics operations on behalf of a government ministry in the East African region in late August 2014, with operations reaching full-rate by September. The program largely centred on routine, often daily, aviation logistics support missions. Between subcontracted task orders and self-performed operations, the Group managed more than 370 flights, including humanitarian aid deliveries, during the last five months of 2014. Revenue attributable to this logistics program was HK$217,256,000 for 2014 and was a major contributor to overall AL results for the full year. Operating profit associated with this project was HK$96,439,000 for 2014, consistent with the Group's expectations for margin on projects based in austere and challenging locations.

Financial Market Information Business

The Group's financial marketing information ("FMI") business provides online financial market data and information. The FMI segment generated HK$25,820,000 of revenue for the year ended 31 December 2014, marking a 7% decline in revenue relative to the prior year. The FMI business was the only other continuing operation to contribute to the Group's overall revenue during 2014.

Advertising Agency Business

The Group completed the disposal of its advertising agency business in November 2014 and recorded a net gain on disposal of HK$4,055,000. Given this recent divestiture, the advertising agency business has been classified as a discontinued business as of 31 December 2014.

Direct Investments

The Group holds non-controlling positions in several businesses, including Shanghai Boyojoy Network Technology Co., Limited and others small enterprises. Collectively, these direct investments generated an operating loss of HK$68,598,000 for 2014.

PROSPECTS

The Group expects to expand its AL business during 2015 through several ongoing initiatives. With regard to the aviation component of the AL segment, management is actively seeking opportunities to accelerate the utilisation of the existing fleet of more than 20 specialised aircraft. Generally, these efforts include distributing a number of the acquired Phoenix assets to forward locations to increase the Group's ability to service customers throughout Africa and the ongoing evaluation of possible additions of specialised aircraft to the fleet on behalf of potential new contracts. The Group intends on its continued pursuit of new customers within its core verticals of natural resources, non-governmental organisations, and government ministries during the coming year, while also continuing to present large-scale program management services to customers of record. Also, the Group will continue its ongoing evaluation of accretive acquisitions that may serve to enhance its service capabilities and/or its geographic reach. In general, the Group expects these initiatives to drive the majority of AL results during 2015.

The Group recently announced its acquisition of a small trucking business located in the Democratic Republic of the Congo ("DRC"). While considered a start-up enterprise with a small fleet of vehicles, this acquired business is the Group's first initiative in the ground logistics sector. The Group does not expect the ground transportation company to contribute materially to results for 2015, but it does present longer-term growth potential and provides the Group with an established point of presence in the DRC, a major commercial market for the Group going forward. Also, the Group is actively pursuing the establishment of a licensed maritime services business in West Africa and various port-related projects in East Africa as well. These represent medium-term growth opportunities for the Group and will have modest effect, if at all, on 2015 performance. Similar to the ground transportation acquisition in the DRC, these efforts are consistent with the Group's strategy for the provision of turnkey logistics services across the African continent.

The FMI segment and the Group's direct investments are not expected to contribute meaningfully to overall performance for 2015. The Group is actively considering its strategic options with respect to these aspects of the legacy business.

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 115,477,828 share options to the Group's eligible directors and employees under its share option scheme during the year ended 31 December 2014 (2013: 32,395,000 share options).

The total number of employees of the Group as at 31 December 2014 was 303 (2013: 78).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2014, the Group recorded total assets of HK$1,400,773,000 (2013: HK$886,278,000) which were financed by liabilities of HK$580,565,000 (2013: HK$130,612,000), non-controlling interests of HK$116,250,000 (2013: HK$116,782,000) and shareholders' equity of HK$703,958,000 (2013: HK$638,884,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2014 amounted to HK$0.57 (2013: HK$0.56).

The Group recorded cash and bank balance of HK$698,701,000 (2013: HK$711,760,000) as at 31 December 2014. During the year ended 31 December 2014, bank loans were raised for the acquisitions of the equity interest in Phoenix, aircraft and equipment in respect of the Group's AL business, which are secured by the Group's non-current bank deposits of HK$413,146,000. The Group's borrowings, which comprise of bank loans and finance leases and are denominated in United States dollars ("US$"), will mature in 1 to 6 years. Except for the borrowings of HK$9,665,000 which are interest bearing at fixed rates, the remaining balances of HK$440,928,000 are interest bearing at floating rates. Although the Group has sufficient internal funds for its daily operations, the Group may consider additional finance facilities to support its future business development and expansion if necessary. On the basis of the Group's net borrowings (total borrowings less cash and bank balances) relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was nil (2013: Nil) as at 31 December 2014.

At 31 December 2014, the Company had 344,384,113 outstanding share options, out of which 116,477,828 share options were granted under its share option schemes. If the share options were exercised, a gross proceed of approximately HK$338 million in aggregate would be raised before deducting any issuance 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$"), Renminbi ("RMB") and US$. Other than the non-current bank deposits pledged for the Group's bank borrowings, 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 currently operates mainly in Hong Kong, Africa and Mainland China.

For 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 operations in Africa, most of the transactions are denominated in US$, Euro and Kenyan Shillings ("KES"). The exchange rate of KES against US$ and HK$ is relatively stable and the related currency exchange risk is considered not material. No financial instrument was used for hedging purposes for the year. The exchange rate of the Euro against US$ and HK$ has declined since the last quarter of 2014, and the related currency exchange risk of the Euro is considered material. The Group is closely monitoring the currency exchange risk of the Euro and will consider the use of financial instrument for hedging purposes, if necessary.

For 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 for the year. Although the exchange rate of RMB has fluctuated moderately during the year, it is expected that the appreciation of RMB in the long run would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 3 March 2014, the Group 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$108,493,000). 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.

In November 2014, the Group completed the disposal of its advertising agency business and recorded a net gain on disposal of HK$4,055,000.

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 2014.

Charges on Assets

At 31 December 2014, the Group had bank deposits amounting to approximately HK$413,146,000 (2013: Nil) pledged to banks as security for bank borrowings.

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 31 December 2014 (2013: Nil). However, the Group always seeks for new investment opportunities in the AL business to broaden the revenue and profit potential of the Group and to enhance shareholders' value in long term. On 11 March 2015, the Company announced the acquisition of the entire equity interest in Cheetah Logistics SARL, a company principally engaged in the provision of transport logistics services in the DRC, and certain trucking vehicles for an aggregate consideration of US$1,300,000 (equivalent to approximately HK$10,140,000). The acquisition can be financed by internal funds generated from the Group's business operations or loan facilities provided by the principal bankers.

Capital Expenditure Commitments

The Group had outstanding capital expenditure commitments of HK$13,198,000 with respect to the acquisition of certain aircraft as at 31 December 2014.

Save as mentioned above, the Group did not have any other material capital expenditure commitments as at 31 December 2014.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2014.

Events after the Financial Position Date

Save as disclosed in the section of "Future plans for material investments or capital assets" 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year ended 31 December 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 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, except that not all the independent non-executive directors have attended the general meetings of the Company in accordance with code provision A.6.7 due to their other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 year covered by the annual report.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("HKExnews website") at www.hkexnews.hk and the Company's website at www.fsgroup.com. The 2014 annual report of the Company will be dispatched to the shareholders of the Company and published on the HKExnews website and the Company's website in due course.

By Order of the Board
Frontier Services Group Limited
Erik D. Prince
Chairman

Hong Kong, 27 March 2015

At the date of this announcement, the Board of the Company comprises the executive directors of Mr Erik D. Prince (Chairman), Mr Ko Chun Shun, Johnson (Deputy Chairman), Mr Luo Ning (Deputy Chairman), Mr Gregg H. Smith (Chief Executive Officer) and Mr Hu Qinggang; and the independent non-executive directors of Mr Yap Fat Suan, Henry, Professor Lee Hau Leung, Mr William J. Fallon and Dr Harold O. Demuren.

** For identification purposes only*