FRONTIER
SERVICES GROUP

FRONTIER SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 00500

Annual Report 2015

COMPLETE LOGISTICS **SOLUTIONS**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Erik D. Prince *(Chairman)*
Mr Ko Chun Shun, Johnson *(Deputy Chairman)*
Mr Luo Ning *(Deputy Chairman)*
Mr Gregg H. Smith *(Chief Executive Officer)*
Mr 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
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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
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Hong Kong

INVESTOR RELATIONS

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CHAIRMAN'S STATEMENT

Dear Shareholders:

The end of 2015 marked the completion of only the second full-year of operation for the Aviation and Logistics business of Frontier Services Group Limited ("FSG") and resulted in a true transformation for us into a more mature and capable business despite some market challenges. Beginning with our investment in Kenya's Phoenix Aviation Limited ("Phoenix") less than 21 months ago, we continue to make demonstrable strides in managing our growth, adding human talent at every level of our organisation, and achieving more balance sheet flexibility that will best enhance our service capabilities and customer satisfaction. These factors, combined with our achievements this past year, better position FSG to create value for all of our stakeholders in 2016 and beyond. In this regard, we are particularly excited about our progress in expanding our aviation, distribution and warehousing capabilities in a manner that is consistent with our core strategy – that of multi-service connectivity across the continent. Some highlights of our 2015 activities in Aviation and Logistics business include:

FURTHER DEVELOPMENT OF OUR PLATFORM

Distribution and Warehousing – Transit Freight Forwarding

In November of 2015, FSG completed the acquisition of Transit Freight Forwarding Proprietary Limited ("TFF") in South Africa, significantly enhancing our existing distribution, warehousing, and trucking capabilities in sub-Saharan Africa. Headquartered in Johannesburg, TFF provides transportation, warehousing and movement services for freight across road, rail, sea and air through operational hubs in three key South African cities and the capitals of Zambia and Zimbabwe. In addition to managing a subcontracted fleet of more than 1,800 vehicles, TFF specialises in cross-border shipments within the 15-nation Southern African Development Community. This broad regional capability further adds to our customer service offering by providing seamless export/import capabilities throughout multiple distribution centers and greatly expands FSG's presence in the consumer goods sector aimed at Africa's growing middle class.

Trucking – Cheetah Logistics

Prior to the completion of the TFF acquisition, we made our initial investment in ground logistics through the acquisition of Cheetah Logistics SARL ("Cheetah"), a small Congolese trucking operation. Acquired in April 2015, Cheetah provides a strategically important beachhead in Kinshasa, the capital of the Democratic Republic of the Congo. Cheetah's operations are presently being integrated into the TFF network and extend TFF's reach to new regional markets.

Aviation – Maleth Aero

In October of 2015, FSG successfully concluded negotiations to acquire a southern European aviation services business. Since formally announced, the pending acquisition of Maleth Aero Limited ("Maleth") will enhance FSG's ability to connect north and west Africa to Europe, Asia, and beyond. Maleth provides a broad scope of aviation management services, including the management of both cargo and passenger charter operations. Further, the Maleth management team brings decades of experience serving key west African customers previously untapped by FSG. We foresee great opportunities to link Maleth's expertise, especially in the cargo sector, to our distribution and warehousing services in the coming years.

Aviation – Continued Investment in Our Fleet

2015 also saw the induction of three new aircraft that add to and complement an already diverse and sizeable aviation fleet, ranging from small jets to uniquely configured commercial airliners. Among the fleet additions this past year:

Boeing 737-300 QC – In April 2015, FSG completed the acquisition of a Boeing 737-300 Quick Change ("QC") airliner, adding heavy-lift cargo and passenger capabilities to our platform. The 737-300 QC is a multi-mission variant of the widely popular and broadly installed Boeing 737 airliner, featuring a large cargo door for pallet loading. The 737-300 QC can be readied in less than one hour to handle nearly 40,000 pounds of cargo, or re-configured with pre-mounted palletised seating modules that accommodate more than 140 passengers. Managed out of southern Europe, the 737-300 QC is ideally suited for mixed payload charters between north and west Africa and the European continent and is gaining momentum as a unique asset for our customers.

Boeing 737-300 VIP – FSG was presented with the opportunity to acquire another specially outfitted airliner, a Boeing 737-300 VIP, in mid-2015. Acquired and inducted into the fleet last fall and similarly managed out of a base in southern Europe, the 737-300 VIP can be configured to accommodate between 48 seats to 60 seats. The asset is ideally suited for large commercial customers and mass evacuation missions, and offers a healthy revenue outlook and an attractive return on investment.

Cessna Citation Sovereign – In line with our commitment to invest strategically in our platform companies, we added a like-new Cessna Citation Sovereign ("Sovereign") to the fleet of Phoenix, our Kenyan affiliate, in support of a new contract award. The Sovereign, a long-range, mid-sized business jet, further expands our VIP passenger lift and medical evacuation capabilities across the African continent. Based at Phoenix's Nairobi headquarters, the Sovereign has a 3,000 nautical mile range, allowing FSG to reach 95% of the African continent without refueling. In a related 2015 highlight, the Sovereign acquisition was underwritten through a brand new financing relationship at more attractive terms than previously available to our companies.

2015 BUSINESS REVIEW

The Board of Directors and I are proud of our team's accomplishments this past year. The identification, development and successful execution of agreements to acquire two established and proven companies in two differentiated service verticals, Distribution/Warehousing and Aviation, greatly enhances FSG's ability to move in to 2016 with robust service offerings and experienced management teams. These new additions will deliver consistent platforms for services across diverse sectors, from consumer to humanitarian, from oil and gas to customised transportation solutions. Finding the right platform assets and making them fit together properly also highlights the skill of our executive team and their ability to execute on our corporate development strategy. And, all this was accomplished while simultaneously building the systems and processes that to integrate new businesses into our overall enterprise and best position us for future growth.

As 2015 drew to a close, our corporate development efforts saw much greater evidence of FSG's objective of connecting key commercial gateways with multiple modes of transportation and logistics. From east and north African aviation centers to central and southern African distribution and warehousing hubs, FSG is stitching together the ability to provide integrated mobility, tracking, and warehousing across an otherwise fragmented logistics market under-served by major players.

Diversification of our revenue base was an important driver of our 2015 corporate development activity, since we, like many global businesses, faced a worldwide contraction in the natural resources sector. Indeed, FSG's initial, substantial investment to serve oil and gas, mining and other extractive industries weighed on our results, while a number of once-promising special program opportunities stalled during the year. Consequently, we proactively worked to penetrate new markets, such as consumer goods through the TFF acquisition, while de-emphasising our pursuit of large-scale natural resources projects. Moreover, FSG made the hard decisions to rationalise elements of the workforce and a number of specialised assets previously dedicated to large programs. So, while we are disappointed in the reported results for 2015, including revenue of HK$215 million and a net loss of HK$143 million, largely attributable to the impairment of goodwill and other assets, we ended the year with healthy liquidity, a rapidly built-out ground logistics platform, and many legacy balance sheet issues behind us. With a revitalised and more diverse approach to the African marketplace, we are excited by the prospects for 2016.

PROSPECTS

Optimisation of Newly Integrated Businesses

Looking ahead to 2016, we expect to focus principally on organic growth by increasing the tempo of operations within our existing aviation and ground logistics platforms. With the recent addition of three commercial business development professionals to FSG's senior ranks, one of whom focused solely on Chinese clients, we believe that our renewed outbound marketing effort will pay dividends this year. Further, our strategic efforts toward organic growth in 2016 will also concentrate on new business opportunities that feature or require multiple modes of service. These sorts of proposals, including both aviation and ground elements, were difficult to fulfill in the past due to the lack of complete in-house resources. Now, with our platform of capabilities maturing, we are ideally positioned to compete for these opportunities.

Expanding our Africa Footprint

As a natural consolidator, FSG will continue to evaluate opportunities to acquire attractive businesses that fit our strategy and offer geographic and customer diversification throughout Africa. 2015 saw FSG expand from a single base of aviation operations in Nairobi to seven permanent centers of ground and air activities in five countries. As we continue to integrate and operate our growing presence on the continent, we will seek attractively valued opportunities in adjacent markets that support our goals of furthering our reach into secondary and tertiary cities, while firmly positioning our business in major points of entry to Africa. We will be judicious in our approach to investing in new regions and markets, but our pan-African vision remains very much in place.

Deepening our Relationships in China

As anticipated in last year's annual report, 2015 brought our first meaningful piece of business from a Chinese client. With a new senior staffer now in place, charged with business and corporate development in mainland China and FSG's capabilities becoming more widely understood among prospective customers, our team of professionals in Beijing will continue their marketing efforts and strive to achieve our performance goals for growth from this important customer base.

One Belt One Road

As FSG grows its logistics footprint across Africa, we are looking forward to extending to the One Belt One Road region. Our aircraft reach can extend air operations, medevac and air cargo immediately upon demand through the entire One Belt One Road region. Our third party logistics expertise, honed and growing in Africa, will apply to wherever our customers need us across East or Central Asia and the Middle East. FSG will help make One Belt One Road a commercial success.

Remaining Agile and Adaptable to African Risk

In the last year, I have spoken with hundreds of investors and one of the most important points I can make to anyone looking to take African risk, is to look at how FSG approaches the promise and challenges of one of the world's fastest growing markets. What we do is invest in flexible Aviation and Logistics platforms that can deliver consistent services regardless of the customer segment or sector volatility. That is to say, we constantly monitor the "Four Cs" of our business on the continent which includes: Currency, Climate (political and environmental), Consumers, and Crisis. If economic prosperity endures and political risk is low, we fulfill commercial consumer demand. If climate fluctuations result in drought and famine, we support humanitarian efforts at-scale, and if there is a crisis, we use the same assets to move people and material out of harm's way, as we do to deliver cereal to grocery stores when things are going smoothly. In other words, our planes fly and our trucks roll no matter the macro-economic factors, allowing us to respond to shifting demand from one sector, or one geographic region, to another. Part of our success in this regard is our model, but the most important part is our people and their shared values and work ethic who make it happen for our customers each and every day.

I would like to express my sincere thanks to all of our shareholders, employees, customers, vendors and business partners for your support over the past year and we look forward to a great 2016.

Erik D. Prince
Chairman
Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	Year ended 31 December 2015			Year ended 31 December 2014		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue	**215,337**	**–**	**215,337**	310,444	295	310,739
Cost of sales	**(246,414)**	**–**	**(246,414)**	(171,471)	(94)	(171,565)
Gross profit/(loss)	**(31,077)**	**–**	**(31,077)**	138,973	201	139,174
Other income and other gains/(losses), net	**23,151**	**–**	**23,151**	(48,246)	2,147	(46,099)
Gain on disposal of available-for-sale financial assets	**279,870**	**–**	**279,870**	–	–	–
Provision for impairment of goodwill	**(94,975)**	**–**	**(94,975)**	–	–	–
Provision for impairment of property, plant and equipment	**(66,118)**	**–**	**(66,118)**	–	–	–
Marketing, selling and distribution costs	**(13,490)**	**–**	**(13,490)**	(8,079)	(258)	(8,337)
Administrative expenses	**(203,200)**	**–**	**(203,200)**	(199,374)	(4,052)	(203,426)
Other operating expenses	**(10,135)**	**–**	**(10,135)**	(9,990)	(78)	(10,068)
	(115,974)	**–**	**(115,974)**	(126,716)	(2,040)	(128,756)
Finance costs	**(29,667)**	**–**	**(29,667)**	(8,630)	–	(8,630)
Share of profit/(loss) of joint ventures	**–**	**–**	**–**	(1,108)	9,577	8,469
Share of loss of associates	**(443)**	**–**	**(443)**	(4,585)	–	(4,585)
Profit/(loss) before income tax	**(146,084)**	**–**	**(146,084)**	(141,039)	7,537	(133,502)
Income tax credit	**3,164**	**–**	**3,164**	2,002	528	2,530
Profit/(loss) for the year	**(142,920)**	**–**	**(142,920)**	(139,037)	8,065	(130,972)

The Group reported consolidated revenue of HK$215,337,000 for the year ended 31 December 2015. The cessation of the Group's first large-scale natural resources aviation and logistics ("AL") program, which occurred over the first half of 2015, coupled with the absence of any follow-on work of comparable size or nature, drove a 30.7% decline in consolidated revenue versus 2014's results. Unreimbursed sustainment costs and the ultimate wind-up of that large-scale program had a pronounced effect on gross profit, driving a gross loss of HK$31,077,000 for 2015. A series of exceptional items, including a HK$279,870,000 gain on the disposal of available-for-sale financial assets and cumulative impairment charges of HK$161,093,000 had a substantial but largely offsetting impact on the Group's overall reported loss. For the year ended 31 December 2015, the net loss was HK$142,920,000, a 9.1% increase relative to 2014's total net loss or a 2.8% increase relative to 2014's net loss from continuing operations.

Financial Key Performance Indicators

	Year ended 31 December	
	2015	2014
	HK$	HK$
Basic earnings/(loss) per share		
Continuing operations	**(11.62) cents**	(11.58) cents
Discontinued operations	**–**	0.67 cents
	(11.62) cents	(10.91) cents

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Total assets	**1,349,713**	1,400,773
Shareholders' funds	**526,745**	703,958
Net asset value per share (excluding non-controlling interests)	**43 cents**	57 cents
Cash and bank balances	**692,435**	698,701
Current ratio	**1.90**	6.02
Total liabilities-to-total assets ratio	**0.52**	0.41
Price to book ratio	**4.15**	1.94

With the Group's reported net loss, the basic loss per share was HK$0.1162 for 2015, versus HK$0.1091 for 2014. Total assets of HK$1,349,713,000 as at 31 December 2015 was roughly equivalent with the comparable figure for year-end 2014. The current ratio and total liabilities-to-total assets ratio at 31 December 2015 was 1.90 and 0.52 respectively, reflecting a maturing of the Group's business and a full 12 months of operations (whereas the Group was in start-up mode in 2014). Also, the current ratio's decline from 2014 to 2015 was driven by the inclusion of current assets and current liabilities of Cheetah Logistics SARL ("Cheetah") and Transit Freight Forwarding Proprietary Limited ("TFF") which were acquired during 2015. Appreciation of the Company's share price over the past year, closing 2015 at HK$1.78 per share, was the principal driver of the strong increase in the price-to-book ratio.

Revenue

	2015	2014
	HK$'000	HK$'000
Continuing operations:		
AL business	**191,569**	284,624
Financial market information ("FMI") business	**23,768**	25,820
	215,337	310,444
Discontinued operations:		
Advertising agency ("AA") business	**–**	295
	215,337	310,739

Consolidated revenue for 2015 was HK$215,337,000, marking a substantial decline relative to the Group's performance in 2014. AL business generated HK$191,569,000 of revenue and accounted for nearly 89% of consolidated revenue for the year. The abrupt cessation of customer payments on the Group's first large-scale natural resources AL program, which occurred over the first half of 2015, was the principal contributor to the 32.7% annual decline in AL revenue. During 2014, this large-scale program contributed HK$217,256,000 to the total revenue for the Group, so the termination of the program due to a global recession in commodity prices had a pronounced effect on the Group's 2015 results. The FMI business, the Group's lone remaining legacy segment, generated HK$23,768,000 of revenue for 2015, representing a relatively modest decline versus HK$25,820,000 of revenue for 2014. The prior discontinued AA business, which produced HK$295,000 of revenue for 2014, is no longer part of the Group following its disposal during 2014.

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

The Group reported a consolidated gross loss of HK$31,077,000 for the year ended 31 December 2015. This compares with gross profit of HK$139,174,000, including discontinued operations, for 2014. Gross margin, therefore, swung to (14.4)% for 2015 versus 44.8% last year. As previously noted, during the first half of 2015 the Group incurred substantial unreimbursed expenses sustaining the large-scale natural resources AL program under the expectation of further customer payments. These unreimbursed costs, estimated to be HK$57,999,000, were a significant contributor to the Group's consolidated gross loss for 2015. Controlling for the impact of the large-scale project's revenue and expenses, pro forma gross profit for the Group's AL business would have been HK$11,868,000 for 2015, reflecting pro forma gross margin of 7.2% for the segment.

Other Income and Other Gains/(Losses), Net

	2015 **HK$'000**	2014 HK$'000
Interest income on bank balances	**21,610**	19,405
Loss on share swap	**–**	(46,721)
Net gain on disposal of property, plant and equipment	**775**	91
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	**(56)**	(20,270)
Gain on disposal of subsidiaries	**–**	4,766
Fair value changes in derivatives	**–**	6,230
Others	**822**	340
	23,151	(46,099)

The Group reported Other Income and Other Gains/(Losses), Net ("Other Income") of HK$23,151,000 for 2015. This compares with Other Income of HK$(46,099,000) for the year ended 31 December 2014. Interest income on bank balances of HK$21,610,000, up slightly versus 2014, was the primary contributor to reported Other Income for the most recent year. Among other year-over-year changes to Other Income, the Group reported no material provisions for impairment for joint venture and associate or share swap loss during 2015 since the majority of these legacy matters were addressed during 2014.

Gain on Disposal of Available-for-Sale Financial Assets

The gain on disposal of available-for-sale financial assets for the year ended 31 December 2015 represents the net gain on the sale of 14,661,178 shares of REORIENT GROUP LIMITED in the market.

Provision for Impairment of Goodwill

Goodwill of HK$94,975,000 associated with the Company's December 2013 acquisition of Frontier Services Limited ("FSL") was written off in 2015's results. The decision to take a full impairment charge against the FSL goodwill was following a careful internal strategic review undertaken in the context of the substantial negative effect of the large-scale AL program for the natural resources sector on the Group's 2015 performance. The carrying value of the FSL goodwill was based on a pipeline of similar large-scale AL programs generally focused on the natural resources sector. With a sustained depression in commodity prices and unsuccessful business development efforts, the Group opted to de-emphasise its large-project efforts, in favour of investment in other market sectors such as consumer products. In recognition of this, the FSL goodwill was fully impaired and absorbed into the Group's reported consolidated financial statements for the year ended 31 December 2015.

Provision for Impairment of Property, Plant and Equipment

The Group recorded HK$66,118,000 in impairment provisions against four aircraft in its fleet. A provision of HK$62,940,000 was reported against two highly modified survey aircraft originally purchased and customised to support the Group's efforts in the natural resources sector. With the aforementioned decision to de-emphasise a focus on the natural resources sector, the Group has endeavoured unsuccessfully to dispose of the aircraft. The impairment charges, therefore, reflect no alternative use of the aircraft and the absence of re-sale marketability of the aircraft due principally to the highly specialised modifications previously made to the aircraft. The Group continues to evaluate all opportunities to dispose of these aircraft at maximum salvage value.

In addition, HK$3,178,000 was charged against the carrying value of two small turboprop aircraft previously operated by the Group's Phoenix Aviation Limited ("Phoenix") affiliate. Consistent with the Group's intention to refresh Phoenix's fleet with newer, more capable aircraft, these two turboprop aircraft were taken out of the fleet and held for sale. The carrying value of the assets was reduced by the impairment charge in recognition of bona fide purchase offers for the two aircraft presently under consideration.

Marketing, Selling and Distribution Costs/Administrative Expenses

The increase of 2.3% in the operating expenses for the year ended 31 December 2015 as compared to the previous year was mainly attributable to the operating expenses of Phoenix which was acquired by the Group in late July 2014.

Other Operating Expenses

	2015 HK$'000	2014 HK$'000
Acquisition-related costs	**8,318**	8,776
Amortisation of intangibles	**1,694**	707
Provision for impairment of trade and other receivables	**66**	413
Provision for inventories	**12**	–
Others	**45**	172
	10,135	10,068

Acquisition-related costs for the year ended 31 December 2015 represent the professional fees incurred for the acquisitions of Cheetah and certain trucking vehicles, and TFF.

Acquisition-related costs for the year ended 31 December 2014 represent the professional fees incurred for the acquisitions of Phoenix and its five aircraft.

Analysis of Results for Continuing Operations

	2015 HK$'000	2014 HK$'000	Difference HK$'000
Revenue	215,337	310,444	(95,107)
Gross profit/(loss)	(31,077)	138,973	(170,050)
Operating loss	(115,974)	(126,716)	10,742
Non-recurring charges	(46,414)	(80,725)	34,311
Adjusted operating loss	(69,560)	(45,991)	(23,569)

2015 was a year of fundamental change and evolution of the Group's business. A key element of the original investment thesis, large-scale natural resources AL projects, was challenged by external market factors while the AL business was still in its first full year of operations. Demonstrating resilience in the platform, management rationalised aspects of the business and assets previously dedicated to the natural resources sector in favour of investment in other markets, such as consumer products, and in new capabilities including freight forwarding and trucking via two corporate acquisitions made during 2015.

Notwithstanding these strategic accomplishments, the Group reported consolidated revenue of HK$215,337,000 for the continuing operations for the year ended 31 December 2015, a decrease of 30.6% versus consolidated revenue for 2014. The abrupt cessation of customer payments in the first half of 2015 on the large-scale natural resources AL program had the most pronounced impact on revenue for the year, as the noted program had contributed approximately HK$217,256,000 to the Group's revenue over the last four months of 2014. Nevertheless, the AL business accounted for nearly 89% of consolidated revenue for the continuing operations for 2015, led by Phoenix.

Phoenix, the Group's flagship aviation business, generated HK$130,887,000 of revenue for 2015 and accounted for more than 60% of consolidated revenue for the continuing operations for the year. While the full-year contribution of Phoenix, acquired in late July 2014, positively impacted the Group's results, Phoenix's business was adversely impacted by a slowdown in general charter flying across east and central Africa and a generally more competitive marketplace. So, while Phoenix's performance remained strong with its core customers, such as the United Nations, the rest of the business, including third-party maintenance service, was slow during 2015. Other aviation-related business performed by the Group's affiliates, including work on the large-scale natural resources AL program, generated HK$40,894,000 of revenue during 2015. The Group's two ground logistics businesses, Cheetah and TFF, combined to generate revenue of HK$19,788,000 for 2015, though that aggregate figure represents partial-year results for both businesses.

For the year ended 31 December 2015, the Group's continuing operations recorded a consolidated gross loss of HK$31,077,000. Compared with consolidated gross profit of HK$138,973,000 for 2014, this substantial decline was driven principally by HK$57,999,000 of expenses, most of which was unreimbursed, associated with the large-scale natural resources AL program terminated in mid-2015. Adjusting for the full effect of the large-scale natural resources AL program on the Group's consolidated income statement, pro forma gross profit for the Group's AL business would have been HK$11,868,000 for 2015, reflecting pro forma gross margin of 7.2%.

The Group's continuing operations reported an operating loss of HK$115,974,000 for 2015 versus an operating loss of HK$126,716,000 for the prior year. As discussed above, the Group had significant extraordinary events during 2015, including among other items a one-time gain on the disposal of available-for-sale financial assets of HK$279,870,000, impairment of property, plant and equipment, and goodwill totalling HK$161,093,000, and non-cash share-based compensation expense of HK$19,668,000. The net negative effect of these extraordinary items was only HK$501,000, and the Group's total operating expenses increased only modestly in 2015 versus 2014 as the business entered its first full year of operations.

The Group's adjusted operating loss for the year ended 31 December 2015 was HK$69,560,000, representing a 51.2% increase versus the same figure for 2014. Among non-recurring expenses in 2015 were share-based compensation expense of HK$19,668,000, HK$8,318,000 in professional fees paid mostly in connection with the Group's successful acquisition-related efforts, HK$7,602,000 in special bonuses paid to certain directors and senior staff members, HK$6,245,000 in non-recurring compliance costs, and HK$4,581,000 in unsuccessful business development efforts toward a large natural resources logistics project. With recurring operating expenses generally increasing only modestly and in-line with a business in growth mode, the increase in the Group's adjusted operating loss was driven by the decrease in year-over-year consolidated revenue.

PROSPECTS

The Group expects to focus its efforts in 2016 on the integration of the businesses acquired during the past year, with a clear emphasis on organic growth opportunities that feature multiple service offerings. For example, with two seasoned business development professionals installed in January 2016, the Group has already submitted several formal proposals that combine the aviation and ground resources of the business. This sort of joint-capability proposal, which often demands a short response timetable, was previously unavailable to the Group due to the lack of complete in-house capabilities. Further, management believes that the level of inbound interest for multiple-service proposals since late 2015 reflect the fundamental validity of the Group's thesis regarding integrated frontier logistics across the African continent.

From a market perspective, the Group intends to concentrate its resources on customers in the international donor community, including the United Nations and the United States Government, and the consumer products sector. The challenges posed during 2015 by natural resources AL projects are evident in the Group's reported results for the year, so the Group will continue to de-emphasise its efforts in those markets until conditions improve substantially.

Chinese customers remain as a tremendous growth market for the Group. While limited in scope, the Group's first successful project with a Chinese customer was completed in late 2015. Building off that demonstrated performance on a critically important short-term project, the Group recently installed a senior business development professional solely focused on growing the Group's business with mainland Chinese clients. The Group expects to build momentum with this key customer base moving into 2016.

Among the aviation business, Phoenix is expected to grow the scope of its business with its core customer base and leverage the Group's recent investment in its fleet, including a new longer-range jet and the reallocation of select helicopter assets to its business. Until the market for general charter flying improves in east and central Africa, the donor community customer base should sustain Phoenix's business. Also, the Group recently announced its pending acquisition of Maleth Aero Limited and its subsidiary, Maleth Aero AOC Limited (the "Maleth Group"), an aviation services business based in southern Europe. The pending Maleth Group acquisition fits well with the Group's emphasis on partnering with strong, experienced management teams and capital efficient businesses with cargo charter flying expertise. Further, leveraging the Maleth Group's location on the Mediterranean island of Malta, the Group expects to begin tying customers between Africa and Europe and potentially expanding its air ambulance business to a geographically northern fixed base of operations.

Within the ground logistics business, TFF is expected to sustain its existing sterling reputation for service and seek organic growth, either through expansion of business with current accounts or via the acquisition of new customers. Also, TFF will increasingly lead the operational management of the Group's smaller Cheetah operation. The Group now has a substantial portion of sub-Saharan Africa covered with warehousing, distribution, and trucking capabilities extending from the Democratic Republic of the Congo (the "DRC") southward to South Africa. TFF is further expected to be a critical driver of multiple-service business opportunities, tying in the Group's cargo aviation capabilities with the ground logistics requirements of its customers.

Geographically, the Group continues to evaluate opportunities for expansion in west Africa, mostly in ground logistics. However, with three corporate acquisitions either complete or pending since April 2015 and a strategic focus on organic growth, the Group expects to be highly selective with respect to both greenfield expansion and additional acquisition-related efforts. Nonetheless, the Group will continue to support the internal capital requirements of its businesses as may be required during 2016.

General economic conditions across Africa, which are often heavily influenced by the natural resources sector, remain dynamic. The Group endeavours to mitigate country-specific risk by spreading its resources, personnel, and capabilities across multiple regions. However, exposure to local currency trends and geopolitical factors remain, and the Group will take all reasonable measures to protect the business from these and other exogenous factors.

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 did not grant any share options to the Group's eligible directors and employees under its share option scheme during the year ended 31 December 2015 (2014: 115,477,828 share options).

On 10 December 2015, the Company also adopted a share award scheme to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Company did not grant any shares under its share award scheme during the year ended 31 December 2015.

The total number of employees of the Group as at 31 December 2015 was 422 (2014: 303). The increase was mainly attributable to the additional headcount of Cheetah and TFF, which were acquired during the year ended 31 December 2015.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2015, the Group recorded total assets of HK$1,349,713,000 (2014: HK$1,400,773,000) which were financed by liabilities of HK$706,718,000 (2014: HK$580,565,000), non-controlling interests of HK$116,250,000 (2014: HK$116,250,000) and shareholders' equity of HK$526,745,000 (2014: HK$703,958,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2015 amounted to HK$0.43 (2014: HK$0.57).

The Group recorded cash and bank balances of HK$692,435,000 (2014: HK$698,701,000) and secured borrowings of HK$548,010,000 (excluding facility arrangement fees of HK$4,517,000) (2014: HK$450,593,000 (excluding facility arrangement fees of HK$4,074,000)) as at 31 December 2015. The Group's borrowings, which comprise of bank loans and finance leases and are denominated in United States dollars ("US$"), will mature in 1 to 5 years (2014: 1 to 6 years) as at 31 December 2015. Except for the borrowings of HK$49,775,000 (2014: HK$9,665,000) which are interest bearing at fixed rates, the remaining balances of HK$498,235,000 (2014: HK$440,928,000) are interest bearing at floating rates as at 31 December 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 (2014: Nil) as at 31 December 2015.

At 31 December 2015, the Company had 344,384,113 outstanding share options (2014: 344,384,113), out of which 116,477,828 share options (2014: 116,477,828) were granted under its share option schemes. If all of the outstanding share options were exercised, gross proceeds of approximately HK$338 million (2014: 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 ("EUR"). 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$, EUR, Kenyan Shillings ("KES") and South African Rand ("ZAR"). The exchange rates of EUR, KES and ZAR against HK$ have declined by 10%, 12% and 25% respectively in 2015. No financial instrument was used for hedging purposes for the year due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risk of the EUR, KES and ZAR 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. The exchange rate of RMB against HK$ has devalued since August 2015. No financial instrument was used for hedging purposes for the year. The Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate the currency exchange risk of RMB.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 11 March 2015, 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, a company principally engaged in the provision of transport logistics services in the DRC for a consideration of US$250,000 (equivalent to approximately HK$1,938,000). The acquisition was completed on 14 April 2015.

On 14 August 2015, 1PC Ibid Proprietary Limited, a wholly-owned subsidiary of FSL, entered into a conditional share purchase agreement for the acquisition of the entire equity interest in TFF, a company principally engaged in the provision of freight forwarding services in South Africa for a consideration of ZAR 49 million (equivalent to approximately HK$26,093,000). The acquisition was completed on 24 November 2015.

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 2015.

Charges on Assets

At 31 December 2015, the Group had bank deposits amounting to approximately HK$459,570,000 (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 31 December 2015 (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 to enhance shareholders' value for the long term.

On 3 February 2016, the Company announced that FSL has entered into a conditional investment agreement (the "Investment Agreement") with an independent third party to subscribe for a 51% equity interest in Maleth Aero Limited, a company through its subsidiary, Maleth Aero AOC Limited principally engaged in the provision of aircraft management services in southern Europe, for a consideration of approximately EUR1,002,000 (equivalent to approximately HK$8,500,000). On the same date, FSL, the independent third party, Maleth Aero Limited and Maleth Aero AOC Limited have entered into a put and call option agreement (the "Put-Call Agreement") for the right to purchase the remaining 49% equity interest in Maleth Aero Limited at an option price ranging between EUR1,000,000 (equivalent to approximately HK$8,500,000) and EUR10,000,000 (equivalent to approximately HK$85,000,000). Details of the Investment Agreement and the Put-Call Agreement are set out in the Company's circular dated 18 March 2016.

Capital Expenditure Commitments

The Group had outstanding capital expenditure commitments of HK$1,527,000 (2014: HK$13,198,000) with respect to the acquisition of certain aviation equipment as at 31 December 2015.

Save as mentioned above, the Group did not have any other material capital expenditure commitments as at 31 December 2015.

Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

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.

INTRODUCTION

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

COMPLIANCE WITH THE CODE

In the opinion of the directors, the Company has complied with the code provisions of the Code throughout the year ended 31 December 2015, 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.

BOARD OF DIRECTORS

At the date of this annual report, the Board of Directors (the "Board") of the Company comprises 9 directors, including 5 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) and Mr Hu Qinggang) and 4 independent non-executive directors (Mr Yap Fat Suan, Henry, Professor Lee Hau Leung, Mr William J. Fallon and Dr Harold O. Demuren).

The roles of the Chairman and the Chief Executive Officer are separate and are exercised by different individuals. One of the independent non-executive directors is a professional accountant, that is in compliance with the requirement of the Listing Rules. There are also 3 board committees under the Board, that are the Audit Committee, the Nomination Committee and the Remuneration Committee.

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

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

Each of the independent non-executive directors is appointed for a specific term of not more than 3 years and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws and the Listing Rules. To determine the non-executive directors' independence, assessments are carried out upon appointment, annually and at any other time where the circumstances warrant reconsideration by the Nomination Committee. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive directors meet the requirements for independence as set out in Rule 3.13 of the Listing Rules. It is noted that Mr Luo Ning is a non-executive director of Lajin Entertainment Network Group Limited, which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for which Mr Ko Chun Shun, Johnson is a substantial shareholder. In addition, Mr Luo Ning is an employee of CITIC Group Corporation, a substantial shareholder of the Company. Save for disclosed herein, there is no other material relationship between each of the Board members.

Every newly appointed director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the directors regular updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Company's expense. All directors are required to provide the Company with their record of training they received during the year ended 31 December 2015.

During the year ended 31 December 2015, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Audit Committee

The Audit Committee currently comprises 3 independent non-executive directors, namely Mr Yap Fat Suan, Henry (Chairman), Professor Lee Hau Leung and Mr William J. Fallon.

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

During the year ended 31 December 2015, the Audit Committee, among other matters, reviewed reports from the independent auditor regarding the audit on annual consolidated financial statements and the review on non-exempt continuing connected transactions, discussed the internal control of the Group, and met with the independent auditor.

Nomination Committee

The Nomination Committee currently comprises 5 directors, namely Mr Erik D. Prince (Chairman), Mr Ko Chun Shun, Johnson, Mr Yap Fat Suan, Henry, Professor Lee Hau Leung and Mr William J. Fallon.

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

The Nomination Committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

Remuneration Committee

The Remuneration Committee currently comprises 5 directors, namely Professor Lee Hau Leung (Chairman), Mr Erik D. Prince, Mr Ko Chun Shun, Johnson, Mr Yap Fat Suan, Henry and Mr William J. Fallon.

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

During the year ended 31 December 2015, the work performed by the Remuneration Committee includes, inter alia, the review of the Group's remuneration policy for its executive directors and senior management and their levels of remuneration.

BOARD DIVERSITY POLICY

In 2013, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee reviews the Policy on a regular basis and discusses any revisions that may be required, and recommends any such revisions to the Board for consideration and approval.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each director at the various meetings of the Company during the year ended 31 December 2015 are set out as below:

	Attended/Eligible to attend					
	Annual general meeting	Special general meeting	Board meetings	Audit committee meetings	Nomination committee meeting	Remuneration committee meetings
Number of meetings	1	1	17	5	1	2
Executive directors						
Mr Erik D. Prince	1/1	–/1	9/17	N/A	1/1	2/2
Mr Ko Chun Shun, Johnson	1/1	–/1	17/17	N/A	1/1	2/2
Mr Luo Ning	–/1	–/1	9/17	N/A	N/A	N/A
Mr Gregg H. Smith	1/1	1/1	17/17	N/A	N/A	N/A
Mr Hu Qinggang	–/1	–/1	10/17	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr Yap Fat Suan, Henry	1/1	1/1	10/17	5/5	1/1	2/2
Professor Lee Hau Leung	1/1	–/1	10/17	5/5	1/1	2/2
Mr William J. Fallon	–/1	–/1	9/17	5/5	1/1	2/2
Dr Harold O. Demuren	–/1	–/1	9/17	N/A	N/A	N/A

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 required standard set out in the Model Code regarding directors' securities transactions throughout the year ended 31 December 2015.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2015, all directors have participated in continuous professional development by attending training courses on the topics related to corporate governance and regulations:

Executive Directors	
Mr Erik D. Prince	Attending training courses
Mr Ko Chun Shun, Johnson	Attending training courses
Mr Luo Ning	Attending training courses
Mr Gregg H. Smith	Attending training courses
Mr Hu Qinggang	Attending training courses
Independent Non-Executive Directors	
Mr Yap Fat Suan, Henry	Attending training courses
Professor Lee Hau Leung	Attending training courses
Mr William J. Fallon	Attending training courses
Dr Harold O. Demuren	Attending training courses

AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditor for the year ended 31 December 2015. The statement by the independent auditor of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 42 to 43 of this Annual Report.

The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2015 is summarised as follows:

	HK$'000
Auditing services	1,875
Non-auditing services	
Fee for review of working capital	204
	2,079

COMPANY SECRETARY

The Company does not engage an external service provider as its company secretary. Mr Chan Kam Kwan, Jason, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and has the responsibility for reviewing its effectiveness. The Group has adopted a set of internal control procedures and policies to safeguard the assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively. The Board considered the Group's internal control system effective and adequate. The Board also reviews at least annually the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

There were no changes in the Company's constitutional documents during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Erik D. Prince, aged 46, has been appointed as an executive director and the Chairman of the Company since 10 January 2014. He is also a director of a subsidiary of the Company and the chairman of the Nomination Committee and a committee member of the Remuneration Committee of the Company. Mr Prince is a US-born entrepreneur, philanthropist, military veteran and private equity investor with business interests in Africa, Europe, the Middle East and North America in the fields of logistics, aviation services, manufacturing, natural resources development and energy. He is the founder and chairman of Frontier Resource Group, a private equity firm active across the African continent in areas such as exploration, mining and energy development. Mr Prince is the founder of Blackwater, a global private security company, which he sold in 2010 after successfully growing the company over the course of more than a decade into the premier provider of global security and logistics solutions to the United States Government and others. In addition, Mr Prince purchased Presidential Airways in 2003 and grew it from a one-plane operation into a global logistics and aviation business with over 70 fixed and rotary wing aircraft operating in Africa, the Middle East and North America; he sold the company in 2010. Mr Prince was educated at Hillsdale College. Upon graduation, he enlisted in the US Navy, where he served as a Navy SEAL officer until 1996.

Mr Ko Chun Shun, Johnson, aged 64, has been an executive director of the Company since 1998 and was re-designated from the Chairman of the Company to a Deputy Chairman of the Company on 10 January 2014. He is also a director of various subsidiaries of the Company and is a committee member of the Remuneration Committee and the Nomination Committee of the Company. On 9 November 2015, Mr Ko resigned as the chairman but remained as an executive director of REORIENT GROUP LIMITED, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also the chairman and an executive director of Varitronix International Limited and an executive director of KuangChi Science Limited, both of which are listed on the Main Board of the Stock Exchange. Mr Ko has extensive experience in direct investment, merger and acquisition, TMT (Telecommunications, Media and Technology), advertising, electronic manufacturing service, financial service and property investment.

Mr Luo Ning, aged 57, has been an executive director of the Company since October 2006 and was appointed as a Deputy Chairman of the Company on 10 January 2014. Mr Luo is currently an assistant president of CITIC Group Corporation, a substantial shareholder of the Company, a deputy-chairman of CITIC Guoan Group, the chairman and general manager of CITIC Networks Co., Ltd, and the chairman of CITIC Guoan Information Industry Company Limited (a public company listed on the Shenzhen Stock Exchange in the People's Republic of China ("PRC")). He is also a non-executive director of Asia Satellite Telecommunications Holdings Limited and an executive director of CITIC Telecom International Holdings Limited, both of which are listed on the Main Board of the Stock Exchange. On 23 November 2015, he was appointed as a non-executive director of Lajin Entertainment Network Group Limited, which is listed on the Growth Enterprise Market of the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group Corporation. Mr Luo has extensive experience in telecommunication business and holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command in the PRC.

Mr Gregg H. Smith, aged 53, has been an executive director and the Chief Executive Officer of the Company since 23 November 2013. He is also a director of various subsidiaries of the Company. Mr Smith was the group head of Investment Banking Services and a member of the Executive Management Committee of CIT Group, a company listed on the New York Stock Exchange, and was a partner at Deloitte in the United States. Throughout Mr Smith's investment banking career, he managed and led teams specialising in transportation and logistics, aerospace and defence, and supply chain management, amongst others. As the U.S. leader for Deloitte's investment banking operations, Mr Smith developed business relationships around the world, which he maintains today. He graduated from the Michigan State University with a Bachelor of Arts Degree and has a Master Degree in Business Administration (MBA) from the University of Michigan. Mr Smith served in the United States Marine Corps.

Mr Hu Qinggang, aged 41, has been an executive director of the Company since October 2006. He is also a director of various subsidiaries of the Company. He has extensive experience in the finance field and had worked in the Finance Department of CITIC Group Corporation, a substantial shareholder of the Company, as the deputy director of the Finance and Planning Division. Mr Hu holds a bachelor degree in Economics from the Beijing University of Technology and a master degree in Economics from the University of International Business and Economics in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yap Fat Suan, Henry, aged 70, has been an independent non-executive director of the Company since 2004. He is also the chairman of the Audit Committee and a committee member of the Remuneration Committee and the Nomination Committee of the Company. Mr Yaps holds a master degree in Business Administration from the University of Strathclyde, Glasgow, in the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in finance and accounting. He retired as the managing director of Johnson Matthey Hong Kong Limited in June 2007 and prior to that appointment he was the general manager of Sun Hung Kai Development (China) Limited. He is also an independent non-executive director of Concord New Energy Group Limited, which is listed on the Main Board of the Stock Exchange, and Brockman Mining Limited, which is listed on the Main Board of the Stock Exchange and the Australian Securities Exchange.

Professor Lee Hau Leung, aged 63, has served as an independent non-executive director of the Company since 24 March 2014. He is also the chairman of the Remuneration Committee and a committee member of the Audit Committee and the Nomination Committee of the Company. Professor Lee is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. His areas of specialisation include supply chain management, information technology, global logistics system design, inventory planning, and manufacturing strategy. He is the founding and current co-director of the Stanford Value Chain Innovation Initiative. He was elected a member of the United States National Academy of Engineering in 2010. He obtained his Bachelor of Social Science degree in Economics and Statistics from The University of Hong Kong in 1974, his Master of Science degree in Operational Research from the London School of Economics in 1975, and his Master of Science and PhD degrees in Operations Research from the Wharton

School of the University of Pennsylvania in 1983. He was awarded an Honorary Doctorate of Engineering degree by the Hong Kong University of Science and Technology in 2006 and an Honorary Doctorate from the Erasmus University of Rotterdam in 2008. Professor Lee is an independent non-executive director of 1010 Printing Group Limited and Global Brands Group Holding Limited, both of which are listed on the Main Board of the Stock Exchange. He is also an independent external director of Synnex Corporation, a public company listed on The New York Stock Exchange in the United States, and an independent non-executive director of Esquel Enterprises Limited, a private company based in Hong Kong.

Mr William J. Fallon, aged 71, has served as an independent non-executive director of the Company since 8 April 2014. He retired from the United States Navy as a four-star Admiral in 2008 after leading U.S. and Allied forces in eight separate commands, including U.S. Central Command and U.S. Pacific Command. During his four decades career in uniform, he served in key leadership roles in military and diplomatic matters at the highest levels of the U.S. government. Beginning in carrier aviation, he served in flying and staff assignments for twenty four years, with combat in Vietnam, Lebanon and during the Gulf War in Iraq. He was a uniformed service leader in tactical and operational command assignments and staff duty in Washington and with NATO. Mr Fallon is an advisor to Cylance, Inc. and the chairman of the board of CounterTack, Inc., a cyber security firm, and was the chief executive officer of NeuralIQ, Inc. Mr Fallon is a partner at Tilwell Petroleum, LLC and serves on the U.S. Defense Science Board and the board of the American Security Project. Following his retirement from the Navy, he was a Robert E. Wilhelm Fellow at the Massachusetts Institute of Technology, Center for International Studies. Mr Fallon is a graduate of Villanova University, the Naval War College, Newport, Rhode Island, and the National War College in Washington, D.C. He holds a Master of Arts degree in International Studies from Old Dominion University. Mr Fallon was granted Honorary Ph.D Degrees by Villanova University in 2009 and Old Dominion University in 2010.

Dr Harold O. Demuren, aged 70, has served as an independent non-executive director of the Company since 8 April 2014. Dr Demuren is an aeronautical engineer and the chief executive officer of Harold Demuren Consulting. With over 40 years of experience in both the public and private sectors of the aviation industry, Dr Demuren has been a strong proponent of aviation safety and security, especially advocating and spreading safety regulatory oversight on the African continent. He was the chief executive officer of Afrijet Airlines, a successful cargo airline, which had strategic alliances with foreign partners servicing Africa, Europe and the Americas from 1998 to 2005. He is the founder of Evergreen Apple Nigeria, the first fully integrated fixed based operations and maintenance facility hangar in Nigeria. He was appointed as the Director General of the Nigerian Civil Aviation Authority from 2005 to 2013 and was the first to provide vital information to the public on the failed attempt of the "Christmas Day Bomber" in 2009. He successfully attained US Federal Aviation Administration (FAA) Category One Certification for Nigeria and was the first African to be elected as the President of the International Civil Aviation Organisation (ICAO) General Assembly in Montreal in 2010. For his contribution to aviation safety globally, Dr Demuren has received numerous awards including the 2010 Laura Taber Barbour Air Safety Award and the 2014 FSF-Boeing Aviation Safety Lifetime Achievement Award from Flight Safety Foundation. Dr Demuren holds a Master of Science degree in Aeronautical Engineering from the Kiev Institute of Aeronautical Engineers in the former Soviet Union and a Doctor of Science degree in the field of gas turbines, specialising in aircraft jet engines, from Massachusetts Institute of Technology (MIT).

SENIOR MANAGEMENT

Mr Peter C. Phillips, aged 49, has been the Chief Operating Officer of the Company since July 2014. He is also a director of various subsidiaries of the Company. Mr Phillips retired from the United States Navy as Captain on 1 May 2014. During his 25 year career as a U.S. Navy SEAL, he traveled to 59 countries on 6 continents and was the Division Chief of Special Operations on the U.S. Joint Chiefs of Staff, and held top leadership billets with the Joint Special Operations Task Forces in Africa, Asia, and the Middle East. He holds a Master degree in National Security Strategy with a focus on Africa.

Mr Charles H. Thompson, aged 44, has been the Chief Financial Officer of the Company since April 2014. He is also a director of various subsidiaries of the Company. Before joining the Group, he was a partner and the executive vice president of Hawke Aerospace Group, a rotary-wing aviation services business, and a managing director and shareholder of Edgeview Partners, a leading U.S. middle market investment banking advisory firm, now part of Piper Jaffray & Co. Mr Thompson has more than 20 years of industry experience in transportation and aviation through his tenure in operations, principal investing, investment banking and consulting. His network of relationships includes high-level contacts in New York, Washington, D.C., London, Abu Dhabi, Dubai, Johannesburg and Nairobi. He graduated from Colby College with a Bachelor of Arts Degree and earned a Master of Business Administration from Columbia University in New York City.

Mr Chan Kam Kwan, Jason, aged 42, has been the Company Secretary of the Company since 2006. He is also a director of various subsidiaries of the Company. He graduated from the University of British Columbia in Canada with a bachelor degree in Commerce and holds a certificate of Certified Public Accountant issued by the Washington State Board of Accountancy in the United States. He has extensive experience in accounting and corporate finance.

Mr Fung Man Yin, Sammy, aged 56, is the Group Financial Controller of the Company and a director of several subsidiaries of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr Fung holds a bachelor degree in Economics and Accounting from the Newcastle University, England. Before joining the Company in October 2006, he worked with several international accounting firms and listed companies in England and Hong Kong for over 20 years.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and management. Details of the principal activities of the principal subsidiaries are set out in Note 17 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 44.

The Board of Directors (the "Board") of the Company does not recommend the payment of any dividend (2014: Nil) for the year.

BUSINESS REVIEW

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the Chairman's Statement on pages 3 to 6 and the Management Discussion and Analysis on pages 7 to 18 of this Annual Report. The review forms part of the Report of the Directors.

Description of the principal risks and uncertainties facing the Group and discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the paragraphs below.

Principal Risks and Uncertainties

The Group is exposed to various risks, including factors that are unique to the Group and the markets in which it operates, in addition those risks that are shared by most other businesses. The Group has implemented policies and functions intended to monitor and mitigate risks to the Group overall, including its strategic objectives, its individual businesses, and the human capital and physical assets of the Group.

The following discussion highlights the risks that are believed to be most germane to the Group at this time. Any or all of the Group's business, financial status, operations, personnel, and outlook may be adversely or, potentially, materially affected by the identified risks. The scope of the risks influencing the Group may exceed those presented herein, so the following is not intended to be comprehensive. Rather, the list of risks may include in the future unknown matters that ultimately have an impact, material or otherwise, on the Group.

Geopolitical Environment – The Group's core business is the provision of aviation and logistics services to customers operating across the African continent. With more than 50 countries, Africa has many of the world's fastest growing markets. However, the orderly transition of elected leadership across Africa has been challenged at times, creating localised political risk. In addition, regional pockets of terrorism, often directed toward governments and related agencies, can compound the geopolitical risk inherent in Africa. Diversification, across end-markets, service capabilities and operating locations, is the cornerstone of the Group's process to mitigate geopolitical risk.

Economic Environment – The Group employs a strategy of diversification to hedge against cyclical downturns in geographic regions and specific end-markets. Nevertheless, the African economy, writ large, has been and will continue to be affected by commodity prices and balance-of-trade issues.

Compliance – Similar to the intrinsic geopolitical risk arising from operating in Africa, corruption is frequently found in fast-growing markets. The Group rigorously adheres to all applicable anti-bribery statues of various jurisdictions and offers a thorough anti-corruption training program to all of its staff members to reduce the risk of corruption to the business.

Aviation – The Group has invested considerable resources into the development of its aviation capabilities. The global aviation market carries numerous inherent risks, from the safe operation of aircraft to the evolution of local regulatory policies. The Group follows all policies and procedures to ensure that its aviation operations are fully compliant with the relevant civil aviation authority and that it operates its fleet in the safest and most reliable manner.

Competition – The Group has endeavoured to the first business to bring a complete logistics solution, spanning integrated air and ground operations, to the African continent. Within its primary aviation and logistics segment – air and ground – the Group faces strong competition from existing vendors specialising in one or more of the Group's lines of service. The Group continually adapts its tactical response to the ever-changing competitive landscape across its African markets.

Global Operations – The Group, headquartered in Hong Kong, now conducts operations in both Africa and Europe. As a result, considerable ongoing coordination is required to manage the business in the most effective manner across multiple time zones and numerous geographies.

Financial – The Group operates across multiple jurisdictions and conducts business in multiple foreign currencies. The Group also has a substantial amount of collateralised debt. As such, the Group is exposed to foreign exchange trends, margin calls on secured debt and general liquidity risks. The Group monitors its cash position and overall near- and medium-term liquidity on a weekly basis, and makes all necessary adjustments to ensure that the business has a functioning capital structure.

Strategy – The Group is fully committed to its strategic development of a pan-African aviation and logistics network. The execution of this vision requires great coordination among the Group's operating businesses, in addition to the cooperation of other potential partners. Further, the fulfillment of the Group's strategy may require the addition of new geographic or service capabilities, either through greenfield investment or corporate acquisition. While the Group proactively plans for these potential requirements, there are no assurances that the required investment opportunities will exist in the future.

Personnel – The Group's success is ultimately determined by its dedicated staff, and the ability to grow the business is predicated on the Group's ability to recruit, train, and retain highly qualified personnel who share a passion for the corporate vision. The loss of any key staff member or a failure to attract new personnel could have a negative and potentially material effect on the Group and its prospects.

Highly Regulated Business – The Group is subject to any number of national and local regulatory bodies by virtue of its global operations. Failure to comply with any one of the applicable regulatory regimes could have an adverse impact on the Group. Consequently, the Group expends substantial resources ensuring its businesses operate in a fully compliant manner, often with the assistance of third-party service providers who specialise in such matters. Please refer to the sub-section below entitled "Compliance with Laws and Regulations" for additional discussion of this topic.

Environmental Protection

The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group has implemented green office practices such as think before you print, double-sided printing and copying, setting up recycling bins, use of energy efficient office equipment and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group complies with all regulatory requirements in order to conduct its business. Phoenix Aviation Limited, an indirect wholly-owned subsidiary of the Company, complies with all relevant rules and regulations promulgated by the Kenya Civil Aviation Authority and holds relevant required certificates and licences for the provision of air services and aircraft maintenance services.

To protect the Group's intellectual property rights, the Group has registered various website domain names and trade names in Hong Kong, mainland China, Kenya and South Africa.

Relationship with Employees, Customers and Suppliers

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The management reviews regularly the compliance of the subsidiaries with local labour laws and regulations in order to ensure fair labour practice among the workforce.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The management regularly reviews the Group's remuneration packages to ensure they are up to prevailing market standard in order to attract and retain employees. The Group provides on-the-job training and development opportunities to enhance our employees' career progression.

The Group values mutually beneficial long lasting relationships with its customers and suppliers. The Group aims at delivering high quality services to its customers so as to ensure sustainable development.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED SHARES

Details of the movements in the share capital, share options and awarded shares of the Company during the year ended 31 December 2015 are set out in Notes 32, 33 and 34 respectively to the consolidated financial statements.

RESERVES

The Company's distributable reserves as at 31 December 2015, which solely comprised contributed surplus, amounted to approximately HK$558,899,000 (2014: HK$558,899,000). Details of the movements in the reserves of the Group during the year are set out in Note 35 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$175,000 (2014: HK$388,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities, non-controlling interests and shareholders' equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 148 of the Annual Report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr Erik D. Prince
Mr Ko Chun Shun, Johnson
Mr Luo Ning
Mr Gregg H. Smith
Mr Hu Qinggang

Independent Non-Executive Directors

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

In accordance with the Company's Bye-laws, Mr Hu Qinggang, Professor Lee Hau Leung and Dr Harold O. Demuren will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws and subject to the statues, every director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. The Company has taken out and maintained insurance against the liability and costs associated with defending any proceedings which may be brought against the directors of the Company. The level of coverage is reviewed annually.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the Share Award Scheme of the Company as set out in Notes 33 and 34 to the consolidated financial statements respectively and the preference shares issued by DVN (Group) Limited as set out in Note 36 to the consolidated financial statements, there were no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares entered into by the Company during the year ended 31 December 2015 or subsisted as at 31 December 2015.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 26 to 29 of the Annual Report.

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

At 31 December 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

	Number of ordinary shares held				Number of underlying shares held		% of the issued share
Name of director	Personal interests	Family interests	Corporate interests	Total	Personal interests	Grand total	capital of the Company
Mr Erik D. Prince ("Mr Prince")	575,000	–	–	575,000	307,673,485 (Note (i))	308,248,485	25.07%
Mr Ko Chun Shun, Johnson ("Mr Ko")	–	2,040,816 (Note (ii))	223,776,719 (Note (iii))	225,817,535	–	225,817,535	18.37%
Mr Gregg H. Smith	11,700,500	–	–	11,700,500	–	11,700,500	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 (iv))	1,400,000	0.11%
Professor Lee Hau Leung	–	–	–	–	1,400,000 (Note (iv))	1,400,000	0.11%
Mr William J. Fallon	–	–	–	–	1,400,000 (Note (iv))	1,400,000	0.11%
Dr Harold O. Demuren	–	–	–	–	1,400,000 (Note (iv))	1,400,000	0.11%

Notes:

(i) These interests represent:

(a) Mr Prince's interest in the option for the rights to subscribe for up to 205,115,657 new shares of the Company, details of which are disclosed in Note 33 to the consolidated financial statements; and

(b) Mr Prince's interest in 102,557,828 share options of the Company granted to him under the Company's share option scheme, details of which are disclosed in Note 33 to the consolidated financial statements.

(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; and

(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.

(iv) These interests represent the share options of the Company granted to the respective directors under the Company's share option scheme, details of which are disclosed in Note 33 to the consolidated financial statements.

Save as disclosed above, at 31 December 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 under the section titled "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above and in the share option scheme and the share award scheme disclosed in Notes 33 and 34 respectively to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 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

	Number of ordinary shares held			Number of underlying shares held		% of the
Name	Direct beneficially owned	Through controlled corporation	Total	Through controlled corporation	Grand total	issued share capital of the Company
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 (v))	14.27%
REORIENT GROUP LIMITED ("RGL")	–	56,976,571	56,976,571	22,790,628	79,767,199 (Note (vi))	6.49%

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 indirect interests in CITIC Limited. Mr Luo Ning, a deputy chairman and an executive director of the Company, is an employee of CITIC Group Corporation.

(v) Mr Ko is deemed to be interested in the 175,500,000 shares of the Company held by Rich Hill Capital Limited under the SFO by virtue of his interests in Rich Hill Capital Limited. Such interest forms a part of the corporate interests in the ordinary 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.

(vi) These interests represent:

(a) the deemed interests of RGL in the 56,976,571 ordinary shares of the Company held by REORIENT GLOBAL LIMITED ("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 Reorient Financial Markets Liimted ("RFML") under the SFO by virtue of its interests in RFML.

Save as disclosed above, at 31 December 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 52% (2014: 82%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 17% (2014: 70%). Purchases from the Group's five largest suppliers accounted for approximately 21% (2014: 65%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8% (2014: 25%).

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Group conducted certain transactions with connected persons which constituted continuing connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These transactions are also regarded as related party transactions under applicable accounting principles, which are set out in Note 39 to the consolidated financial statements and with respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out in Note 39(a)(i) to the consolidated financial statements and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of the Company engaged the independent auditor of the Company to report on the continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the letter has been provided to the Company for submission to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE FINANCIAL POSITION DATE

Details of the Group's events after the financial position date are set out in Note 41 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Erik D. Prince
Chairman

Hong Kong, 31 March 2016

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FRONTIER SERVICES GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Frontier Services Group Limited (the "Company") and its subsidiaries set out on pages 44 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**215,337**	310,444
Cost of sales		**(246,414)**	(171,471)
Gross profit/(loss)		**(31,077)**	138,973
Other income and other gains/(losses), net		**23,151**	(48,246)
Gain on disposal of available-for-sale financial assets	23	**279,870**	–
Provision for impairment of goodwill	16	**(94,975)**	–
Provision for impairment of property, plant and equipment	15	**(66,118)**	–
Marketing, selling and distribution costs		**(13,490)**	(8,079)
Administrative expenses		**(203,200)**	(199,374)
Other operating expenses		**(10,135)**	(9,990)
		(115,974)	(126,716)
Finance costs	7	**(29,667)**	(8,630)
Share of loss of joint ventures		**–**	(1,108)
Share of loss of associates	19	**(443)**	(4,585)
Loss before income tax		**(146,084)**	(141,039)
Income tax credit	8	**3,164**	2,002
Loss for the year from continuing operations		**(142,920)**	(139,037)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	9(b)	**–**	8,065
LOSS FOR THE YEAR	10	**(142,920)**	(130,972)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(142,920)**	(138,505)
– Discontinued operations		**–**	8,065
	35	**(142,920)**	(130,440)
Non-controlling interests			
– Continuing operations		**–**	(532)
– Discontinued operations		**–**	–
		–	(532)
		(142,920)	(130,972)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted earnings/(loss) per share	12		
– Continuing operations		**(11.62) cents**	(11.58) cents
– Discontinued operations		**–**	0.67 cents
		(11.62) cents	(10.91) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR		**(142,920)**	(130,972)
Other comprehensive income/(loss)			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
– Foreign exchange differences		**(49,995)**	(6,093)
– Change in value of available-for-sale financial assets	23	**279,433**	27,420
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	35	**(283,399)**	–
Other comprehensive income/(loss) for the year, net of tax		**(53,961)**	21,327
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(196,881)**	(109,645)
Attributable to:			
– Equity holders of the Company		**(196,881)**	(109,113)
– Non-controlling interests		**–**	(532)
		(196,881)	(109,645)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations		**(196,881)**	(116,939)
– Discontinued operations		**–**	7,826
		(196,881)	(109,113)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	**2015** HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**415,702**	342,878
Goodwill and other intangibles	16	**40,088**	125,237
Interests in joint ventures	18	**–**	–
Interests in associates	19	**8,462**	9,664
Pledged bank deposits	27	**230,848**	413,146
Restricted cash	27	**2,690**	–
Deferred income tax assets	20	**4,031**	–
Non-current prepayments	21	**32,051**	43,426
Prepaid operating lease rentals	22	**1,438**	1,673
Available-for-sale financial assets	23	**90**	70,264
Total non-current assets		**735,400**	1,006,288
CURRENT ASSETS			
Inventories	24	**9,644**	5,524
Trade receivables	25	**58,376**	70,413
Prepayments, deposits and other receivables	26	**49,759**	32,993
Tax receivables		**320**	–
Available-for-sale financial assets	23	**31,000**	–
Assets held for sale	15	**6,317**	–
Restricted cash	27	**4,581**	–
Pledged bank deposits	27	**228,722**	–
Short-term bank deposits	27	**2,229**	2,260
Cash and cash equivalents	27	**223,365**	283,295
Total current assets		**614,313**	394,485

	Note	**2015 HK$'000**	2014 HK$'000
CURRENT LIABILITIES			
Trade payables	28	**36,713**	18,746
Other payables and accruals	29	**47,605**	33,981
Borrowings	30	**235,857**	10,516
Tax payables		**3,170**	2,249
Total current liabilities		**323,345**	65,492
Net current assets		**290,968**	328,993
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,026,368**	1,335,281
NON-CURRENT LIABILITIES			
Borrowings	30	**307,636**	436,003
Deferred income tax liabilities	20	**75,737**	79,070
Total non-current liabilities		**383,373**	515,073
Net assets		**642,995**	820,208
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	32	**122,950**	122,950
Reserves	35	**403,795**	581,008
		526,745	703,958
Non-controlling interests	36	**116,250**	116,250
Total equity		**642,995**	820,208

Signed on behalf of the Board on 31 March 2016 by

Erik D. Prince
Director

Ko Chun Shun, Johnson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Attributable to equity holders of the Company				
		Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		113,953	524,931	638,884	116,782	755,666
Total comprehensive loss						
Loss for the year		–	(130,440)	(130,440)	(532)	(130,972)
Other comprehensive income/(loss)						
– Foreign exchange differences		–	(6,093)	(6,093)	–	(6,093)
– Change in value of available-for-sale financial assets	23	–	27,420	27,420	–	27,420
Total other comprehensive income, net of tax		–	21,327	21,327	–	21,327
		–	(109,113)	(109,113)	(532)	(109,645)
Disposal of subsidiaries		–	(5,098)	(5,098)	–	(5,098)
Disposal of a joint venture		–	(5)	(5)	–	(5)
Transactions with equity holders						
Issue of shares	32	5,698	83,756	89,454	–	89,454
Exercise of share options	32	3,299	23,756	27,055	–	27,055
Issue of option rights	39(a)(ix)	–	20,518	20,518	–	20,518
Share-based compensation		–	42,263	42,263	–	42,263
		8,997	170,293	179,290	–	179,290
At 31 December 2014		122,950	581,008	703,958	116,250	820,208

	Note	Attributable to equity holders of the Company				
		Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		**122,950**	**581,008**	**703,958**	**116,250**	**820,208**
Total comprehensive loss						
Loss for the year		–	(142,920)	(142,920)	–	(142,920)
Other comprehensive income/(loss)						
– Foreign exchange differences		–	(49,995)	(49,995)	–	(49,995)
– Change in value of available-for-sale financial assets	23	–	279,433	279,433	–	279,433
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	35	–	(283,399)	(283,399)	–	(283,399)
Total other comprehensive loss, net of tax		–	(53,961)	(53,961)	–	(53,961)
		–	(196,881)	(196,881)	–	(196,881)
Transactions with equity holders						
Share-based compensation		–	19,668	19,668	–	19,668
At 31 December 2015		**122,950**	**403,795**	**526,745**	**116,250**	**642,995**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	37	**(202,021)**	(90,981)
Income tax paid		**(5,545)**	(12,824)
Net cash used in operating activities		**(207,566)**	(103,805)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	**(163,421)**	(187,136)
Purchase of intangibles	16	**(1,350)**	–
Proceeds from disposal of property, plant and equipment	37	**18,559**	654
Acquisition of subsidiaries, net of cash acquired		**(36,115)**	(97,839)
Decrease in short-term bank deposits		**31**	8
Prepayments for purchase of aircraft and aviation equipment	21	**–**	(9,335)
Interest received		**3,276**	9,190
Proceeds from redemption of available-for-sale financial assets	23	**10**	22
Net proceeds from disposal of available-for-sale financial assets		**315,056**	–
Disposal of subsidiaries, net of cash disposed		**–**	(4,349)
Net cash generated from/(used in) investing activities		**136,046**	(288,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(29,109)**	(10,811)
Increase in pledged bank deposits		**(46,424)**	(413,146)
Increase in restricted cash		**(7,271)**	–
Proceeds from exercise of share options		**–**	27,055
Drawdown of bank loans		**66,923**	372,295
Drawdown of finance leases		**41,984**	–
Repayment of capital element of finance leases		**(2,459)**	(2,482)
Net cash generated from/(used in) financing activities		**23,644**	(27,089)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(47,876)**	(419,679)
Cash and cash equivalents at beginning of the year		**283,295**	709,492
Exchange differences		**(12,054)**	(6,518)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	**223,365**	283,295

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 "Stock Exchange").

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

These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 31 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The consolidated financial statements of the Group 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 new Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements 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"). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements for this financial year and the comparative period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

Impact of new, amended and revised HKFRSs

In the current year, the Group has adopted all the new and amended HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2015. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the year.

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 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses (Note 2.8). Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

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

(b) Associates and joint ventures

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

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.8). Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

In the Company's statement of financial position, the investment in joint ventures is accounted for at cost less provision for impairment losses (Note 2.8). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Goodwill

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

2.3 Segment Reporting

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign Currency Translation *(Continued)*

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "administrative expenses".

Foreign exchange differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign Currency Translation *(Continued)*

(c) Group companies *(Continued)*

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

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated foreign exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated foreign exchange differences is reclassified to profit or loss.

2.5 Property, Plant and Equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, Plant and Equipment *(Continued)*

Depreciation of property, plant and equipment, which is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, is provided at the following annual rates:

Leasehold properties	Over the remaining life of the lease (45 years commencing 2004)
Leasehold improvements	Over the shorter of the term of the lease (45 years commencing 2004) and the estimated useful life
Hangars	2.5%
Aircraft and aviation equipment	5% to 10%
Plant, machinery and tooling	12.5% to 38%
Trucks, trailers and containers	8% to 20%
Motor vehicles	18% to 25%
Office equipment	12.5% to 33%
Furniture and fixtures	12.5% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.6 Other Intangibles

Other intangibles with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Other intangibles with indefinite useful lives are not amortised.

Amortisation of other intangibles, which is calculated using straight-line method to allocate their costs over their estimated useful lives, is provided at the following basis:

Operating certificates and trademark	Over the estimated useful lives
Non-compete agreements	Over the non-compete periods

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Other Intangibles *(Continued)*

Management reviews the expected useful live at each financial position date based on the estimated period over which future economic benefits will be received by the Group and takes into account the level of future competition, the risk of technological or functional obsolescence of the assets, and the expected changes in the market.

Other intangibles are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of other intangibles are measured at the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the consolidated income statement in the period when the assets are derecognised.

2.7 Non-Current Prepayments

Engine overhaul cost for maintenance and overhaul of aircraft is recorded as non-current prepayment as it is not expected to be utilised within twelve months and is charged to the consolidated income statement on consumption.

2.8 Impairment of Non-Financial Assets, and Interests in Subsidiaries, Associates and Joint Ventures

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

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of Non-Financial Assets, and Interests in Subsidiaries, Associates and Joint Ventures *(Continued)*

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

2.9 Financial Assets

(a) Classification

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial Assets *(Continued)*

(b) Recognition and measurement

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

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial Assets *(Continued)*

(b) Recognition and measurement *(Continued)*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(c) Derecognition

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

2.10 Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of Financial Assets *(Continued)*

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

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

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

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

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

Impairment testing of trade and other receivables is described in Note 2.13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of Financial Assets *(Continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria set out in Note 2.9(a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are only reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated Income statement.

2.11 Financial Liabilities

(a) Classification

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

(b) Recognition and measurement

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

(c) Derecognition

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Inventories

Inventories, mainly represent spare parts and consumables for aircraft maintenance, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and Other Receivables

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

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

2.14 Cash and Cash Equivalents

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

2.15 Share Capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Trade Payables

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

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the financial position date.

2.18 Current and Deferred Income Tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and Deferred Income Tax *(Continued)*

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

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

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2.19 Employee Benefits

(a) Pension obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee Benefits *(Continued)*

(b) Share-based compensation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee Benefits *(Continued)*

(c) Share award scheme

The fair value of the share awards granted to employees or directors is recognised as an expense with a corresponding increase in credit to share-based compensation reserve. The fair value is measured at grant date taking into account the terms and conditions upon which the share awards are granted. Where the vesting conditions are met before becoming unconditionally entitled to the share awards, the total estimated fair value of the share awards is spread over the vesting period, taking into account the probability that the share awards will vest.

During the vesting period, the number of share awards which are expected to vest is reviewed. Any resulting adjustment to the cumulative far value recognised in prior years is charged/credited to the consolidated income statement for the year of the review.

Upon vesting, the amount recognised as an expense is credited to shares held for share award scheme and debited to share-based compensation reserve.

When the share award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

(d) Employee leave entitlement and long service payment

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

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

(e) Bonus plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Provisions and Contingent Liabilities

(a) Provision

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

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

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

(b) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, it will then be recognised as a provision.

2.21 Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue Recognition *(Continued)*

(a) Rendering of services

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

Maintenance income arises from the provision of aircraft maintenance services, which include repairs of aircraft, periodic servicing and painting work. Income is recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction, based on the actual maintenance work performed and spare parts consumed.

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

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

(b) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Rental income

Rental income from leasing of the Group's leasehold properties is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(e) Leasing income

Revenue from the leasing of aircraft is recognised in accordance with the respective agreements over the period the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.23 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to amortise the up-front payments over the lease terms.

(b) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are credited to the consolidated income statement in the accounting period in which they are earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

(c) The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Property, plant and equipment held under finance leases are recognised as assets of the Group at fair values at inception of the lease or, if lower, at the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

2.24 Discontinued Operations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Related Parties

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

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

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

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

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

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

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

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

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

2.26 Derivative Financial Instruments

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

At 31 December 2015, the Group's financial instruments mainly consisted of trade receivables, deposits and other receivables, cash and bank balances, bank loans, finance lease payables, trade payables, other payables and accruals, and available-for-sale financial assets.

(a) Market risk

(i) Foreign currency risk

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 United States dollars ("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$, Euro ("EUR"), Kenyan Shillings ("KES") and South African Rand ("ZAR"). The exchange rates of EUR, KES and ZAR against HK$ have declined by 10%, 12% and 25% respectively in 2015. No financial instrument was used for hedging purposes for the year due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risk of the EUR, KES and ZAR 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 Renminbi ("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. The exchange rate of RMB has devalued since August 2015. No financial instrument was used for hedging purposes for the year. The Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate the currency exchange risk of RMB.

At 31 December 2015, if KES had weakened/strengthened by 5% (2014: 10%) against HK$ with other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$2,219,000 (2014: HK$5,328,000) higher/lower.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

At 31 December 2015, if EUR had weakened/strengthened by 3% (2014: 8%) against HK$ with other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$98,000 (2014: HK$7,157,000) higher/lower.

(ii) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk arises from bank balances and deposits, and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances and deposits held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the year ended 31 December 2015, the Group's borrowings were denominated in US$ (2014: Same). The Group has not used any derivative financial instruments to hedge its cash flow and fair value interest rate risk.

At 31 December 2015, if interest rate had increased/decreased by 25 basis points (2014: 25 basis points) with all other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$90,000 higher/lower (2014: HK$723,000 lower/higher).

The sensitivity analysis above had been determined assuming that the change in interest rates had occurred at the financial position date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date, and that all other variables had remained constant. The stated increase/decrease represented management's assessment of reasonably possible changes in interest rates over the period until the next annual financial position date. The analysis was performed on the same basis for 2014.

(iii) Securities price risk

The Group is exposed to equity securities price risk for the listed equity investment held by the Group which is classified as available-for-sale financial assets (Note 23).

At 31 December 2015, if equity price of the respective equity investments had increased/decreased by 10% (2014: 10%) with all other variables held constant, the Group's equity instrument reserve would have been approximately HK$3,109,000 (2014: HK$7,015,000) higher/lower.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

(iv) Fuel price risk

The Group is not materially exposed to market price risk from the procurement of fuels for the aircraft fleet.

(b) Credit risk

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

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

Majority of bank balances of the Group is generally placed in short to medium term deposits and investments with reputable banks.

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2015					
Trade payables	**36,713**	**–**	**–**	**–**	**36,713**
Other payables and accruals	**–**	**39,216**	**–**	**–**	**39,216**
Borrowings	**–**	**244,914**	**338,922**	**–**	**583,836**
	36,713	**284,130**	**338,922**	**–**	**659,765**
At 31 December 2014					
Trade payables	17,792	954	–	–	18,746
Other payables and accruals	–	24,375	–	–	24,375
Borrowings	–	14,313	463,125	13,016	490,454
	17,792	39,642	463,125	13,016	533,575

3.2 Capital Management

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

The Group reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014. The Group is not subject to any externally imposed capital requirements.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital Management *(Continued)*

The Group monitors its capital structure on the basis of a total liabilities-to-total assets ratio, which shows the proportion of the Group's assets being financed through debt. During the year ended 31 December 2015, the Group's strategy was to maintain the total liabilities-to-total assets ratio around 50% (2014: 50%). The total liabilities-to-total assets ratio at 31 December 2015 was as follows:

	2015 **HK$'000**	2014 HK$'000
Total liabilities	**706,718**	580,565
Total assets	**1,349,713**	1,400,773
Total liabilities-to-total assets ratio	**52%**	41%

3.3 Fair Value Estimation

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

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

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

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

The fair value of the available-for-sale financial assets with respect to the listed investments amounting to HK$31,086,000 (2014: HK$70,259,000) is based on the quoted market prices of the listed investments. The instruments are included in level 1 at 31 December 2015 (2014: Same).

The fair value of the available-for-sale financial assets with respect to the unlisted investments amounting to HK$4,000 (2014: HK$5,000) which are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an investment are observable, the investment is included in level 2.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair Value Estimation *(Continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the derivative financial liabilities at 31 December 2015 included in other payables and accruals amounting to HK$1,851,000 (2014: HK$1,851,000) is determined using a discounted cash flow approach which is not based on observable inputs. The instruments are included in level 3 at 31 December 2015 (2014: Same).

During the year ended 31 December 2015, there were no transfers of financial instruments between levels 1, 2 and 3 (2014: Same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

4.1 Impairment of Goodwill

The Group conducts reviews annually whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of CGUs have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions selected by management in assessing impairment of goodwill are stated in Note 16.

4.2 Impairment of Property, Plant and Equipment

Property, plant and equipment are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations.

The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

4.3 Impairment of Trade Receivables

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

4.4 Fair Value Estimates on Acquisition of Subsidiaries

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

4.5 Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations, including the aircraft leasing arrangement between the group companies that are structured on an arm's length basis, for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues, if any, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, including the tax position of those intra-group transactions, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Income Taxes *(Continued)*

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

4.6 Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations and legal proceedings that arise from time to time. Contingent liabilities arising from these legal proceedings have been assessed by management with legal advice.

5 SEGMENT INFORMATION

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

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

(ii) Financial market information business ("FMI business") – Provision of online financial market information; and

(iii) Direct investments – Other direct investments.

Others include corporate income and expenses and others.

Management assesses segment performance based on reportable segment results after taking consideration of exceptional items.

As further explained in Note 9, the discontinued advertising agency business ("AA business") has been classified as discontinued operations.

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2015 by operating segments is as follows:

	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)	191,569	23,768	–	–	215,337	–	215,337
Depreciation	25,046	219	–	299	25,564	–	25,564
Amortisation	1,694	–	–	–	1,694	–	1,694
Provision for impairment of goodwill	94,975	–	–	–	94,975	–	94,975
Provision for impairment of property, plant and equipment	66,118	–	–	–	66,118	–	66,118
Segment results	(290,009)	(2,938)	279,814	(102,841)	(115,974)	–	(115,974)
Finance costs	(29,667)	–	–	–	(29,667)	–	(29,667)
Share of loss of joint ventures	–	–	–	–	–	–	–
Share of loss of associates	–	–	(443)	–	(443)	–	(443)
Loss before income tax					(146,084)	–	(146,084)
Income tax credit					3,164	–	3,164
Loss for the year					(142,920)	–	(142,920)
Total assets	1,154,296	12,853	45,348	137,216	1,349,713	–	1,349,713
Total assets include:							
Interests in joint ventures	–	–	–	–	–	–	–
Interests in associates	–	–	8,462	–	8,462	–	8,462
Total liabilities	654,398	9,079	8,808	34,433	706,718	–	706,718
Capital expenditure	172,604	102	–	1,401	174,107	–	174,107
Interest income	20,939	12	–	659	21,610	–	21,610

5 SEGMENT INFORMATION *(Continued)*

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

	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)	284,624	25,820	–	–	310,444	295	310,739
Depreciation	7,572	151	–	838	8,561	193	8,754
Amortisation	707	–	–	–	707	–	707
Segment results	74,279	(5,141)	(68,598)	(127,256)	(126,716)	(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	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	19,405

5 SEGMENT INFORMATION *(Continued)*

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

	2015			2014		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Africa	**175,656**	**–**	**175,656**	284,624	–	284,624
Europe	**11,961**	**–**	**11,961**	–	–	–
The People's Republic of China ("PRC")						
– mainland China	**3,953**	**–**	**3,953**	–	295	295
– Hong Kong	**17,097**	**–**	**17,097**	17,723	–	17,723
Others	**6,670**	**–**	**6,670**	8,097	–	8,097
	215,337	**–**	**215,337**	310,444	295	310,739

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

	Operating segment	**2015 HK$'000**
Customer A	AL business	**35,972**
Customer B	AL business	**31,784**

		2014 HK$'000
Customer C	AL business	217,256

5 SEGMENT INFORMATION *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Total assets for reportable segments	**1,212,497**	1,353,832
Corporate assets	**137,216**	46,941
Total assets of the Group	**1,349,713**	1,400,773

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

	2015 HK$'000	2014 HK$'000
Africa	**450,629**	510,077
Europe	**34,942**	–
PRC		
– mainland China	**9,817**	11,393
– Hong Kong	**2,308**	1,280
Others	**45**	128
	497,741	522,878

6 REVENUE

An analysis of revenue is as follows:

	2015			2014		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue from provision of aviation and logistics services	**191,569**	**–**	**191,569**	284,624	–	284,624
Revenue from provision of online financial market information	**23,768**	**–**	**23,768**	25,820	–	25,820
Advertising agency fee income	**–**	**–**	**–**	–	295	295
	215,337	**–**	**215,337**	310,444	295	310,739

7 FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Bank borrowings	**13,412**	5,020
Finance leases	**5,153**	1,839
Financing arrangement fees	**2,508**	1,771
Net exchange losses on bank borrowings	**8,594**	–
	29,667	8,630

8 INCOME TAX CREDIT

	2015			2014		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Current income tax						
– Outside Hong Kong						
– Provision for the year	**(933)**	**–**	**(933)**	(3,221)	–	(3,221)
– Adjustment in respect of prior years	**213**	**–**	**213**	(436)	528	92
	(720)	**–**	**(720)**	(3,657)	528	(3,129)
Deferred income tax						
– Outside Hong Kong	**3,884**	**–**	**3,884**	5,659	–	5,659
Income tax credit	**3,164**	**–**	**3,164**	2,002	528	2,530

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

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

8 INCOME TAX CREDIT *(Continued)*

	2015 HK$'000	2014 HK$'000
Profit/(loss) before income tax		
– Continuing operations	**(146,084)**	(141,039)
– Discontinued operations	**–**	7,537
	(146,084)	(133,502)
Tax calculated at the rates applicable in the countries concerned	**(31,439)**	29,284
Tax effects of:		
– Income not subject to tax	**54,166**	11,155
– Expenses not deductible for tax purposes	**(14,067)**	(30,279)
– Utilisation of previously unrecognised tax losses	**70**	582
– Tax losses not recognised	**(7,310)**	(13,695)
– Write-off of deferred income tax assets	**–**	1,551
– Withholding tax	**1,531**	3,840
– Adjustment in respect of prior years	**213**	92
Income tax credit	**3,164**	2,530

9 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 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 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.

9 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:

	2015 **HK$'000**	2014 HK$'000
Revenue (Note 6)	–	295
Cost of sales	–	(94)
Gross profit	–	201
Other income and other gains/(losses), net	–	2,147
Marketing, selling and distribution costs	–	(258)
Administrative expenses	–	(4,052)
Other operating expenses	–	(78)
	–	(2,040)
Share of profit of a joint venture	–	9,577
Profit before income tax	–	7,537
Income tax credit (Note 8)	–	528
Profit for the year	–	8,065
Profit attributable to:		
Equity holders of the Company	–	8,065
Non-controlling interests	–	–
	–	8,065

9 DISCONTINUED OPERATIONS *(Continued)*

(c) Analysis of the Cash Flows from Discontinued Operations

	2015 **HK$'000**	2014 HK$'000
Net cash used in operating activities	–	(3,688)
Net cash generated from investing activities	–	20,188
Net cash used in financing activities	–	(848)
	–	15,652

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 9(b), and the assets and liabilities directly attributable to the AA business.

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 (Note 15)	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)

10 LOSS FOR THE YEAR

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

	2015 HK$'000	2014 HK$'000
Cost of provision of aviation and logistics services	**237,700**	162,310
Cost of provision of online financial market information	**8,714**	9,161
Cost of provision of advertising agency services	**–**	94
Gain on disposal of available-for-sale financial assets (Note 23)	**(279,870)**	–
Provision for impairment of goodwill (Note 16)	**94,975**	–
Provision for impairment of property, plant and equipment (Note 15)	**66,118**	–
Depreciation (Note 15)	**25,564**	8,754
Engine overhaul cost (Note 21)	**7,796**	–
Amortisation of prepaid operating lease rentals (Note 22)	**45**	20
Auditor's remuneration		
– Audit services	**1,875**	1,538
– Non-audit services	**204**	1,219
Employee benefit expenses (Note 11)	**116,763**	141,132
Operating lease rentals on land and buildings	**14,809**	9,510
Operating lease rentals on equipment	**4,336**	4,911
Operating lease rentals on motor vehicles	**102**	579
Operating lease rentals on aircraft	**24,733**	45,880
Net exchange losses	**12,281**	2,990
Other operating expenses including:		
Acquisition-related costs	**8,318**	8,776
Provision for impairment of trade receivables (Note 25)	**63**	23
Provision for impairment of prepayments, deposits and other receivables	**3**	390
Provision for inventories (Note 24)	**12**	–
Amortisation of intangibles (Note 16)	**1,694**	707
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	**(21,610)**	(19,405)
Loss on share swap (Note 23(i))	**–**	46,721
Provision for impairment of interest in a joint venture (Note 18)	**–**	7,837
Provision for impairment of an advance to a joint venture	**–**	2,103
Provision for impairment of interest in an associate (Note 19)	**56**	20,270
Gain on disposal of subsidiaries	**–**	(4,766)
Net gain on disposal of property, plant and equipment (Note 37(i))	**(775)**	(91)
Fair value changes in derivatives (Note 29(ii))	**–**	(6,230)
Others	**(822)**	(340)

The income and expenses for the year ended 31 December 2014 shown above covered both continuing and discontinued operations.

11 EMPLOYEE BENEFIT EXPENSES

	2015 HK$'000	2014 HK$'000
Salaries and bonuses	**88,568**	91,100
Share-based compensation	**19,668**	42,263
Pension costs – defined contribution plans	**1,405**	1,227
Termination benefits	**922**	1,544
Unutilised annual leave	**292**	135
Other benefits	**5,908**	4,863
	116,763	141,132

(a) Directors' Emoluments

Details of directors' emoluments are set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Contributions to pension schemes HK$'000	Share-based compensation HK$'000	Other benefits HK$'000 Note (i)	Total HK$'000
Year ended 31 December 2015							
Mr Erik D. Prince ("Mr Prince")	**–**	**82**	**–**	**–**	**16,726**	**1,085**	**17,893**
Mr Ko Chun Shun, Johnson ("Mr Ko")	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Mr Luo Ning	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr Gregg H. Smith	**–**	**3,678**	**2,197**	**113**	**–**	**432**	**6,420**
Mr Hu Qinggang	**–**	**1,551**	**194**	**55**	**–**	**114**	**1,914**
Mr Yap Fat Suan, Henry	**543**	**–**	**1,358**	**–**	**166**	**–**	**2,067**
Professor Lee Hau Leung	**543**	**–**	**1,358**	**–**	**166**	**–**	**2,067**
Mr William J. Fallon	**543**	**–**	**1,358**	**–**	**166**	**–**	**2,067**
Dr Harold O. Demuren	**543**	**–**	**1,358**	**–**	**166**	**–**	**2,067**
Total	**2,292**	**5,311**	**7,823**	**168**	**17,390**	**1,631**	**34,615**
Year ended 31 December 2014							
Mr Prince	–	912	–	–	34,673	1,081	36,666
Mr Ko	120	–	–	–	–	–	120
Mr Luo Ning	–	–	–	–	–	–	–
Mr Gregg H. Smith	–	3,504	11,283	121	3,672	411	18,991
Mr Xu Qiang (Note (ii))	–	311	5,740	12	–	14	6,077
Mr Hu Qinggang	–	1,560	5,740	50	–	104	7,454
Mr Chu Hon Pong (Note (iii))	39	–	–	–	–	–	39
Mr Liu Tsun Kie (Note (iv))	12	–	–	–	–	–	12
Mr Yap Fat Suan, Henry	443	–	–	–	460	–	903
Professor Lee Hau Leung	419	–	–	–	460	–	879
Mr William J. Fallon	396	–	–	–	460	–	856
Dr Harold O. Demuren	396	–	–	–	460	–	856
Total	1,825	6,287	22,763	183	40,185	1,610	72,853

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' Emoluments *(Continued)*

Notes:

(i) Other benefits include medical insurance, travel insurance and other statutory welfare contributions.

(ii) Mr Xu Qiang resigned as an executive director on 24 March 2014.

(iii) Mr Chu Hon Pong resigned as an independent non-executive director on 8 April 2014.

(iv) Mr Liu Tsun Kie deceased on 23 January 2014.

(b) Directors' Retirement Benefits

No retirement benefits were paid to or receivable by any director during the year ended 31 December 2015 in respect of services as a director of the Company and its subsidiary undertakings or in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings (2014: Nil).

(c) Directors' Termination Benefits

No payments were made to or receivable by any director during the year ended 31 December 2015 in respect of the loss of office as a director, whether of the Company or its subsidiary undertakings, or the loss of other office in connection with the management of the affairs of the Company or its subsidiary undertakings.

(d) Consideration Provided to Third Parties for Making Available Directors' Services

No consideration was provided to or receivable by third parties for making available directors' services during the year ended 31 December 2015 (2014: Nil).

(e) Information about Loans, Quasi-Loans and Other Dealings Entered Into by the Company or Its Subsidiary Undertakings, Where Applicable, in Favour of Directors

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected parties during the year ended 31 December 2015 (2014: Nil).

(f) Directors' Material Interests in Transactions, Arrangements or Contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(g) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: four) directors, whose emoluments are reflected in Note 11(a). The emoluments payable to the remaining three (2014: one) individual during the year are as follows:

	2015	2014
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**8,036**	2,699
Bonuses	**5,349**	1,958
Share-based compensation	**1,943**	460
Contributions to pension schemes	**198**	31
	15,526	5,148

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2015**	2014
HK$3,000,001 – HK$3,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–

12 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 (Note 36) 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 2015 and 2014 were 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:

	2015	2014
Weighted average number of ordinary shares in issue	**1,229,503,003**	1,195,704,316

	HK$'000	HK$'000
The Group's earnings/(loss) attributable to the equity holders of the Company		
– Continuing operations	**(142,920)**	(138,505)
– Discontinued operations	**–**	8,065
	(142,920)	(130,440)

13 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend (2014: Nil) for the year.

14 BUSINESS COMBINATION

(a) Acquisition of Cheetah Logistics SARL ("Cheetah")

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, 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 presence in the nautral resources-rich DRC and to expand the Group's existing logistics business throughout Africa.

The following table summarised the 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 date of acquisition.

	HK$'000
Purchase consideration	
Cash paid	10,077
Acquisition-related costs, included in other operating expenses	
Legal and professional fees and other 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 acquisition	(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

14 BUSINESS COMBINATION *(Continued)*

(a) Acquisition of Cheetah Logistics SARL ("Cheetah") *(Continued)*

(i) Acquired receivables

The fair value and the gross contractual amounts of receivables is approximately HK$155,000 which include trade receivables with a fair value of approximately HK$149,000. The fair values of trade and other receivables approximate their carrying amounts. There is no contractual cash flow from the acquired receivables that are expected to be uncollected.

(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 acquisition.

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

(iii) Revenue and profit contribution

The acquired business contributed revenue of approximately HK$2,574,000 and net loss after tax of approximately HK$2,404,000 to the Group for the period from 14 April 2015 (date of acquisition) to 31 December 2015. Had the acquisition occurred on 1 January 2015, the contribution to the consolidated revenue and consolidated net loss after tax for the year ended 31 December 2015 would have been approximately HK$3,629,000 and HK$4,305,000 respectively.

(b) Acquisition of Transit Freight Forwarding Proprietary Limited ("TFF")

On 14 August 2015, 1PC Ibid Proprietary Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement for the acquisition of the entire equity interest in TFF, a company principally engaged in the provision of freight forwarding services with certain assets necessary to conduct the business in South Africa, at a consideration of ZAR49 million (equivalent to approximately HK$26,093,000). The acquisition was completed on 24 November 2015. The acquisition immediately enabled the expansion of the Group's existing logistics services in Africa, complemented the Group's existing geographic footprint and solidified the Group's strategic aims to provide complete logistics solutions across the African continent.

14 BUSINESS COMBINATION *(Continued)*

(b) Acquisition of Transit Freight Forwarding Proprietary Limited ("TFF") *(Continued)*

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

	HK$'000
Purchase consideration	
Cash paid	26,093
Liabilities assumed	164
	26,257
Acquisition-related costs, included in other operating expenses	
Legal and professional fees and other expenses	7,923
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(26,093)
Cash and cash equivalents in subsidiaries acquired	44
Net cash outflow from acquisition	(26,049)
Property, plant and equipment	21,485
Intangibles	6,950
Receivables (i)	6,060
Inventories	412
Cash and cash equivalents	44
Payables	(8,197)
Deferred income tax liabilities	(1,946)
Total identifiable net assets	24,808
Goodwill on acquisition (ii)	1,449
	26,257

14 BUSINESS COMBINATION *(Continued)*

(b) Acquisition of Transit Freight Forwarding Proprietary Limited ("TFF") *(Continued)*

(i) Acquired receivables

The fair value and the gross contractual amounts of receivables is approximately HK$6,060,000 which include trade receivables with a fair value of approximately HK$5,663,000. The fair values of trade and other receivables approximate their carrying amounts. There is no contractual cash flow from the acquired receivables that are expected to be uncollected.

(ii) Goodwill on acquisition

The Group recognised goodwill of approximately HK$1,449,000 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$24,808,000 as at the date of acquisition.

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

(iii) Revenue and profit contribution

The acquired business contributed revenue of approximately HK$17,214,000 and net loss after tax of approximately HK$1,951,000 to the Group for the period from 24 November 2015 (date of acquisition) to 31 December 2015. Had the acquisition occurred on 1 January 2015, the contribution to the consolidated revenue and consolidated net loss after tax for the year ended 31 December 2015 would have been approximately HK$19,789,000 and HK$2,710,000 respectively.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000 Note (i)	Leasehold improvements and hangars HK$'000	Aircraft and aviation equipment HK$'000 Note (ii)	Plant, machinery and tooling HK$'000	Trucks, trailers and containers HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2014									
Cost	–	3,186	659	21	–	5,337	4,076	468	13,747
Accumulated depreciation and impairment	–	(2,522)	–	–	–	(2,715)	(3,506)	(301)	(9,044)
Net carrying amount	–	664	659	21	–	2,622	570	167	4,703
Year ended 31 December 2014									
Opening net carrying amount	–	664	659	21	–	2,622	570	167	4,703
Additions	–	3,042	178,453	256	–	1,248	2,961	1,176	187,136
Acquisition of a subsidiary	–	3,383	158,185	1,693	–	1,245	475	223	165,204
Disposals (Note 37(i))	–	–	–	–	–	(534)	(29)	–	(563)
Disposal of subsidiaries	–	–	–	–	–	(4)	(3)	–	(7)
Depreciation (Note 10)	–	(572)	(6,079)	(424)	–	(953)	(442)	(284)	(8,754)
Exchange differences	–	(183)	(4,490)	(13)	–	(37)	(84)	(34)	(4,841)
Closing net carrying amount	–	6,334	326,728	1,533	–	3,587	3,448	1,248	342,878
At 31 December 2014									
Cost	–	9,448	332,713	2,002	–	5,291	7,062	1,850	358,366
Accumulated depreciation and impairment	–	(3,114)	(5,985)	(469)	–	(1,704)	(3,614)	(602)	(15,488)
Net carrying amount	–	6,334	326,728	1,533	–	3,587	3,448	1,248	342,878
Year ended 31 December 2015									
Opening net carrying amount	**–**	**6,334**	**326,728**	**1,533**	**–**	**3,587**	**3,448**	**1,248**	**342,878**
Additions	**–**	**947**	**157,098**	**2,409**	**–**	**727**	**1,293**	**947**	**163,421**
Transfer from non-current prepayments (Note 21)	**–**	**–**	**9,336**	**–**	**–**	**–**	**–**	**–**	**9,336**
Acquisition of subsidiaries (Note 14)	**–**	**–**	**–**	**6,457**	**21,899**	**291**	**431**	**546**	**29,624**
Disposals (Note 37(i))	**–**	**(266)**	**(16,699)**	**(360)**	**–**	**(206)**	**(100)**	**(153)**	**(17,784)**
Impairment (Note (iii))	**–**	**–**	**(66,118)**	**–**	**–**	**–**	**–**	**–**	**(66,118)**
Depreciation (Note 10)	**–**	**(678)**	**(19,248)**	**(1,888)**	**(708)**	**(1,379)**	**(1,147)**	**(516)**	**(25,564)**
Transfer to assets held for sale (Note (iv))	**–**	**–**	**(6,317)**	**–**	**–**	**–**	**–**	**–**	**(6,317)**
Other transfer	**–**	**–**	**13**	**(165)**	**–**	**–**	**102**	**50**	**–**
Exchange differences	**–**	**(667)**	**(10,942)**	**(479)**	**(1,051)**	**(174)**	**(315)**	**(146)**	**(13,774)**
Closing net carrying amount	**–**	**5,670**	**373,851**	**7,507**	**20,140**	**2,846**	**3,712**	**1,976**	**415,702**
At 31 December 2015									
Cost	**–**	**9,169**	**454,852**	**9,563**	**20,848**	**5,503**	**8,042**	**2,741**	**510,718**
Accumulated depreciation and impairment	**–**	**(3,499)**	**(81,001)**	**(2,056)**	**(708)**	**(2,657)**	**(4,330)**	**(765)**	**(95,016)**
Net carrying amount	**–**	**5,670**	**373,851**	**7,507**	**20,140**	**2,846**	**3,712**	**1,976**	**415,702**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(i) Prior to FSL entering into the share purchase agreement for the acquisition of Phoenix Aviation Limited ("Phoenix"), Phoenix has agreed to lease its leasehold property to a company wholly owned by the vendors of Phoenix. According to this arrangement, there is no economic benefit for the leasehold property in the future. Thus, the leasehold property with a net carrying amount of HK$10,880,000 was fully impaired before the completion of the acquisition of Phoenix.

(ii) The Group leases various aircraft under non-cancellable finance lease arrangements. The lease terms are between 5 and 10 years and the ownership of the aircraft lies within the Group. The net carrying amount of the aircraft under finance leases at 31 December 2015 is as follows:

	Aircraft and aviation equipment	
	2015	2014
	HK$'000	HK$'000
Cost – capitalised finance leases	**144,774**	92,363
Accumulated depreciation	**(8,630)**	(2,804)
Net carrying amount	**136,144**	89,559

(iii) The provision for impairment of property, plant and equipment of HK$66,118,000 represents:

(a) a full provision of HK$62,940,000 taken against two highly modified survey aircraft due to no alternative use for the aircraft, and unsuccessful disposal efforts and a general lack of marketability of the assets due to their level of customisation; and

(b) a provision of HK$3,178,000 charged to the carrying value of two small turboprop aircraft held for sale to reflect more accurately their resale value.

(iv) On 30 November 2015, the Group entered into a purchase and sale agreement for the disposal of two small turboprop aircraft for a consideration of US$815,000 (equivalent to approximately HK$6,317,000), which is not yet completed as at 31 December 2015. Accordingly, the aircraft with net carrying amount of HK$6,317,000 (after a provision of impairment of HK$3,178,000) were transferred to assets held for sale under current assets.

16 GOODWILL AND OTHER INTANGIBLES

	2015			2014		
	Goodwill HK$'000 Note (i)	**Other intangibles HK$'000 Note (ii)**	**Total HK$'000**	Goodwill HK$'000 Note (i)	Other intangibles HK$'000	Total HK$'000
At 1 January						
Cost	**101,704**	**24,240**	**125,944**	94,975	–	94,975
Accumulated amortisation and impairment	**–**	**(707)**	**(707)**	–	–	–
Net carrying amount	**101,704**	**23,533**	**125,237**	94,975	–	94,975
Year ended 31 December						
Opening net carrying amount	**101,704**	**23,533**	**125,237**	94,975	–	94,975
Additions	**–**	**1,350**	**1,350**	–	–	–
Acquisition of subsidiaries (Note 14)	**3,221**	**6,950**	**10,171**	6,729	24,238	30,967
Amortisation (Note 10)	**–**	**(1,694)**	**(1,694)**	–	(707)	(707)
Impairment (Notes 10 and (i))	**(94,975)**	**–**	**(94,975)**	–	–	–
Exchange differences	**1**	**(2)**	**(1)**	–	2	2
Closing net carrying amount	**9,951**	**30,137**	**40,088**	101,704	23,533	125,237
At 31 December						
Cost	**104,926**	**32,537**	**137,463**	101,704	24,240	125,944
Accumulated amortisation and impairment	**(94,975)**	**(2,400)**	**(97,375)**	–	(707)	(707)
Net carrying amount	**9,951**	**30,137**	**40,088**	101,704	23,533	125,237

16 GOODWILL AND OTHER INTANGIBLES *(Continued)*

Notes:

(i) Goodwill is monitored by management at the CGU level within an operating segment level with reference to the business performance based on geography and type of business. A summary of the allocation of goodwill to the identified CGUs of the Group is as follows:

	2015 HK$'000	2014 HK$'000
FSL	**–**	94,975
Phoenix	**6,730**	6,729
Cheetah	**1,772**	–
TFF	**1,449**	–
	9,951	101,704

The provision for impairment of goodwill represents the impairment of the goodwill arising from the acquisition of FSL in December 2013. The decision to take a full impairment charge against the goodwill was following a careful internal strategic review undertaken in the context of the substantial negative effect of the large-scale aviation and logistics program for the natural resources sector on the Group's 2015 performance. The carrying value of the goodwill was based on a pipeline of similar large-scale aviation and logistics programs generally focused on the natural resources sector. With a sustained depression in commodity prices and unsuccessful business development efforts, the Group opted to de-emphasise its large-project efforts, in favour of investment in other market sectors such as consumer products. In recognition of this, the goodwill was fully impaired and absorbed into the Group's reported consolidated financial statements for the year ended 31 December 2015.

The recoverable amount is determined based on value-in-use calculation. This calculation is made with the use of discounted cash flow model, based on financial budget approved by management covering a 5-year period. Cash flow beyond the 5-year period is extrapolated using the key assumptions stated below:

	2015			2014		
	Annual growth rate	**Terminal growth rate**	**Discount rate**	Annual growth rate	Terminal growth rate	Discount rate
FSL	**5%**	**3%**	**18%**	7%	3%	18%
Phoenix	**5%**	**3%**	**17%**	4.0% – 12.8%	3%	18%
Cheetah	**7%**	**3%**	**23%**	N/A	N/A	N/A
TFF	**1.5% – 5.5%**	**3%**	**19%**	N/A	N/A	N/A

Other key assumptions included estimated gross margin, applicable corporate income tax rate and capital expenditure. Management determines estimated gross margin based on past performance and its expectation of market development.

For Phoenix, there was no impairment loss for goodwill recognised during the year ended 31 December 2015 (2014: Same). If the estimated freight charge rate beyond the 5-year period used in the value-in-use calculation for Phoenix had been 10% lower (2014: 10% lower) than management's estimation at 31 December 2015, the Group would have recognised an impairment of goodwill of HK$6,730,000 (2014: HK$6,729,000).

16 GOODWILL AND OTHER INTANGIBLES *(Continued)*

Notes: *(Continued)*

(ii) Other intangibles represent operating certificates, trademark and non-compete agreements derived from the acquisition of TFF and Phoenix during the years ended 31 December 2015 and 2014 respectively.

17 SUBSIDIARIES

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

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
FSL	Bermuda	US$1,000 common	100%	–	Investment holding and provision of aviation and logistics services
FSG Aviation Limited	Bermuda	US$1 common	100%	–	Aircraft holding and provision of aviation and logistics services
Phoenix	Kenya	KES550,488,000 ordinary	–	100%	Provision of aviation and logistics services
Frontier Logistics Consultancy DMCC	United Arab Emirates	Emirati Dirham 50,000 ordinary	100%	–	Provision of aviation and logistics services
Frontier Services Group East Africa Limited	Kenya	KES10,000 ordinary	–	100%	Provision of administrative and management services
Kijipwa Aviation Limited ("KAL")	Kenya	KES7,496,900 ordinary	–	49%	Provision of aviation and logistics services
Phoenix Aviation Malta Limited	Malta	EUR1,500 ordinary	–	100%	Provision of marketing and business development services

17 SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company Directly	Indirectly	Principal activities
Cheetah	DRC	US$100,000 ordinary	–	100%	Provision of transport logistics services
TFF	South Africa	ZAR100 ordinary	–	100%	Provision of freight forwarding services
Transit Freight Co-ordinators Limited	Zambia	Zambian Kwacha ("ZMW") 10,000 ordinary	–	50%	Provision of freight forwarding services
Frontier Pan-Africa Investment Development (Beijing) Company Limited#	mainland China*	RMB100,000,000 paid-up capital	–	100%	Investment holding and provision of aviation and logistics related consultancy services
DVN (Group) Limited	British Virgin Islands	US$10 ordinary US$15,000,000 preference	100%	–	Investment holding and management
Data Source Technology Limited	Hong Kong	HK$5,000,000 ordinary	–	100%	Provision of administrative and management services
Bai Shi Digital Technology (Shanghai) Company Limited#	mainland China*	US$10,000,000 paid-up capital	–	100%	Inactive
Beijing Wei Xin Bo Si Technology Company Limited#	mainland China	RMB40,000,000 paid-up capital	–	100%	Investment holding and management
Dynamic Network Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding and management
Telequote Data International Limited	Hong Kong	HK$10,000 ordinary	–	100%	Provision of online financial market information
Telequote Network (Singapore) Pte Limited	Singapore	Singapore dollars 2 ordinary	–	100%	Provision of online financial market information

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

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18 INTERESTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
At 1 January	–	19,318
Share of profit of joint ventures	–	8,469
Impairment (Note 10)	–	(7,837)
Disposal of a joint venture	–	(18,637)
Dilution from joint venture to associate	–	(1,202)
Exchange differences	–	(111)
At 31 December	–	–

Details of the sole joint venture as at 31 December 2015 are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of paid-up capital	Interest held	Principal activity
Jiangsu Hongtian Broad Communication Co., Ltd#	mainland China	RMB30,000,000	50%	Dormant

Directly held by the Company

Jiangsu Hongtian Broad Communication Co., Ltd has been inactive since July 2006 and an impairment provision of HK$14,200,000 has already been recognised in 2006. The whole amount of the investment cost of the joint venture has been written off during the year ended 31 December 2015.

There were no contingent liabilities relating to the Group's interests in joint ventures at 31 December 2015 (2014: Nil).

19 INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
At 1 January	9,664	33,339
Share of loss of associates	(443)	(4,585)
Dilution from joint venture to associate	–	1,202
Impairment (Note 10)	(56)	(20,270)
Exchange differences	(703)	(22)
At 31 December	8,462	9,664

19 INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates as at 31 December 2015 are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/ paid-up capital	Interest held	Principal activities
Shanghai Boyojoy Network Technology Company Limited# ("Boyojoy")	mainland China	RMB1,818,100 paid-up capital	45%	Development and provision of online game
Chinese Online Corporation Limited ("COL")	Hong Kong	HK$125 ordinary	20%	Inactive
Ninhao Chinese Corporation Limited#	mainland China*	HK$17,300,000 paid-up capital	20%	Inactive
Huacheng Interactive (Beijing) Media Company Limited#	mainland China	RMB10,000,000 paid-up capital	10%^	Distribution of films and TV programmes
Dongfang Huanlu Technoloogy Company Limited# (formerly known as Beijing Tongfang Ehero Technology Co., Ltd.)	mainland China	RMB73,800,000 paid-up capital	5.1%^	Development, operation and provision of related services of interactive TV media systems

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^ Although the Group holds less than 20% of voting power of the investees, the Group demonstrates significant influences on the investees through the board's representation in participating in financial and operating policy decisions.

In view of Boyojoy's continuing loss-making performance, the Group recognised an impairment provision of HK$20,270,000 for the investment in Boyojoy for the year ended 31 December 2014.

To determine the recoverable amount of Boyojoy, the Group adopted the market-based approach under which several companies with similar business natures and operations as Boyojoy in the online game industry have been considered as comparable companies. Management considers the Enterprise Value-to-Sales Ratio ("EV/Sales Ratio") to be the most appropriate comparable used in the assessment.

19 INTERESTS IN ASSOCIATES *(Continued)*

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. Hence, a 40% marketability discount has been considered in arriving at the value of the Group's interest in Boyojoy.

In April 2011, the Group entered into an investment agreement with Boyojoy, pursuant to which the Group is entitled to acquire an ultimate shareholding of 35% by four stages based on the performance criteria by Boyojoy as defined in the investment agreement. Upon the achievement of the performance criteria by Boyojoy in the first three stages, the Group's shareholding in Boyojoy was increased to 45% in August 2013. Pursuant to the investment agreement, upon the achievement of performance criteria of the fourth stage by Boyojoy, the Group has to dispose of 10% of its investment in Boyojoy without consideration, a derivative financial liability was recognised with respect to the arrangement (Note 29). At 31 December 2015, the performance criteria of the fourth stage still has not yet been achieved.

During the year ended 31 December 2015, Beijing Tongfang Ehero Technology Co., Ltd. has changed its name to Dongfang Huanlu Technology Company Limited ("Dongfang Huanlu"). Upon the issue of new shares by Dongfang Huanlu to a new investor in October 2015, the Group's equity interest in Dongfang Huanlu was reduced from 10% to 5.1%.

There were no contingent liabilities relating to the Group's interests in associates at 31 December 2015 (2014: Nil).

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

	2015 **HK$'000**	2014 HK$'000
Loss after income tax	**(4,233)**	(11,265)
Group's share of loss for the year	**(443)**	(4,585)
Group's share of other comprehensive loss	**(703)**	(22)
Group's share of total comprehensive loss	**(1,146)**	(4,607)

20 DEFERRED TAXATION

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

	2015 HK$'000	2014 HK$'000
Deferred income tax assets	**4,031**	–
Deferred income tax liabilities	**(75,737)**	(79,070)
	(71,706)	(79,070)

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

Deferred income tax assets

	Tax losses		**Non-current prepayments**		**Unrealised exchange differences**		**Total**	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
At 1 January	**–**	342	**1,395**	–	**644**	–	**2,039**	342
Acquisition of a subsidiary	**–**	1,778	**–**	1,439	**–**	18	**–**	3,235
Credited/(charged) to consolidated income statement	**4,596**	(2,004)	**–**	–	**1,063**	648	**5,659**	(1,356)
Disposal of subsidiaries	**–**	(116)	**–**	–	**–**	–	**–**	(116)
Exchange differences	**(153)**	–	**(161)**	(44)	**(114)**	(22)	**(428)**	(66)
At 31 December	**4,443**	–	**1,234**	1,395	**1,593**	644	**7,270**	2,039

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2015, the Group did not recognise deferred income tax assets of HK$22,164,000 (2014: HK$24,939,000) in respect of unrecognised tax losses of HK$102,418,000 (2014: HK$138,192,000) that can be carried forward to offset against future taxable income. The unrecognised tax losses include an amount of approximately HK$42,418,000 (2014: HK$22,231,000) arising in mainland China, Kenya and Zambia which is due to expire within one to five years for offsetting against future taxable profits of the companies in which the losses arise.

20 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Accelerated tax depreciation		Withholding tax on unremitted profits		Other intangibles		Deferred income		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**30,240**	143	**23,114**	27,008	**7,065**	–	**20,690**	20,761	**81,109**	47,912
Acquisition of a subsidiary	**–**	34,041	**–**	–	**1,946**	7,271	**–**	–	**1,946**	41,312
Charged/(credited) to consolidated income statement	**(3,330)**	(2,963)	**(1,798)**	(3,840)	**(513)**	(212)	**7,416**	–	**1,775**	(7,015)
Disposal of subsidiaries	**–**	(116)	**–**	–	**–**	–	**–**	–	**–**	(116)
Exchange differences	**(3,076)**	(865)	**(1,279)**	(54)	**(1)**	6	**(1,498)**	(71)	**(5,854)**	(984)
At 31 December	**23,834**	30,240	**20,037**	23,114	**8,497**	7,065	**26,608**	20,690	**78,976**	81,109

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 2015, a reversal of HK$1,798,000 for deferred withholding tax (2014: reversal of HK$3,840,000 in respect of the distribution made by a subsidiary established in mainland China during the year) was made in respect of the loss made by a subsidiary established in mainland China during the year.

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. For the years ended 31 December 2015 and 2014, no provision for deferred withholding tax was made in respect of the potential distribution to be made by a subsidiary established in Kenya.

At 31 December 2015, the Group has recognised deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$20,037,000 (2014: HK$23,114,000) on the unremitted profits of subsidiaries in mainland China amounting to HK$200,373,000 (2014: HK$231,141,000) as the Company may intend to have dividends declared by the subsidiaries in mainland China in the foreseeable future.

20 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities *(Continued)*

At 31 December 2015, the Group did not recognise deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$12,822,000 (2014: HK$11,883,000) on the unremitted profits of subsidiaries in Africa and mainland China amounting to HK$128,216,000 (2014: HK$118,825,000), that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

At 31 December 2015, the recognised deferred income tax liabilities to be recovered within twelve months from the financial position date amounted to HK$1,775,000 (2014: HK$7,015,000).

21 NON-CURRENT PREPAYMENTS

	2015				2014			
	Engine overhaul HK$'000	**Aircraft and aviation equipment HK$'000**	**Other deposits HK$'000**	**Total HK$'000**	Engine overhaul HK$'000	Aircraft and aviation equipment HK$'000	Other deposits HK$'000	Total HK$'000
At 1 January	**34,090**	**9,336**	**–**	**43,426**	–	–	–	–
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	31,808	–	–	31,808
Additions	**7,475**	**–**	**1,907**	**9,382**	3,350	9,335	–	12,685
Charged to consolidated income statement as engine overhaul cost (Note 10)	**(7,796)**	**–**	**–**	**(7,796)**	–	–	–	–
Transfer to property, plant and equipment (Note 15)	**–**	**(9,336)**	**–**	**(9,336)**	–	–	–	–
Exchange differences	**(3,625)**	**–**	**–**	**(3,625)**	(1,068)	1	–	(1,067)
At 31 December	**30,144**	**–**	**1,907**	**32,051**	34,090	9,336	–	43,426

The non-current prepayments for engine overhaul represent the engine overhaul cost prepaid to aircraft manufacturers but the engines are not yet overhauled and are not expected to be utilised within twelve months from the financial position date.

The non-current prepayments for aircraft and aviation equipment represent the progress payments made for the purchase of certain aircraft and aviation equipment.

22 PREPAID OPERATING LEASE RENTALS

	2015 HK$'000	2014 HK$'000
At 1 January		
Cost	**1,693**	–
Accumulated amortisation	**(20)**	–
Net carrying amount	**1,673**	–
Year ended 31 December		
Opening net carrying amount	**1,673**	–
Acquisition of a subsidiary	**–**	1,747
Amortisation (Note 10)	**(45)**	(20)
Exchange differences	**(190)**	(54)
Closing net carrying amount	**1,438**	1,673
At 31 December		
Cost	**1,503**	1,693
Accumulated amortisation	**(65)**	(20)
Net carrying amount	**1,438**	1,673

The prepaid operating lease rentals represent the premium paid by Phoenix for the land leased from the Kenya Airports Authority for the terms of 45 years from 1 June 2004.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015				2014			
	Hong Kong listed equity investment HK$'000 (Note (i))	Overseas listed security investment HK$'000 (Note(ii))	Overseas unlisted security investments HK$'000 (Note (iii))	Total HK$'000	Hong Kong listed equity investment HK$'000 (Note (i))	Overseas listed security investment HK$'000 (Note (ii))	Overseas unlisted security investments HK$'000 (Note (iii))	Total HK$'000
At 1 January	70,153	106	5	70,264	–	–	–	–
Additions (Note (i))	–	–	–	–	42,733	–	–	42,733
Acquisition of a subsidiary	–	–	–	–	–	121	5	126
Change in value (Note 35)	279,433	–	–	279,433	27,420	–	–	27,420
Redemptions	–	(10)	–	(10)	–	(22)	–	(22)
Disposals	(318,586)	–	–	(318,586)	–	–	–	–
Exchange differences	–	(10)	(1)	(11)	–	7	–	7
At 31 December	31,000	86	4	31,090	70,153	106	5	70,264
Less: current portion	(31,000)	–	–	(31,000)	–	–	–	–
Non-current portion	–	86	4	90	70,153	106	5	70,264

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 (Note 32) 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 10) was made during the year ended 31 December 2014 for the price difference arising from the share swap.

During the year ended 31 December 2015, the Company disposed of 14,661,178 shares of RGL in the market for an aggregate consideration of HK$318,586,000 and a gain on disposal of available-for-sale financial assets of approximately HK$279,870,000 was recorded. At 31 December 2015, the fair value of the listed equity investment of approximately HK$31,000,000 was based on quoted market price of the RGL's shares (2014: HK$70,153,000). The Company intends to continue disposing the rest of its holding in the RGL's shares (being 3,144,000 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.

24 INVENTORIES

	2015 HK$'000	2014 HK$'000
Aircraft spare parts and consumables	**9,366**	5,524
Fuels	**60**	–
Packaging materials	**218**	–
	9,644	5,524

During the year 31 December 2015, a provision for inventories amounting to HK$12,000 (2014: Nil) was recognised in other operating expenses in the consolidated income statement.

25 TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**58,439**	70,413
Less: Provision for impairment	**(63)**	–
	58,376	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.

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

	2015 HK$'000	2014 HK$'000
Within 30 days	**34,721**	48,722
31 days – 60 days	**5,548**	10,053
61 days – 90 days	**7,969**	5,140
Over 90 days	**10,201**	6,498
	58,439	70,413
Less: Provision for impairment	**(63)**	–
	58,376	70,413

25 TRADE RECEIVABLES *(Continued)*

At 31 December 2015, trade receivables of HK$23,655,000 (2014: HK$21,236,000) relating to a number of independent customers were past due. After considering their creditworthiness, past collection history and settlement after the financial position date, these overdue trade receivables were not considered impaired. The past due aging analysis of these trade receivables without provision made is as follows:

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**5,548**	10,053
31 days – 60 days	**7,969**	5,140
Over 60 days	**10,138**	6,043
	23,655	21,236

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

	2015 **HK$'000**	2014 HK$'000
US$	**26,778**	29,521
ZAR	**12,953**	–
EUR	**9,038**	37,793
ZMW	**5,289**	–
KES	**2,541**	1,824
HK$	**820**	820
RMB	**346**	455
Others	**611**	–
	58,376	70,413

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

25 TRADE RECEIVABLES *(Continued)*

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

	2015 **HK$'000**	2014 HK$'000
At 1 January	**–**	–
Provision for impairment	**63**	23
Disposal of subsidiaries	**–**	(23)
At 31 December	**63**	–

During the year ended 31 December 2015, a provision for impairment of HK$63,000 (2014: HK$23,000) on trade receivables which have been overdue for more than 60 days was made after considering the collectibility, overdue aging analysis, past collection history of the trade receivables.

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Deposits and other receivables, net of provision	**6,691**	8,682
Current account with an associate	**5,886**	6,901
Prepayments	**7,696**	6,614
Interest receivables	**28,549**	10,215
Value-added tax receivables	**937**	581
	49,759	32,993

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

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

	2015 **HK$'000**	2014 HK$'000
At 1 January	**14,536**	12,043
Provision for impairment (Note (i))	**3**	2,493
At 31 December	**14,539**	14,536

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

Note:

(i) The provision for impairment made during the year ended 31 December 2014 includes a provision of HK$2,103,000 for an advance to a joint venture.

27 CASH AND BANK BALANCES

	2015 **HK$'000**	2014 HK$'000
Restricted cash (Note (i))		
Non-current portion	**2,690**	–
Current portion	**4,581**	–
	7,271	–
Pledged bank deposits (Note 30)		
Non-current portion	**230,848**	413,146
Current portion	**228,722**	–
	459,570	413,146
Short-term bank deposits with original maturities over three months	**2,229**	2,260
Cash at banks and on hand	**109,851**	149,008
Bank deposits with original maturities of three months or less	**113,514**	134,287
Cash and cash equivalents	**223,365**	283,295
Total cash and bank balances	**692,435**	698,701
Maximum exposure to credit risk	**690,562**	694,538

Notes:

(i) At 31 December 2015, bank balances totalling of US$572,000 and KES2,000,000 (equivalent to approximately HK$4,581,000 in total) (2014: Nil) were current restricted deposits held at banks as guarantees pursuant to contracts signed by a wholly-owned subsidiary with its customers. The remaining balance represented a non-current restricted bank deposit of US$347,000 (equivalent to approximately HK$2,690,000) (2014: Nil) held by a bank as a top-up security for bank loans borrowed by a wholly-owned subsidiary.

27 CASH AND BANK BALANCES *(Continued)*

Notes: *(Continued)*

(ii) Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged bank deposits and short-term bank deposits earn interest at the respective deposit rates.

(iii) The carrying amounts of cash and bank balances are denominated in the following currencies:

	2015 **HK$'000**	2014 HK$'000
RMB	**506,595**	546,663
US$	**105,985**	27,352
HK$	**70,498**	60,968
EUR	**6,199**	58,654
ZAR	**1,322**	–
KES	**790**	2,702
Others	**1,046**	2,362
	692,435	698,701

(iv) The cash and bank balances of the Group denominated in RMB are not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

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

28 TRADE PAYABLES

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

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**24,446**	13,811
31 days – 60 days	**4,940**	1,476
61 days – 90 days	**1,992**	256
Over 90 days	**5,335**	3,203
	36,713	18,746

28 TRADE PAYABLES *(Continued)*

Notes:

(i) The carrying amounts of trade payables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
EUR	**11,957**	7,356
ZAR	**10,591**	–
US$	**7,299**	6,506
ZMW	**3,175**	–
KES	**3,073**	4,121
HK$	**564**	763
Others	**54**	–
	36,713	18,746

(ii) The fair value of trade payables approximates its carrying amount.

29 OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Investment payables (Note (i))	**7,208**	7,195
Derivative financial liabilities (Note (ii))	**1,851**	1,851
Receipts in advance	**7,492**	7,295
Deferred income	**897**	952
Advances from related companies	**5,697**	–
Accrued expenses	**21,063**	12,945
Others	**3,397**	3,743
	47,605	33,981

Notes:

(i) At 31 December 2015, the investment payables include the consideration payable to COL of US$900,000 (equivalent to approximately HK$6,975,000) (2014: US$900,000 (equivalent to approximately HK$6,962,000)) and the consideration payable to Boyojoy for the second stage of subscription of US$30,000 (equivalent to approximately HK$233,000) (2014: US$30,000 (equivalent to approximately HK$233,000)).

29 OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes: *(Continued)*

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

	2015 HK$'000	2014 HK$'000
At 1 January	**1,851**	8,081
Fair value changes (Note 10)	**–**	(6,230)
At 31 December	**1,851**	1,851

30 BORROWINGS

	2015 HK$'000	2014 HK$'000
Non-current portion		
Bank loans	**218,058**	372,295
Finance leases	**94,095**	67,782
	312,153	440,077
Facility arrangement fees	**(4,517)**	(4,074)
	307,636	436,003
Current portion		
Bank loans	**220,921**	–
Finance leases	**14,936**	10,516
	235,857	10,516
Total borrowings	**543,493**	446,519

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

30 BORROWINGS *(Continued)*

(a) Bank Loans

The bank loans are repayable as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	**220,921**	–
After 1 year but within 2 years	**151,135**	221,063
After 2 years but within 5 years	**66,923**	151,232
	438,979	372,295
Facility arrangement fees	**(4,517)**	(4,074)
Less: current portion	**(220,921)**	–
Non-current portion	**213,541**	368,221

The bank loans are denominated in US$ and bear interests with reference to London Interbank Offered Rate US$ Interest Rate plus margins ranging from 2.4% to 4.1% per annum (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$459,570,000) (2014: RMB325,919,000 (equivalent to approximately HK$413,146,000)) (Note 27).

(b) Finance Leases

	2015 HK$'000	2014 HK$'000
Future payments	**132,421**	94,802
Future finance charges on finance leases	**(23,390)**	(16,504)
Present value of finance lease liabilities	**109,031**	78,298
Less: current portion	**(14,936)**	(10,516)
Non-current portion	**94,095**	67,782

30 BORROWINGS *(Continued)*

(b) Finance Leases *(Continued)*

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

	2015 **HK$'000**	2014 HK$'000
Within 1 year	**14,936**	10,516
After 1 year but within 2 years	**30,512**	11,159
After 2 years but within 5 years	**63,583**	44,118
After 5 years	**–**	12,505
	109,031	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 9.77% per annum (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 part of the finance leases 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 31 December 2015 amounted to HK$136,144,000 (2014: HK$89,559,000).

(c) Effective Interest Rates

The effective annual interest rates incurred on borrowings are as follows:

	2015	2014
Bank loans	**2.46% – 4.14%**	2.46% – 3.65%
Finance leases	**3.43% – 9.90%**	3.42% – 7.76%

31 FINANCIAL INSTRUMENTS BY CATEGORY

	2015 HK$'000	2014 HK$'000
Loans and receivables		
– Trade receivables (Note 25)	**58,376**	70,413
– Deposits and other receivables	**41,126**	12,918
– Cash and bank balances (Note 27)	**692,435**	698,701
	791,937	782,032
Available-for-sale financial assets (Note 23)	**31,090**	70,264
	823,027	852,296
Other financial liabilities at amortised costs		
– Trade payables (Note 28)	**36,713**	18,746
– Other payables and accruals	**37,365**	22,524
– Borrowings (Note 30)	**543,493**	446,519
	617,571	487,789
Derivative financial liabilities (Note 29)	**1,851**	1,851
	619,422	489,640

32 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2014 and 2015	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2013	1,139,531,432	113,953
Issue of shares on 14 January 2014 (Note 23(i))	56,976,571	5,698
Exercise of share options on 26 September, 22 October, 28 October, 18 November and 22 December 2014 (Note 33)	32,995,000	3,299
At 31 December 2014 and 2015	1,229,503,003	122,950

The proceeds of the above issues of shares were utilised as additional working capital of the Group.

33 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.

The New Scheme is valid and effective for a period of 10 years commencing from 28 March 2012, the date of the approval of the New Scheme. Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares. The options are exercisable within the option period as determined by the Board of the Company.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any twelve-month period shall not exceed 1% of the shares then in issue. During the year, no share options were granted under the New Scheme (2014: 115,477,828). The share option scheme limit was refreshed by a resolution passed at the annual general meeting of shareholders held on 5 March 2014. The maximum number of options that can be granted by the Company was refreshed to 119,650,800 representing approximately 10% of the number of then issued shares of the Company. At the financial position date, the total number of options that can be granted was 106,730,800.

33 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

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

	2015 Weighted average exercise price per share HK$	**2015** Number of options	2014 Weighted average exercise price per share HK$	2014 Number of options
Old Scheme				
At 1 January and 31 December	**1.99**	**1,000,000**	1.99	1,000,000
New Scheme				
At 1 January	**1.46**	**115,477,828**	0.82	32,995,000
Granted and accepted		**–**	1.46	115,477,828
Exercised		**–**	0.82	(32,995,000)
At 31 December	**1.46**	**115,477,828**	1.46	115,477,828
Total		**116,477,828**		116,477,828

Out of the 116,477,828 outstanding options as at 31 December 2015 (2014: 116,477,828), 48,105,942 options were exercisable (2014: 1,000,000). No share option was exercised during the year ended 31 December 2015. Options exercised during the year ended 31 December 2014 resulted in 32,995,000 shares issued with weighed average exercise price of HK$0.82 each.

33 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 2015	2014
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
Total		**116,477,828**	116,477,828

33 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

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

	Outstanding options at 1 January 2015	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 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 a service provider						
In aggregate	500,000	–	–	–	500,000	–
Date of share options granted	12 February 2007					
Exercise price	HK$1.99					
Exercise period	12 February 2008 – 11 February 2017					
Held by a service provider						
In aggregate	500,000	–	–	–	500,000	–
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	–

33 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

	Outstanding options at 1 January 2015	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2015	Weighted average closing price before dates of exercise HK$
New Scheme *(Continued)*						
Date of share options granted	8 April 2014					
Exercise price	HK$0.97					
Exercise period	8 April 2015 – 7 April 2020					
Held by directors						
Mr Yap Fat Suan, Henry	1,400,000	–	–	–	1,400,000	–
Professor Lee Hau Leung	1,400,000	–	–	–	1,400,000	–
Mr William J. Fallon	1,400,000	–	–	–	1,400,000	–
Dr Harold O. Demuren	1,400,000	–	–	–	1,400,000	–
Held by employees						
In aggregate	4,200,000	–	–	–	4,200,000	–
	9,800,000	–	–	–	9,800,000	
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	–
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	–

33 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 year ended 31 December 2015 are as follows:

	Outstanding options at 1 January 2015	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2015	Weighted average closing price before dates of exercise HK$
Mr Prince (Note (i))	205,115,657	–	–	–	205,115,657	–
Reorient Financial Markets Limited ("RFML") (Note (ii))	22,790,628	–	–	–	22,790,628	–
	227,906,285	–	–	–	227,906,285	

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 31 December 2015 (2014: Same). No other options were exercised during the years ended 31 December 2015 and 2014.

34 SHARE AWARD SCHEME

The Company has adopted a share award scheme ("Share Award Scheme") on 10 December 2015 (the "Adoption Date"). The Share Award Scheme does not constitute a share option scheme for the purpose of Chapter 17 of the Listing Rules. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain employees and persons of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract personnel for further development of the Group. Unless terminated earlier or extended by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme operates for 10 years commencing on the Adoption Date. The maximum number of shares which can be awarded under the Share Award Scheme is 5% of the Company's shares in issue as at the Adoption Date (i.e. 61,475,150 shares) and the maximum number of shares which may be awarded to a selected employee or director under the Share Award Scheme is 1% of the Company's shares in issue as at the Adoption Date (i.e. 12,295,030 shares). The awarded shares are either purchased from the market or allotted and issued by the Company. Before vesting, the awarded shares are held in a trust set up for the Share Award Scheme.

Since the Adoption Date and up to 31 December 2015, the Group has not purchased any shares of the Company on the Stock Exchange and has not granted any shares of the Company under the Share Award Scheme.

Details of the Share Award Scheme are set out in the Company's announcement dated 10 December 2015.

35 RESERVES

	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Exchange reserve HK$'000 (Note (iii))	General reserve HK$'000 (Note (iv))	Equity instrument reserve HK$'000 (Note (v))	Share-based compensation reserve HK$'000 (Note (vi))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	1,724	628,235	65,377	15,841	132,100	9,017	(327,363)	524,931
Loss for the year	–	–	–	–	–	–	(130,440)	(130,440)
Other comprehensive income/(loss)								
– Foreign exchange differences	–	–	(6,093)	–	–	–	–	(6,093)
– Change in value of available-for-sale financial assets (Note 23)	–	–	–	–	27,420	–	–	27,420
Disposal of subsidiaries	–	–	(5,098)	–	–	–	–	(5,098)
Disposal of a joint venture	–	–	(5)	–	–	–	–	(5)
Issue of shares	83,756	–	–	–	–	–	–	83,756
Issue of option rights	–	–	–	–	20,518	–	–	20,518
Share option scheme								
– Share-based compensation	–	–	–	–	–	42,263	–	42,263
– Exercise of share options	23,756	–	–	–	–	–	–	23,756
– Transfer upon exercise of share options	11,811	–	–	–	–	(11,811)	–	–
Transfer to general reserve	–	–	–	16,392	–	–	(16,392)	–
At 31 December 2014	121,047	628,235	54,181	32,233	180,038	39,469	(474,195)	581,008
At 1 January 2015	**121,047**	**628,235**	**54,181**	**32,233**	**180,038**	**39,469**	**(474,195)**	**581,008**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(142,920)**	**(142,920)**
Other comprehensive income/(loss)								
– Foreign exchange differences	**–**	**–**	**(49,995)**	**–**	**–**	**–**	**–**	**(49,995)**
– Change in value of available-for-sale financial assets (Note 23)	**–**	**–**	**–**	**–**	**279,433**	**–**	**–**	**279,433**
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(283,399)**	**–**	**–**	**(283,399)**
Share option scheme								
– Share-based compensation	**–**	**–**	**–**	**–**	**–**	**19,668**	**–**	**19,668**
At 31 December 2015	**121,047**	**628,235**	**4,186**	**32,233**	**176,072**	**59,137**	**(617,115)**	**403,795**

35 RESERVES *(Continued)*

Notes:

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

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

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

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

(v) The equity instrument reserve represents:

  (a) the fair value of the option rights granted for the acquisition of FSL on 3 December 2013; and

  (b) the fair value of the option rights granted to RFML on 14 January 2014 to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share for the settlement of the financial advisory service provided by RFML.

(vi) The share-based compensation reserve represents the fair value of the unexercised share options granted under the Company's share option schemes to the eligible participants recognised in accordance with the accounting policy set out in Note 2.19(b).

36 NON-CONTROLLING INTERESTS

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

37 CASH USED IN OPERATIONS

The reconciliation of loss for the year to cash used in operations is as follows:

	2015 **HK$'000**	2014 HK$'000
Loss for the year from continuing operations	**(142,920)**	(139,037)
Profit for the year from discontinued operations	**–**	8,065
	(142,920)	(130,972)
Adjustments for		
– Income tax credit	**(3,164)**	(2,530)
– Interest expenses	**21,073**	8,630
– Depreciation	**25,564**	8,754
– Engine overhaul cost	**7,796**	–
– Amortisation of prepaid operating lease rentals and intangibles	**1,739**	727
– Share-based compensation	**19,668**	42,263
– Loss on share swap	**–**	46,721
– Provision for impairment of trade receivables and other receivables	**66**	413
– Provision for impairment of inventories	**12**	–
– Provision for impairment of goodwill	**94,975**	–
– Provision for impairment of property, plant and equipment	**66,118**	–
– Gain on disposal of available-for-sale financial assets	**(279,870)**	–
– Net gain on disposal of property, plant and equipment (Note (i))	**(775)**	(91)
– Gain on disposal of subsidiaries	**–**	(4,766)
– Provision for impairment of interest in an associate	**56**	20,270
– Provision for impairment of interest in a joint venture	**–**	7,837
– Provision for impairment of an advance to a joint venture	**–**	2,103
– Fair value changes in derivatives	**–**	(6,230)
– Interest income	**(21,610)**	(19,405)
– Share of profit of joint ventures	**–**	(8,469)
– Share of loss of associates	**443**	4,585
Exchange differences	**(20,516)**	5,827
Changes in working capital		
– Inventories	**(3,720)**	138
– Trade receivables, prepayments, deposits and other receivables	**10,372**	(45,648)
– Trade payables, other payables and accruals	**22,672**	(21,138)
Cash used in operations	**(202,021)**	(90,981)

37 CASH USED IN OPERATIONS *(Continued)*

Notes:

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

	2015 **HK$'000**	2014 HK$'000
Net carrying amount of disposed property, plant and equipment (Note 15)	**17,784**	563
Net gain on disposal of property, plant and equipment (Note 10)	**775**	91
Proceeds from disposal of property, plant and equipment	**18,559**	654

(ii) There was no major non-cash transaction for the year ended 31 December 2015.

During the year ended 31 December 2014, the major non-cash transactions were attributable to:

- the issue of 56,976,571 new shares of the Company at the closing price of HK$1.57 per share on 14 January 2014 (Note 35) in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK$2.40 per share (Note 23); and
- the grant of option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share to RFML for the settlement of the financial advisory services provided by RFML with a fair value of HK$20,518,000 in aggregate.

38 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:

	2015 **HK$'000**	2014 HK$'000
Contracted for	**1,527**	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.

38 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Operating Lease Commitments as a Lessor *(Continued)*

At 31 December 2015, the Group had total commitments receivable under the non-cancellable operating leases as follows:

	2015 **HK$'000**	2014 HK$'000
Not later than 1 year	**331**	1,552
Later than 1 year but not later than 5 years	**1,031**	11,056
Later than 5 years	**343**	394
	1,705	13,002

(c) Operating Lease Commitments as a Lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2015 **HK$'000**	2014 HK$'000
Aircraft		
– Not later than 1 year	**–**	353
Land and buildings		
– Not later than 1 year	**13,555**	8,859
– Later than 1 year but not later than 5 years	**46,302**	8,995
– Later than 5 years	**6,438**	4,581
	66,295	22,435
Total		
– Not later than 1 year	**13,555**	9,212
– Later than 1 year but not later than 5 years	**46,302**	8,995
– Later than 5 years	**6,438**	4,581
	66,295	22,788

38 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(d) Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

39 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 consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Related Parties *(Continued)*

	2015 HK$'000	2014 HK$'000
Receipt of consultancy services from		
– A company owned by a director of the Company (Note (i))	**5,623**	3,984
– A company owned by a director of certain subsidiaries (Note (ii))	**2,543**	2,466
– A company owned by a director of a subsidiary (Note (iii))	**2,015**	–
Receipt of financial advisory services from		
– A related company of a director of the Company (Note (iv))	**–**	3,881
Receipt of security trading services from		
– A related company of a director of the Company (Note (v))	**3,186**	–
Receipt of mapping and repair services from		
– A related company of a director of the Company (Note (xii))	**–**	480
Payment of operating lease rental on equipment to		
– A company owned by a director of certain subsidiaries (Note (vi))	**2,081**	788
Payment of aircraft lease rental to		
– A company owned by a director of a subsidiary (Note (vii))	**530**	1,793
Payment of office rental expenses to		
– A company owned by 3 directors of a subsidiary (Note (viii))	**2,016**	293
Receipt of rental income of leasehold property from		
– A company owned by 3 directors of a subsidiary (Note (viii))	**8**	4
Provision of aircraft maintenance services to		
– A company owned by a director of a subsidiary (Note (xii))	**432**	137
Purchase of a subsidiary and certain trucking vehicles from		
– A related company of a director of the Company (Note (ix))	**10,077**	–
Issue of shares to		
– A related company of a director of the Company (Note (x))	**–**	89,454
Subscription of shares from		
– A related company of a director of the Company (Note (x))	**–**	42,733
Issue of share options to		
– A related company of a director of the Company (Note (xi))	**–**	20,518

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Related Parties *(Continued)*

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

Notes:

(i) On 8 April 2014, FSL entered into a service agreement with Frontier Opportunities Limited ("FOL"), a company wholly owned by Mr Prince, pursuant to which FOL would provide FSL certain business development services, strategic guidance, and project sourcing and management services for a term of 3 years from 8 April 2014 to 7 April 2017.

During the year ended 31 December 2015, service fee of US$725,000 (equivalent to approximately HK$5,623,000) (2014: US$514,000 (equivalent to approximately HK$3,984,000)) were incurred to FOL in accordance with the terms of the service agreement.

(ii) This represents consultancy fees of US$328,000 (equivalent to approximately HK$2,543,000) (2014: US$318,000 (equivalent to approximately HK$2,466,000)) made by the Group to Mwongozo East Africa Limited ("Mwongozo"), a company wholly owned by a director of certain subsidiaries, for consultancy services provided to the Group in accordance with the terms of the related service agreement.

(iii) This represents consultancy fee of US$260,000 (equivalent to approximately HK$2,015,000) made by the Group to D Barak Consulting Ltd, a company wholly owned by a director of KAL, for consultancy services provided to the Group in accordance with the terms of the related consultancy agreements.

(iv) It represents financial advisory service fee of US$500,000 (equivalent to approximately HK$3,881,000) incurred by the Company during the year ended 31 December 2014 for the financial advisory services provided by RFML, a related company of Mr Ko, in respect of the acquisition of Phoenix in accordance with the terms of the related engagement letter.

(v) This represents commission paid by the Company for security trading services provided by RFML, a related company of Mr Ko.

(vi) During the year ended 31 December 2015, operating lease rentals on equipment of US$268,000 (equivalent to approximately HK$2,081,000) (2014: US$102,000 (equivalent to approximately HK$788,000)) were paid by the Group to Mwongozo.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Related Parties *(Continued)*

Notes: *(Continued)*

(vii) Prior to the acquisition of Phoenix, Phoenix entered into lease agreements with A.C.L. Aviation Limited ("ACL"), a company wholly owned by a director of Phoenix, for the lease of two aircraft from ACL for a term up to 31 December 2015 for a monthly rental payment of US$45,500 (equivalent to approximately HK$358,600).

During the year ended 31 December 2015, the lease agreements were early terminated by the parties and the rental payment of US$68,000 (equivalent to approximately HK$530,000) (2014: US$227,500 (equivalent to approximately HK$1,793,000)) were incurred to ACL in accordance with the terms of the lease agreements.

(viii) Prior to the acquisition of Phoenix, Phoenix entered into a lease agreement on 2 March 2014 with Quadco Two Hundred and Seventy Seven Limited ("Quadco", a company wholly owned by three directors of Phoenix), pursuant to which Phoenix would lease its leasehold property, Phoenix House, to Quadco for a term of 35 years from 2 March 2014 to 31 May 2049 at an annual rent of (i) KES104,300 (equivalent to approximately HK$9,000) for the period from 2 March 2014 to 1 June 2019; (ii) KES135,590 (equivalent to approximately HK$12,000) for the period from 2 June 2019 to 1 June 2034; and (iii) KES176,267 (equivalent to approximately HK$16,000) for the period from 2 June 2034 to 31 May 2049.

On 2 March 2014, Quadco also entered into a sub-lease agreement with Phoenix to sublease a portion of Phoenix House to Phoenix for a term of 6 years from 1 May 2014 to 30 April 2020 at an annual rent of (i) US$72,000 (equivalent to approximately HK$558,000) for the period from 1 May 2014 to 30 April 2016; (ii) US$75,600 (equivalent to approximately HK$586,000) for the period from 1 May 2016 to 30 April 2018; and (iii) US$79,380 (equivalent to approximately HK$616,000) for the period from 1 May 2018 to 30 April 2020.

During the year ended 31 December 2015, rental income of KES102,000 (equivalent to approximately HK$8,000) (2014: KES43,000 (equivalent to approximately HK$4,000)) was earned from Quadco and rental expenses of US$260,000 (equivalent to approximately HK$2,016,000) (2014: US$38,000 (equivalent to approximately HK$293,000)) were incurred to Quadco in accordance with the terms of the lease agreement and the sub-lease agreement respectively.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with Related Parties *(Continued)*

Notes: *(Continued)*

(ix) It represents the acquisition of Cheetah and certain trucking vehicles by the Group from FRG Distribution and Logistics Holdings Limited, a company of which is 49% beneficially owned by Mr Prince, as set out in Note 14(a).

(x) Pursuant to the share swap agreement entered into by the Company and RGL on 23 November 2013, 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 RGlobal, 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. A loss on share swap of HK$46,721,000 was recognised for the price difference.

(xi) Pursuant to the agreement and the supplementary agreement signed on 4 November 2013 and 23 November 2013 respectively between the Company and RFML regarding to the introduction of the opportunity to the Company for the acquisition of FSL and the provision of related financial advisory services to the Company, the Company granted the option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share with an aggregate fair value of HK$20,518,000 on 14 January 2014 to RFML for the settlement of the financial advisory service fee.

(xii) The related party transactions in respect of notes (i), (iv), (v), (vii), (viii), (ix), (x) and (xi) above, the receipt of mapping and repair services and the provision of aircraft maintenance services also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Details of Key Management Compensation of the Group

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**27,814**	39,667
Post-employment benefits	**288**	329
Share-based compensation	**18,446**	40,994
	46,548	80,990

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.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2015 **HK$'000**	2014 HK$'000
Trade receivables		
– A company owned by a director of a subsidiary	**473**	–
– Companies owned by a director of certain subsidiaries	**15**	–
– A related company of a director of the Company	**–**	27
– A company owned by 3 directors of a subsidiary	**–**	66
Trade payables		
– A related company of a director of the Company	**–**	662
– A company owned by 3 directors of a subsidiary	**405**	352

(d) Other Year-End Balances

	2015 **HK$'000**	2014 HK$'000
Prepayments, deposits and other receivables		
– A company owned by a director of a subsidiary	**72**	–
– Companies owned by a director of certain subsidiaries	**152**	–
– An associate	**5,886**	6,901
– A company owned by a director of certain subsidiaries	**–**	185
Other payables and accruals		
– Companies owned by a director of certain subsidiaries	**5,697**	–
– A company owned by a director of the Company	**1,570**	1,424
– Associates	**6,957**	6,962
– A related company of a director of the Company	**–**	1,551
– A company owned by 3 directors of a subsidiary	**–**	970

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**272**	413
Intangibles	**1,350**	–
Interests in subsidiaries	**633,873**	446,400
Interest in a joint venture	**–**	–
Available-for-sale financial assets	**–**	70,153
Total non-current assets	**635,495**	516,966
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,889**	1,367
Available-for-sale financial assets	**31,000**	–
Cash and cash equivalents	**137,680**	51,376
Total current assets	**170,569**	52,743
CURRENT LIABILITIES		
Other payables and accruals	**18,812**	8,851
Total current liabilities	**18,812**	8,851
Net current assets	**151,757**	43,892
Total assets less current liabilities/Net assets	**787,252**	560,858
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	**122,950**	122,950
Reserves (Note(i))	**664,302**	437,908
Total equity	**787,252**	560,858

Signed on behalf of the Board on 31 March 2016 by

Erik D. Prince
Director

Ko Chun Shun, Johnson
Director

40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

(i) Reserve Movements of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Equity instrument reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	1,724	558,899	132,100	9,017	(331,132)	370,608
Loss for the year	–	–	–	–	(130,413)	(130,413)
Other comprehensive income						
– Change in value of available-for-sale financial assets	–	–	27,420	–	–	27,420
Issue of shares	83,756	–	–	–	–	83,756
Issue of option rights	–	–	20,518	–	–	20,518
Share option scheme						
– Share-based compensation	–	–	–	42,263	–	42,263
– Exercise of share options	23,756	–	–	–	–	23,756
– Transfer upon exercise of share options	11,811	–	–	(11,811)	–	–
At 31 December 2014	121,047	558,899	180,038	39,469	(461,545)	437,908
At 1 January 2015	**121,047**	**558,899**	**180,038**	**39,469**	**(461,545)**	**437,908**
Profit for the year	**–**	**–**	**–**	**–**	**210,692**	**210,692**
Other comprehensive income						
– Change in value of available-for-sale financial assets	**–**	**–**	**279,433**	**–**	**–**	**279,433**
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	**–**	**–**	**(283,399)**	**–**	**–**	**(283,399)**
Share option scheme						
– Share-based compensation	**–**	**–**	**–**	**19,668**	**–**	**19,668**
At 31 December 2015	**121,047**	**558,899**	**176,072**	**59,137**	**(250,853)**	**664,302**

41 EVENTS AFTER THE FINANCIAL POSITION DATE

On 3 February 2016, the Company announced that FSL has entered into a conditional investment agreement (the "Investment Agreement") with an independent third party to subscribe for a 51% equity interest in Maleth Aero Limited, a company through its subsidiary, Maleth Aero AOC Limited, principally engaged in the provision of aircraft management services in southern Europe, for a consideration of EUR1,002,000 (equivalent to approximately HK$8,500,000). On the same date, FSL, the independent third party, Maleth Aero Limited and Maleth Aero AOC Limited have entered into a put and call option agreement (the "Put-Call Agreement") for the right to purchase the remaining 49% equity interest in Maleth Aero Limited at an option price ranging between EUR1,000,000 (equivalent to approximately HK$8,500,000) and EUR10,000,000 (equivalent to approximately HK$85,000,000). Details of the Investment Agreement and the Put-Call Agreement are set out in the Company's circular dated 18 March 2016.

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

FIVE YEAR FINANCIAL SUMMARY

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

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Loss attributable to:					
– Equity holders of the Company	**142,920**	130,440	182,227	214,672	117,721
– Non-controlling interests	**–**	532	168	52	124
	142,920	130,972	182,395	214,724	117,845
Assets and liabilities					
Total assets	**1,349,713**	1,400,773	886,278	895,075	1,562,288
Total liabilities	**(706,718)**	(580,565)	(130,612)	(117,451)	(432,812)
Non-controlling interests	**(116,250)**	(116,250)	(116,782)	(116,250)	(117,941)
Equity attributable to the Company's equity holders	**(526,745)**	(703,958)	(638,884)	(661,374)	(1,011,535)