

FRONTIER SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 00500)



INTERIM REPORT 2015



COMPLETE LOGISTICS SOLUTIONS

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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

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

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

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
Ping An Bank

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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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

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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 2015, together with the comparative figures for the corresponding period in 2014. 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 2015			Six-month period ended 30 June 2014		
	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	102,449	-	102,449	13,248	286	13,534
Cost of sales	(117,594)	-	(117,594)	(5,907)	(41)	(5,948)
Gross profit/(loss)	(15,145)	-	(15,145)	7,341	245	7,586
Other income and other gains/(losses), net	10,967	-	10,967	(62,417)	961	(61,456)
Gain on disposal of available-for-sale financial assets	263,846	-	263,846	-	-	-
Marketing, selling and distribution costs	(6,453)	-	(6,453)	(3,565)	(254)	(3,819)
Administrative expenses	(94,716)	-	(94,716)	(63,316)	(2,151)	(65,467)
Other operating expenses	(1,217)	-	(1,217)	(8,057)	(198)	(8,255)
	157,282	-	157,282	(130,014)	(1,397)	(131,411)
Finance costs	(16,556)	-	(16,556)	(2,511)	-	(2,511)
Share of profit/(loss) of joint ventures	-	-	-	(854)	7,584	6,730
Share of loss of associates	(896)	-	(896)	(2,832)	-	(2,832)
Profit/(loss) before income tax	139,830	-	139,830	(136,211)	6,187	(130,024)
Income tax credit/(expenses)	2,754	-	2,754	(216)	443	227
Profit/(loss) for the period	142,584	-	142,584	(136,427)	6,630	(129,797)

The first half of 2015 (“1H-2015”) performance reflects a fully operational aviation and logistics business, following two acquisitions and the carryover of the major East African logistics program, which originally commenced in the second half of 2014. Gross profit, however, swung to a loss of HK\$15,145,000 in 1H-2015. This resulted primarily from the Group’s continued support of the major East African logistics program, which generated far less revenue than originally expected and ultimately wound-down in mid-2015. Profit for the interim period was HK\$142,584,000, driven by the gain on disposal of available-for-sale financial assets of HK\$263,846,000.

Revenue

	Six-month period ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations:		
Aviation and logistics business	90,850	497
Financial market information business	11,599	12,751
	102,449	13,248
Discontinued operations:		
Advertising agency business	–	286
	–	286
	102,449	13,534

Revenue for the first six months of 2015 increased more than six-fold relative to performance for the same period of 2014. This resulted principally from the growth of the Group's aviation and logistics business from its start-up mode during the first half of 2014 ("1H-2014"), with 1H-2014 revenue of HK\$497,000 increasing to HK\$90,850,000 in 1H-2015.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Gross loss for 1H-2015 was HK\$15,145,000. This contrasts with gross profit of HK\$7,586,000 for 1H-2014, reflecting the Group's small, legacy financial market information business that featured high margins. In September 2014, the Group embarked on its first large-scale East African aviation and logistics project, which required substantial infrastructure, including specialty aviation assets and related staffing, in order to fulfil the work scope. This project generated more than HK\$217,256,000 of revenue in the latter half of 2014, and the Group continued to support the program and its required infrastructure during the 1H-2015 under the expectation of further milestone payments from the customer. The sustained depression in global oil prices placed pressure on the customer's ability to fund the project, and the Group wound-down its operations in mid-2015. Notwithstanding the decision to cease performance, the Group incurred HK\$58,281,000 in cost of sales on the project during the first six months of 2015. Excluding the overall impact of the East African logistics project, the Group would have generated gross profit and gross margin of HK\$13,030,000 and 19.2% respectively for 1H-2015.

Other Income and Other Gains/(Losses), Net

	Six-month period ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interest income on bank balances	10,517	7,001
Rental income	303	–
Loss on share swap	–	(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)
Net loss on disposal of subsidiaries	–	(69)
Others	147	136
	10,967	(61,456)

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 (“RGlobal”), 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 during the six-month period ended 30 June 2014 for the price difference arising from the share swap.

Gain on Disposal of Available-for-Sale Financial Assets

The gain on disposal of available-for-sale financial assets for the six-month period ended 30 June 2015 represents the net gain on disposal of 13,081,178 shares of RGL in the market amounting to HK\$263,846,000.

Marketing, Selling and Distribution Costs/Administrative Expenses

The increase of 46% in the operating expenses for the current period as compared to the previous period was mainly attributable to the operating expenses of Phoenix Aviation Limited (“Phoenix”) which was acquired by the Group in late July 2014.

Other Operating Expenses

	Six-month period ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Amortisation of intangibles	871	–
Acquisition-related costs	67	7,666
Provision for impairment of trade and other receivables	–	26
Write-off of a deposit	–	388
Net loss on disposal of property, plant and equipment	279	175
	1,217	8,255

Acquisition-related costs for the six-month period ended 30 June 2015 represent the professional fees incurred for the acquisitions of Cheetah Logistics SARL (“Cheetah”) and certain trucking vehicles.

Acquisition-related costs for the six-month period ended 30 June 2014 represent the professional fees incurred for the acquisitions of Phoenix and its five aircraft.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business (“AL segment”)

The Group’s AL segment generated HK\$90,850,000 of revenue for the first six months of 2015, with a small comparable figure of HK\$497,000 for 1H-2014 due to the fact that the business was in its start-up phase during the same period last year. Consistent with the Group’s strategic focus away from legacy segments and toward its pan-African aviation and logistics platform, the AL segment accounted for 88.7% of total revenue for 1H-2015. During the period, Phoenix contributed HK\$66,052,000, or 72.7%, of AL segment revenue for 1H-2015, with another HK\$22,910,000 coming from the continuation of the large-scale East African logistics project previously discussed. Other AL segment activities, including the consolidation of Cheetah’s results, produced HK\$1,888,000 of revenue for 1H-2015.

In total, the AL segment produced a gross loss of HK\$22,341,000 for 1H-2015. Phoenix successfully off-set soft overall demand for flight operations and third-party maintenance services due to the effect of localised terrorism on private and corporate activity by expanding its business with the United Nations and other air ambulance customers. Phoenix generated gross margin of 32.7% for the first six months of the year, up more than three percentage points over the same figure for 1H-2014, despite a corresponding 20% decline in revenue. This trend clearly demonstrates the benefits of Phoenix’s diverse revenue base on the Group’s flight operations business.

Of all the Group's business activities, the large-scale East African logistics project had the most substantial effect on AL segment performance for 1H-2015. As discussed previously, the Group incurred cost of sales of HK\$58,281,000 to support the specialty aviation assets and personnel costs necessary to perform on the program during the first six months of the year, with corresponding revenue of only HK\$22,910,000. The Group did so in expectation of future milestone payments that were unrealised due to the effect of sustained weakness in oil prices on the customer's ability to fund the project. The Group ceased performance on the program in June 2015, and has since begun redeploying or otherwise rationalising the project's infrastructure. Excluding the effect of this large project on 1H-2015 performance, the AL segment would have generated HK\$67,940,000 and HK\$13,030,000 of revenue and gross profit respectively.

The AL segment generated a segment loss (after deducting finance costs) of HK\$89,105,000 for the first six months of 2015. The sizable gross loss on the East African logistics project (discussed above), an additional HK\$1,314,000 in administrative costs associated with that program, and HK\$45,412,000 of general overheads, including subcontractor costs, business development travel expenses, and staff salaries, were the core factors in the soft operating results for 1H-2015. As noted, the Group has initiated a general restructuring of its administrative overheads to better align the corporate function with the AL operating businesses. Notwithstanding these overall results, Phoenix generated solid recurring operating profit of HK\$4,011,000 before one-time directors' bonuses.

Financial Market Information Business ("FMI segment")

The FMI segment is a legacy business unit that provides online financial market data and information. For the first six months of 2015, the FMI segment produced HK\$11,599,000 of revenue, down 9% from the revenue during the same period of 2014. Segment loss for 1H-2015 was HK\$1,927,000, with the trend in modest losses increasing relative to 1H-2014 as the same basic overheads was absorbed by a smaller base of revenue. FMI segment is the last remaining predecessor business segment, and the Company will continue to review its alternatives with regard to this segment.

Direct Investments

Direct Investments is the segment that holds the Group's available-for-sale financial securities and other direct investments. For 1H-2015, the Group's Direct Investments segment generated HK\$263,846,000 in segment profit. This performance resulted directly from the gain on disposal of 13,081,178 shares of RGL in the market during the latter half of the first six months of 2015. The Company continued to hold 4,724,000 shares of RGL at 30 June 2015.

PROSPECTS

The Company is optimistic regarding potential performance for the second half of 2015 ("2H-2015"). As disclosed on 14 August 2015, as a matter subsequent to these interim results, an affiliate of the Company entered into a conditional share purchase agreement with an independent third party to acquire a logistics services business in South Africa. Presuming successful completion of this acquisition subsequent to any applicable rules and regulations, the target should have a materially positive effect on the Group's revenue going forward. In addition, new fleet additions to Phoenix and the Group's specialty aviation business will be coming online in 2H-2015, as underperforming assets are redeployed and/or rationalised. As noted, the Group has embarked on a restructuring of its administrative burden to better align its personnel and resources with the AL operating businesses, which should have a favourable effect on margins over the near term. During 2H-2015, the Group will continue to exploit its established presence on the African continent to (i) create a strategic commercial link between China and Africa, (ii) pursue additional acquisitions that may diversify its customer base and/or add important service capabilities, and (iii) seek opportunities to perform large-scale programs for select customers.

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 has not granted any share options to the Group's eligible directors and employees under its share option scheme during the six-month period ended 30 June 2015 (2014: 112,357,828 share options).

The total number of employees of the Group as at 30 June 2015 was 303 (31 December 2014: 303).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2015, the Group recorded total assets of HK\$1,638,991,000 (31 December 2014: HK\$1,400,773,000) which were financed by liabilities of HK\$637,115,000 (31 December 2014: HK\$580,565,000), non-controlling interests of HK\$116,250,000 (31 December 2014: HK\$116,250,000) and shareholders' equity of HK\$885,626,000 (31 December 2014: HK\$703,958,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2015 amounted to HK\$0.72 (31 December 2014: HK\$0.57).

The Group recorded cash and bank balances of HK\$892,105,000 (31 December 2014: HK\$698,701,000) and secured borrowings of HK\$512,302,000 (excluding facility arrangement fees of HK\$5,629,000) (31 December 2014: HK\$450,593,000 (excluding facility arrangement fees of HK\$4,074,000)) as at 30 June 2015. 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 (31 December 2014: same) as at 30 June 2015. Except for the borrowings of HK\$9,187,000 (31 December 2014: HK\$9,665,000) which are interest bearing at fixed rates, the remaining balances of HK\$503,115,000 (31 December 2014: HK\$440,928,000) are interest bearing at floating rates as at 30 June 2015. 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 (31 December 2014: Nil) as at 30 June 2015.

At 30 June 2015, 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 all share options were exercised, a gross proceeds 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"), US\$ and Euro. Other than the 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\$ has declined since April 2015 and the related currency exchange risk is considered moderate. 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. No financial instrument was used for hedging purposes for the period. The Group is closely monitoring the currency exchange risk of the Euro and KES 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 period. Subsequent to these interim results, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 11 March 2015, Frontier Services Limited (“FSL”) entered into a conditional share purchase agreement for the acquisition of the entire equity interest in Cheetah, a company principally engaged in the provision of transport logistics services in the Democratic Republic of the Congo for a consideration of US\$250,000 (equivalent to approximately HK\$1,938,000). The acquisition was completed on 14 April 2015.

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 2015.

Charges on Assets

At 30 June 2015, the Group had bank deposits amounting to approximately HK\$488,225,000 (31 December 2014: HK\$413,146,000) 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 30 June 2015 (31 December 2014: Nil). However, the Group always seeks for new investment opportunities in the aviation and logistics business to broaden the revenue and profit potential of the Group and enhance shareholders’ value in long term.

On 2 July 2015, the Company made an announcement in relation to the execution of a non-legally binding term sheet with an independent third party for a proposed acquisition of the freight forwarding business and certain assets of a logistics services group in southern Africa. Subsequently, on 14 August 2015 the Company announced that one of its indirect wholly-owned subsidiaries has entered into a conditional share purchase agreement with the same independent third party to acquire a 100% equity interest in a South African entity, which after fulfillment of certain conditions will engage in the freight forwarding business, for a consideration of ZAR (South African Rand) 49 million (equivalent to approximately HK\$30.87 million). Details of the conditional acquisition are set out in the Company’s announcement dated 14 August 2015.

Capital Expenditure Commitments

The Group had outstanding capital expenditure commitments of HK\$64,643,000 (31 December 2014: HK\$13,198,000) with respect to the acquisition of certain aircraft and aviation equipment as at 30 June 2015.

Save as mentioned above, the Group did not have any other material capital expenditure commitments as at 30 June 2015.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

Condensed Consolidated Income Statement

For the six-month period ended 30 June 2015

	Note	Six-month period ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	102,449	13,248
Cost of sales		(117,594)	(5,907)
Gross profit/(loss)		(15,145)	7,341
Other income and other gains/(losses), net		10,967	(62,417)
Gain on disposal of available-for-sale financial assets	11	263,846	–
Marketing, selling and distribution costs		(6,453)	(3,565)
Administrative expenses		(94,716)	(63,316)
Other operating expenses		(1,217)	(8,057)
Finance costs	4	157,282	(130,014)
Share of loss of joint ventures		(16,556)	(2,511)
Share of loss of associates		–	(854)
		(896)	(2,832)
Profit/(loss) before income tax		139,830	(136,211)
Income tax credit/(expenses)	5	2,754	(216)
Profit/(loss) for the period from continuing operations		142,584	(136,427)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	6(b)	–	6,630
PROFIT/(LOSS) FOR THE PERIOD	7	142,584	(129,797)
Attributable to:			
Equity holders of the Company			
– Continuing operations		142,584	(135,895)
– Discontinued operations		–	6,630
		142,584	(129,265)
Non-controlling interests			
– Continuing operations		–	(532)
– Discontinued operations		–	–
		–	(532)
		142,584	(129,797)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic earnings/(loss) per share	8		
– Continuing operations		11.60 cents	(11.40) cents
– Discontinued operations		– cents	0.56 cents
		11.60 cents	(10.84) cents
Diluted earnings/(loss) per share	8		
– Continuing operations		10.49 cents	(11.40) cents
– Discontinued operations		– cents	0.56 cents
		10.49 cents	(10.84) cents

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2015

	Note	Six-month period ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
PROFIT/(LOSS) FOR THE PERIOD		142,584	(129,797)
Other comprehensive income/(loss)			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
– Currency translation differences		(14,442)	(6,926)
– Change in value of available-for-sale financial assets	11	309,743	3,561
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets		(267,153)	–
Other comprehensive income/(loss) for the period, net of tax		28,148	(3,365)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		170,732	(133,162)
Attributable to:			
– Equity holders of the Company		170,732	(132,630)
– Non-controlling interests		–	(532)
		170,732	(133,162)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations		170,732	(137,594)
– Discontinued operations		–	4,964
		170,732	(132,630)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		337,066	342,878
Goodwill and other intangibles		127,511	125,237
Interests in a joint venture		–	–
Interests in associates		8,770	9,664
Pledged bank deposits	14	336,542	413,146
Deferred income tax assets		8	–
Non-current prepayments		109,447	43,426
Prepaid operating lease rentals		1,510	1,673
Available-for-sale financial assets	11	93	70,264
Total non-current assets		920,947	1,006,288
CURRENT ASSETS			
Inventories		11,774	5,524
Trade receivables	12	29,687	70,413
Prepayments, deposits and other receivables		38,381	32,993
Tax receivables		1,291	–
Available-for-sale financial assets	11	81,348	–
Restricted cash		2,333	–
Pledged bank deposits	14	151,683	–
Short-term bank deposits		52,242	2,260
Cash and cash equivalents		349,305	283,295
Total current assets		718,044	394,485
CURRENT LIABILITIES			
Trade payables	13	10,287	18,746
Other payables and accruals		46,209	33,981
Borrowings – current portion	14	149,597	10,516
Tax payables		110	2,249
Total current liabilities		206,203	65,492
Net current assets		511,841	328,993
TOTAL ASSETS LESS CURRENT LIABILITIES		1,432,788	1,335,281
NON-CURRENT LIABILITIES			
Borrowings	14	357,076	436,003
Deferred income tax liabilities		73,836	79,070
Total non-current liabilities		430,912	515,073
Net assets		1,001,876	820,208
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		122,950	122,950
Reserves		762,676	581,008
		885,626	703,958
Non-controlling interests		116,250	116,250
Total equity		1,001,876	820,208

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2015

	Attributable to equity holders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Contributed surplus	Exchange reserve	General reserve	Equity instrument reserve	Share-based compensation reserve	Accumulated losses			
	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 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	-	-	-	-	-	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	-	-	-	-	-	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
Unaudited											
Balance at 1 January 2015	122,950	121,047	628,235	54,181	32,233	180,038	39,469	(474,195)	703,958	116,250	820,208
Profit for the period	-	-	-	-	-	-	-	142,584	142,584	-	142,584
Other comprehensive income/(loss)											
– Currency translation differences	-	-	-	(14,442)	-	-	-	-	(14,442)	-	(14,442)
– Change in value of available-for-sale financial assets (Note 11)	-	-	-	-	-	309,743	-	-	309,743	-	309,743
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(267,153)	-	-	(267,153)	-	(267,153)
Grant of share options	-	-	-	-	-	-	10,936	-	10,936	-	10,936
Balance at 30 June 2015	122,950	121,047	628,235	39,739	32,233	222,628	50,405	(331,611)	885,626	116,250	1,001,876

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2015

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(54,920)	(81,262)
Income tax paid	(11,426)	(13,851)
Net cash used in operating activities	(66,346)	(95,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment ("PPE")	(7,835)	(61,054)
Purchase of intangibles	(1,350)	–
Proceeds from disposal of PPE	50	47
Acquisitions of subsidiaries, net of cash acquired	(10,066)	–
Increase in short-term bank deposits	(49,982)	(8,167)
Prepayments for purchase of aircraft and aviation equipment	(66,021)	–
Interest received	693	6,600
Proceeds from redemption of available-for-sale financial assets	10	–
Proceeds from disposal of available-for-sale financial assets	295,241	–
Disposal of subsidiaries, net of cash disposed	–	50
Net cash generated from/(used in) investing activities	160,740	(62,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(9,663)	(722)
Increase in pledged bank deposits	(77,412)	(150,701)
Drawdown of bank borrowings	65,187	138,834
Repayment of capital element of finance lease payments	(5,033)	–
Net cash used in financing activities	(26,921)	(12,589)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	67,473	(170,226)
Cash and cash equivalents at beginning of the period	283,295	709,492
Exchange differences	(1,463)	(6,518)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	349,305	532,748
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	96,077	29,872
Short-term bank deposits, with original maturities of three months or less	253,228	502,876
	349,305	532,748

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 and the provision of online financial market information. The Group was also engaged in the provision of advertising agency services until November 2014 when the Group disposed of and discontinued such business.

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 17 August 2015.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six-month period ended 30 June 2015 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 2014, 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 2014.

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 2015. 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 2015 and have not been early adopted:

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 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 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.

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) Financial market information business ("FMI Business") – Provision of online financial market information;
- (iii) Direct Investments – Other direct investments; and
- (iv) Advertising agency business ("AA Business") – Provision of advertising agency services.

Others include corporate income and expenses and others.

As further explained in Note 6, the AA Business has 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 2015 by operating segments is as follows:

	Unaudited						
	Continuing operations				Discontinued operations	Total	
	AL Business HK\$'000	FMI Business HK\$'000	Direct Investments HK\$'000	Others HK\$'000	Total HK\$'000	AA Business HK\$'000	HK\$'000
Revenue (from external customers)	90,850	11,599	-	-	102,449	-	102,449
Depreciation	12,131	80	-	148	12,359	-	12,359
Amortisation	871	-	-	-	871	-	871
Segment results	(72,549)	(1,927)	263,846	(32,088)	157,282	-	157,282
Finance costs	(16,556)	-	-	-	(16,556)	-	(16,556)
Share of loss of associates	-	-	(896)	-	(896)	-	(896)
Profit before income tax					139,830	-	139,830
Income tax credit					2,754	-	2,754
Profit for the period					142,584	-	142,584
Total assets	1,238,445	8,619	97,024	294,903	1,638,991	-	1,638,991
Total liabilities	593,137	8,839	8,809	26,330	637,115	-	637,115

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				Total	Discontinued	Total
	AL Business HK\$'000	FMI Business HK\$'000	Direct Investments HK\$'000	Others HK\$'000		AA Business HK\$'000 (Restated)	
Revenue (from external customers)	497	12,751	–	–	13,248	286	13,534
Depreciation	367	71	–	719	1,157	182	1,339
Segment results	(19,747)	(1,707)	(21,803)	(86,757)	(130,014)	(1,397)	(131,411)
Finance costs	–	–	–	(2,511)	(2,511)	–	(2,511)
Share of profit/(loss) of joint ventures	–	–	(854)	–	(854)	7,584	6,730
Share of loss of associates	–	–	(2,832)	–	(2,832)	–	(2,832)
Profit/(loss) before income tax					(136,211)	6,187	(130,024)
Income tax credit/(expenses)					(216)	443	227
Profit/(loss) for the period					(136,427)	6,630	(129,797)
Total assets	190,051	19,132	20,564	642,279	872,026	102,047	974,073
Total liabilities	2,368	9,346	8,808	193,837	214,359	7,331	221,690

4 FINANCE COSTS

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest expenses on bank borrowings – wholly repayable within 5 years	6,199	901
Interest expenses on finance leases – wholly repayable within 5 years	1,365	–
– wholly repayable after 5 years	753	–
	2,118	–
Total interest expenses on borrowings	8,317	901
Financing arrangement fee	1,726	1,610
Net exchange losses on borrowings	6,513	–
	16,556	2,511

5 INCOME TAX CREDIT/(EXPENSES)

	Six-month period ended 30 June 2015			Six-month period ended 30 June 2014		
	Continuing operations (Unaudited) HK\$'000	Discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Continuing operations (Unaudited) HK\$'000 (Restated)	Discontinued operations (Unaudited) HK\$'000 (Restated)	Total (Unaudited) HK\$'000
Current income tax						
– Outside Hong Kong						
– Provision for the period	(144)	–	(144)	–	–	–
– Adjustment in respect of prior periods	–	–	–	(216)	443	227
	(144)	–	(144)	(216)	443	227
Deferred income tax						
– Outside Hong Kong	2,898	–	2,898	–	–	–
Income tax credit/(expenses)	2,754	–	2,754	(216)	443	227

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.

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% (2014: 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.

The corporate income tax in Kenya has been provided at the rate of 30% (2014: 30%) on the profits for the Kenyan statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Kenyan corporate income tax purpose.

6 DISCONTINUED OPERATIONS

(a) Discontinued Operations

In October 2014, the Company entered into an agreement with a purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to purchase the entire issued share capital of Sinofocus Media (Holdings) Limited, which was a then wholly-owned subsidiary of the Company engaged in the AA Business in the People's Republic of China 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 in November 2014 and the Group ceased to engage in the AA Business.

As the operation of the AA Business is considered as a separate line of business and was discontinued during the year ended 31 December 2014, it is accounted for as discontinued operations. The comparative financial information for the six-month period ended 30 June 2014 has been reclassified to conform with current period presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

6 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit from Discontinued Operations

The analysis of the profit from the AA 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
Revenue (Note 3)	–	286
Cost of sales	–	(41)
Gross profit	–	245
Other income and other gains/(losses), net	–	961
Marketing, selling and distribution costs	–	(254)
Administrative expenses	–	(2,151)
Other operating expenses	–	(198)
Share of profit of a joint venture	–	(1,397)
	–	7,584
Profit before income tax	–	6,187
Income tax credit (Note 5)	–	443
Profit for the period	–	6,630
Profit attributable to:		
Equity holders of the Company	–	6,630
Non-controlling interests	–	–
	–	6,630

6 DISCONTINUED OPERATIONS *(Continued)*

(c) Analysis of the Cash Flows from Discontinued Operations

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
Net cash used in operating activities	–	(3,062)
Net cash generated from investing activities	–	828
	–	(2,234)

The cash flows of the AA Business for the six-month period ended 30 June 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.

7 PROFIT/(LOSS) FOR THE PERIOD

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

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of provision of aviation and logistics services	113,191	1,267
Cost of provision of online financial market information	4,403	4,640
Cost of provision of advertising agency services	–	41
Depreciation	12,359	1,339
Share-based compensation	10,936	19,788
Net exchange losses/(gains)	5,223	(197)
Other operating expenses:		
Acquisition-related costs	67	7,666
Provision for impairment of trade and other receivables	–	26
Write-off of a deposit	–	388
Net loss on disposal of property, plant and equipment	279	175
Amortisation of intangibles	871	–
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	(10,517)	(7,001)
Rental income	(303)	–
Loss on share swap (Note 11)	–	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
Net loss on disposal of subsidiaries	–	69
Others	(147)	(136)

The income and expenses for the six-month periods ended 30 June 2015 and 2014 shown above covered both continuing and discontinued operations.

8 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the period 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 period.

The calculation of the diluted earnings/(loss) per share for the period 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 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 values of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options.

The basic and diluted loss per share for the six-month period ended 30 June 2014 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the period was 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:

	Six-month period ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Weighted average number of ordinary shares in issue	1,229,503,003	1,192,415,763
Adjustment for preference shares	–	–
Adjustment for share options	130,118,540	57,212,445
Weighted average number of ordinary shares for diluted earnings/(loss) per share	1,359,621,543	1,249,628,208
	HK\$'000	HK\$'000 (Restated)
Group's profit/(loss) attributable to the equity holders of the Company		
– Continuing operations	142,584	(135,895)
– Discontinued operations	–	6,630
	142,584	(129,265)

9 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2015 (2014: Nil).

10 BUSINESS COMBINATION

On 11 March 2015, Frontier Services Limited (“FSL”), a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement for the acquisition of the entire equity interest in Cheetah Logistics SARL (“Cheetah”), a company principally engaged in the provision of transport logistics services in the Democratic Republic of the Congo (the “DRC”) at a consideration of US\$250,000 (equivalent to approximately HK\$1,938,000). On the same date, FSG Vehicles Limited, a wholly-owned subsidiary of the Company, entered into a conditional asset purchase agreement for the acquisition of certain trucking vehicles for an aggregate consideration of US\$1,050,000 (equivalent to approximately HK\$8,139,000). Both acquisitions were completed on 14 April 2015. The acquisitions immediately enabled the Group to establish a commercial present in the DRC and to expand the Group’s existing logistics business throughout Africa.

10 BUSINESS COMBINATION *(Continued)*

The following table summarised considerations paid for the issued share capital and the trucking vehicles, 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	10,077
Acquisition-related costs, included in other operating expenses	
Legal and other professional fees and expenses	67
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(10,077)
Cash and cash equivalents in subsidiary acquired	11
Net cash outflow from acquisitions	(10,066)
Property, plant and equipment	8,139
Receivables (i)	155
Cash and cash equivalents	11
Total identifiable net assets	8,305
Goodwill on acquisition (ii)	1,772
	10,077

(i) Acquired receivables

The fair value and the gross contractual amounts of receivables was approximately HK\$155,000 which included trade receivables with a fair value of approximately HK\$149,000. The fair values of trade and other receivables approximated their carrying amounts. There was no contractual cash flow for the acquired receivables which were expected to be uncollected.

10 BUSINESS COMBINATION *(Continued)*

(ii) Goodwill on acquisition

The Group recognised goodwill of approximately HK\$1,772,000 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 approximately HK\$8,305,000 as at the date of completion.

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

(iii) Revenue and loss contribution

The acquired business contributed revenue of approximately HK\$393,000 and net loss after tax of approximately HK\$1,270,000 to the Group for the period from 14 April 2015 (date of acquisition) to 30 June 2015. If the acquisition had occurred on 1 January 2015, the contribution to the consolidated revenue and consolidated net loss after tax for the six-month period ended 30 June 2015 would have been approximately HK\$1,448,000 and HK\$2,055,000 respectively.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015				31 December 2014			
	Hong Kong listed equity investment (Unaudited) HK\$'000 Note (i)	Overseas listed security investment (Unaudited) HK\$'000 Note (ii)	Overseas unlisted security investment (Unaudited) HK\$'000 Note (iii)	Total (Unaudited) HK\$'000	Hong Kong listed equity investment (Audited) HK\$'000 Note (i)	Overseas listed security investment (Audited) HK\$'000 Note (ii)	Overseas unlisted security investment (Audited) HK\$'000 Note (iii)	Total (Audited) HK\$'000
At 1 January	70,153	106	5	70,264	-	-	-	-
Additions	-	-	-	-	42,733	-	-	42,733
Acquisition of a subsidiary	-	-	-	-	-	121	5	126
Change in value	309,743	-	-	309,743	27,420	-	-	27,420
Redemptions	-	(10)	-	(10)	-	(22)	-	(22)
Disposals	(298,548)	-	-	(298,548)	-	-	-	-
Exchange differences	-	(8)	-	(8)	-	7	-	7
At financial position date	81,348	88	5	81,441	70,153	106	5	70,264
Less: Current portion	(81,348)	-	-	(81,348)	-	-	-	-
Non-current portion	-	88	5	93	70,153	106	5	70,264

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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 (“RGlobal”), 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 loss of HK\$46,721,000 (Note 7) was made during the six-month period ended 30 June 2014 for the price difference arising from the share swap.

During the six-month period ended 30 June 2015, the Company disposed of 13,081,178 shares of RGL in the market for an aggregate consideration of HK\$298,548,000 and a gain on disposal of available-for-sale financial assets of approximately HK\$263,846,000 was recorded. At 30 June 2015, the fair value of the listed equity investment of approximately HK\$81,348,000 was based on quoted market price of the RGL's shares (31 December 2014: HK\$70,153,000). The Company intends to continue disposing the rest of its holding in the RGL's shares (being 4,724,000 shares) in near future. Accordingly, the investment in the RGL's shares was reclassified from non-current assets to current assets.

- (ii) It represents listed corporate bond.
- (iii) It represents unlisted equity securities.

12 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 30 days	12,202	48,722
31 days – 60 days	8,234	10,053
61 days – 90 days	3,795	5,140
Over 90 days	5,456	6,498
	29,687	70,413

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.

13 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 30 days	6,133	13,811
31 days – 60 days	50	1,476
61 days – 90 days	616	256
Over 90 days	3,488	3,203
	10,287	18,746

The fair value of trade payables approximates its carrying amount.

14 BORROWINGS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current portion		
Bank loans	300,185	372,295
Finance leases	62,520	67,782
	362,705	440,077
Facility arrangement fees	(5,629)	(4,074)
	357,076	436,003
Current portion		
Bank loans	138,852	–
Finance leases	10,745	10,516
	149,597	10,516
Total borrowings	506,673	446,519

14 BORROWINGS *(Continued)*

The fair values of the borrowings approximate their carrying amounts. The fair value of the non-current borrowings are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings.

(a) Bank Loans

The bank loans are repayable as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 year	138,852	–
After 1 year but within 2 years	82,098	221,063
After 2 years but within 5 years	218,087	151,232
	439,037	372,295
Facility arrangement fees	(5,629)	(4,074)
Less: current portion	(138,852)	–
Non-current portion	294,556	368,221

The bank loans are denominated in United States dollars ("US\$") and bear interests with reference to London Interbank Offered Rate plus margins ranging from 2.4% to 3.6% per annum (31 December 2014: 2.2% to 3.0% per annum) with due dates in 2016, 2017 and 2018. The bank loans are secured by pledged bank deposits of approximately RMB385,019,000 (equivalent to approximately HK\$488,225,000) (31 December 2014: RMB325,919,000 (equivalent to approximately HK\$413,146,000)).

14 BORROWINGS *(Continued)*

(b) Finance Leases

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Future payments	83,929	94,802
Future finance charges on finance leases	(10,664)	(16,504)
Present value of finance lease liabilities	73,265	78,298
Less: current portion	(10,745)	(10,516)
Non-current portion	62,520	67,782

The present value of finance lease liabilities is repayable as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 year	10,745	10,516
After 1 year but within 2 years	11,591	11,159
After 2 years but within 5 years	43,483	44,118
After 5 years	7,446	12,505
	73,265	78,298

The finance leases are denominated in US\$ and interest rates underlying the obligations under finance leases are fixed at their respective rates ranging from 3.38% to 7.65% per annum (31 December 2014: 3.37% to 7.65% per annum).

The finance leases arranged for certain aircraft are effectively secured as the rights to the leased aircraft revert to the lessor in the event of default and are also secured by the personal guarantees of 3 directors of a subsidiary and certain members of their respectively families.

The net carrying amount of the aircraft under finance leases as at 30 June 2015 amounted to HK\$78,994,000 (31 December 2014: HK\$89,559,000).

15 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

The Group's capital expenditure commitments regarding purchase of aircraft and aviation equipment outstanding at the financial position date not provided for in the financial statements were as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised but not contracted for	–	–
Contracted for	64,643	13,198

(b) Operating Lease Commitments as a Lessor

The Group leases its leasehold properties and hangars under non-cancellable operating lease agreements. The lease terms are ranging from 6 to 35 years, and the majority of the lease agreements are renewable at the end of the lease periods at market rate.

At 30 June 2015, the Group had total commitments receivable under non-cancellable operating leases as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Not later than 1 year	639	1,552
Later than 1 year but not later than 5 years	1,036	11,056
Later than 5 years	355	394
	2,030	13,002

15 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Operating Lease Commitments as a Lessee

The Group leases certain of its aircraft, offices, staff quarters and motor vehicle under operating lease arrangements.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Aircraft		
– Not later than 1 year	–	353
Land and buildings		
– Not later than 1 year	6,452	8,859
– Later than 1 year but not later than 5 years	4,564	8,995
– Later than 5 years	3,958	4,581
	14,974	22,435
Motor vehicle		
– Not later than 1 year	118	–
Total		
– Not later than 1 year	6,570	9,212
– Later than 1 year but not later than 5 years	4,564	8,995
– Later than 5 years	3,958	4,581
	15,092	22,788

(d) Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 June 2015 and 31 December 2014.

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with Related Parties

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 transactions with related parties during the period:

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
Provision of advisory services to – A related company owned by a director	–	288
Provision of aircraft maintenance services to – A related company owned by a director of a subsidiary – A related company owned by 3 directors of a subsidiary	192 232	– –
Receipt of consultancy services from – A company owned by a director – A company owned by a director of a subsidiary – A related company of a director of 2 subsidiaries	2,758 1,085 1,233	1,234 – 1,233
Receipt of financial advisory services from – A related company of a shareholder and a director	–	3,966
Receipt of security trading services from – A related company of a shareholder and a director	2,985	–
Payment of aircraft lease rental to – A related company owned by a director of a subsidiary	343	–
Receipt of aircraft maintenance services from – A related company owned by a director of a subsidiary	210	–
Receipt of rental income of leasehold property from – A related company owned by 3 directors of a subsidiary	4	–
Payment of rental expenses of leasehold property to – A related company owned by 3 directors of a subsidiary	1,150	–
Issue of shares to – A related company of a shareholder and a director	–	89,454
Subscription of shares from – A related company of a shareholder and a director	–	42,733
Issue of share options to – A related company of a shareholder and a director	–	20,518

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

16 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Details of Key Management Compensation of the Group

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short-term employee benefits	8,849	7,291
Post-employment benefits	245	132
Share-based compensation	9,985	19,500
	19,079	26,923

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Trade receivables	
– A related company of a director	24	27
– A related company owned by a director of a subsidiary	183	66
Trade payables		
– A related company of a director	–	662
– A related company owned by 3 directors of a subsidiary	742	352

16 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Prepayments, deposits and other receivables		
– An associate	6,907	6,901
– A related company of a director of 2 subsidiaries	246	185
Other payables and accruals		
– A related company of a shareholder and a director	1,550	1,551
– Associates	6,958	6,962
– A related company owned by 3 directors of a subsidiary	–	970
– A company owned by a director	–	1,424

17 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 approximately HK\$81,348,000 at 30 June 2015 (31 December 2014: HK\$70,153,000) 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 approximately HK\$1,851,000 at 30 June 2015 (31 December 2014: HK\$1,851,000) 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 were classified as level 1 at 30 June 2015 and 31 December 2014 and the derivative financial liabilities included in other payables and accruals were classified as level 3 at 30 June 2015 and 31 December 2014.

During the six-month period ended 30 June 2015, there were no transfers of financial instruments between levels 1, 2 and 3.

18 EVENTS AFTER THE FINANCIAL POSITION DATE

On 14 August 2015, the Company announced that one of its indirect wholly-owned subsidiaries has entered into a conditional share purchase agreement with an independent third party to acquire a 100% equity interest in a South African entity, which after fulfillment of certain conditions will engage in the freight forwarding business, for a consideration of ZAR (South African Rand) 49 million (equivalent to approximately HK\$30.87 million). Details of the conditional acquisition are set out in the Company's announcement dated 14 August 2015.

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

At 30 June 2015, 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			% of the issued share capital of the Company	
	Personal interests	Family interests	Corporate interests	Total	Personal interests	Corporate interests	Total	Total	Company
Mr Erik D. Prince ("Mr Prince")	575,000	-	-	575,000	307,673,485 (Note (i))	-	307,673,485	308,248,485	25.07%
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	24.85%
Mr Gregg H. Smith	11,635,000	-	-	11,635,000	-	-	-	11,635,000	0.95%
Mr Hu Qinggang	9,556,000	-	-	9,556,000	-	-	-	9,556,000	0.78%
Mr Yap Fat Suan, Henry	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.11%
Professor Lee Hau Leung	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.11%
Mr William J. Fallon	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.11%
Dr Harold O. Demuren	-	-	-	-	1,400,000 (Note (v))	-	1,400,000	1,400,000	0.11%

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 First Gain International Limited;
 - (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 Rich Hill Capital Limited; 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, details of which are disclosed in the section titled "Share options" below.

Save as disclosed above, at 30 June 2015, 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 2015 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 2015, 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			Total	% 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	19.32%
CITIC Investment (HK) Limited	-	237,592,607 (Note (i))	237,592,607	-	-	-	237,592,607	19.32%
CITIC Corporation Limited	-	237,592,607 (Note (ii))	237,592,607	-	-	-	237,592,607	19.32%
CITIC Limited	-	237,592,607 (Note (iii))	237,592,607	-	-	-	237,592,607	19.32%
CITIC Group Corporation	-	237,592,607 (Note (iv))	237,592,607	-	-	-	237,592,607	19.32%
Rich Hill Capital Limited	175,500,000	-	175,500,000	-	-	-	175,500,000 (Note (viii))	14.27%
RGL	56,976,571	-	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (v) and (viii))	6.49%
Gainhigh Holdings Limited ("Gainhigh")	-	56,976,571	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (vi) and (viii))	6.49%
Insula Holdings Limited ("Insula")	-	56,976,571	56,976,571	-	22,790,628	22,790,628	79,767,199 (Notes (vii) and (viii))	6.49%

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

Notes:

- (i) CITIC Investment (HK) Limited is 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 is 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 Limited is 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.
- (iv) CITIC Group Corporation is 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 Limited. Mr Luo Ning and Mr Hu Qinggang, the executive directors of the Company, are employees of CITIC Group Corporation.
- (v) These interests represent:
 - (a) the deemed interests of RGL in the 56,976,571 ordinary shares of the Company 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.
- (vi) Gainhigh is 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.
- (vii) Insula is 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.
- (viii) Mr Ko is deemed to be interested in the shares and underlying shares of the Company interested by these entities under the SFO by virtue of his interests in these entities. Such interests form a part of the corporate interests in the ordinary shares and the underlying shares of the Company interested by Mr Ko as set out in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above. Mr Ko is a director of Rich Hill Capital Limited.

Save as disclosed above, at 30 June 2015, 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

(a) Share Option Schemes

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, 112,357,828 share options were granted under the New Scheme during the six-month period ended 30 June 2014. No share options were granted under the New Scheme during the six-month period ended 30 June 2015.

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

	Six-month period ended 30 June			
	2015		2014	
	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	1.46	115,477,828	0.82	32,995,000
Granted and accepted	–	–	1.45	112,357,828
At 30 June	1.46	115,477,828	1.31	145,352,828
Total		116,477,828		146,352,828

Out of the 116,477,828 outstanding share options at 30 June 2015 (2014: 146,352,828), 44,985,942 options were exercisable (2014: 22,600,000). No share option was exercised during the six-month periods ended 30 June 2015 and 2014.

SHARE OPTIONS (Continued)

(a) Share Option Schemes (Continued)

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 2015 (Unaudited)	31 December 2014 (Audited)
Old Scheme			
11 February 2017	1.99	1,000,000	1,000,000
New Scheme			
9 January 2018	1.50	102,557,828	102,557,828
7 April 2020	0.97	9,800,000	9,800,000
17 September 2020	1.53	3,120,000	3,120,000
		115,477,828	115,477,828

The details of movements of the outstanding share options during the six-month period ended 30 June 2015 are as follows:

	Outstanding options at 1 January 2015	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2015	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	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)

(a) Share Option Schemes (Continued)

	Outstanding options at 1 January 2015	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2015	Weighted average closing price before dates of exercise HK\$
New Scheme						
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	–
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	–

SHARE OPTIONS *(Continued)*(a) Share Option Schemes *(Continued)*

	Outstanding options at 1 January 2015	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2015	Weighted average closing price before dates of exercise HK\$
New Scheme <i>(Continued)</i>						
Date of share options granted	18 September 2014					
Exercise price	HK\$1.53					
Exercise period	18 September 2015 – 17 September 2020					
Held by employees						
In aggregate	1,560,000	–	–	–	1,560,000	–
	1,560,000	–	–	–	1,560,000	
Date of share options granted	24 September 2014					
Exercise price	HK\$1.53					
Exercise period	18 September 2015 – 17 September 2020					
Held by employees						
In aggregate	1,560,000	–	–	–	1,560,000	–
	1,560,000	–	–	–	1,560,000	

SHARE OPTIONS *(Continued)*

(b) 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 2015 are as follows:

	Outstanding options at 1 January 2015	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2015	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	-
	<u>227,906,285</u>	-	-	-	<u>227,906,285</u>	

Notes:

- (i) These 205,115,657 options were issued on 3 December 2013 and 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.

All outstanding other options were exercisable at 30 June 2015 (2014: 227,906,285). No other option was exercised during the six-month periods ended 30 June 2015 and 2014.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2014 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 and a deputy chairman of the Company, resigned as an executive director and the vice-chairman of Concord New Energy Group Limited, a company listed on the Main Board of the Stock Exchange, with effect from 19 June 2015.

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 2015. 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 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2015, the Board of Directors 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 annual general meeting 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 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 2015 of the Group have been reviewed by the audit committee.