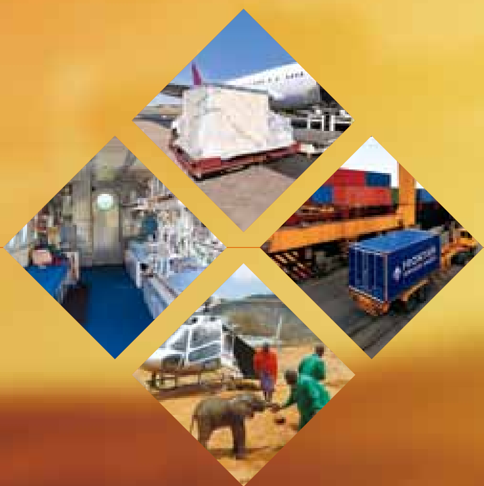
FRONTIER SERVICES GROUP



Complete Logistics Solutions

Frontier Services Group Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 00500)

Annual Report **2014**

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

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICE

Principal Registrars

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

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

INVESTOR RELATIONS

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

Financial Highlights

	For the year ended 31 December	
	2014 HK$'000	2013 HK$'000 (Restated)
Revenue		
Continuing operations:		
Aviation and logistics business	**284,624**	16
Financial market information business	**25,820**	27,676
	310,444	27,692
Discontinued operations:		
Advertising agency business	**295**	1,796
Digital broadcasting business	**–**	2,852
	295	4,648
	310,739	32,340
Gross profit		
Continuing operations	**138,973**	18,259
Discontinued operations	**201**	4,434
	139,174	22,693
Profit/(loss) for the year		
Continuing operations	**(139,037)**	(170,293)
Discontinued operations	**8,065**	(12,102)
	(130,972)	(182,395)
Basic earnings/(loss) per share		
Continuing operations	**(11.58) cents**	(14.93) cents
Discontinued operations	**0.67 cents**	(1.06) cents
	(10.91) cents	(15.99) cents

	As at 31 December	
	2014 HK$'000	2013 HK$'000
Total assets	**1,400,773**	886,278
Shareholders' funds	**703,958**	638,884
Net asset value per share (excluding non-controlling interests)	**57 cents**	56 cents
Cash and bank balances	**698,701**	711,760
Number of staff	**303**	78
Current ratio	**6.02**	8.86
Total liabilities-to-total assets ratio	**0.41**	0.15
Price to book ratio	**1.94**	2.16

Chairman's Statement

Dear Shareholders

2014 marked the first full year of operations in the aviation and logistics business for Frontier Services Group Limited ("FSG" or the "Company"), and we have made significant progress positioning the Company to deliver lasting value to our shareholders, support to our customers, and benefit to the regions we serve. Our strategy in 2014 was to invest in human capital as well as the businesses and assets that comprise our growing platform of capabilities, and we have reached meaningful milestones as we become the "Complete Logistics Solutions" provider for Africa and beyond.

HUMAN RESOURCES

During 2014, FSG enhanced the composition of our Board of Directors, made several key additions to our executive leadership team, and expanded the number of high-quality, client-facing staff in order to drive current success and pave the way for future growth.

Additions to the Board of Directors

Between March and April 2014, we added three new, highly qualified, independent non-executive members to the FSG Board: Dr Harold O. Demuren, Admiral William J. Fallon, USN (Ret.) and Professor Lee Hau Leung. These individuals bring decades of sector-specific and geographically relevant professional experience to our business, and we are benefitting from their independent strategic advice and guidance to the Group.

Dr Demuren, a degreed aeronautical engineer from the Massachusetts Institute of Technology, was Director General of the Nigerian Civil Aviation Authority ("CAA") from 2005 to 2013. Under Dr Demuren's reform-minded leadership, Nigeria achieved Category One certification from the U.S. Federal Aviation Administration, enabling direct travel between the countries. Dr Demuren also led numerous initiatives aimed at fostering greater professionalism and transparency within the Nigerian CAA. Dr Demuren is a key addition to our Board given his deep experience and strong working relationships with the African civil aviation industry.

Admiral Fallon, a highly decorated, retired U.S. Navy four-star flag officer, served as Commander of U.S. Central Command ("CENTCOM"), U.S. Pacific Command ("PACOM"), and U.S. Fleet Forces Command, as well as Vice Chief for U.S. Naval Operations during his four decades of service to the United States. With tenure covering immediate oversight of global geographies important to FSG, Admiral Fallon brings years of experience leading extremely complex operations in frontier and austere environments.

Professor Lee is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. Professor Lee's research emphasis surrounds value chain innovations and new business models, with specialization in supply chain management and global logistics design. Professor Lee's insight and knowledge will be important to FSG's development of strategic platform capabilities linking air-, land-, and sea-mobility concepts.

Additions to the Executive Team

Between April and July 2014, we added to our senior leadership team Mr Charles Thompson as our Chief Financial Officer and Captain Peter Phillips, USN (Ret.) as our Chief Operating Officer.

As CFO, Mr Thompson oversees the finance and administration of our business from our headquarters in Hong Kong. Prior to joining FSG, he was a partner and the executive vice president for a privately sponsored aviation services business, Hawke Aerospace Group, and, previously, a shareholder and managing director of Edgeview Partners, LLC, a leading U.S. middle market investment banking advisory firm. Mr Thompson brings over 20 years of experience in various consulting, advisory, and operations roles covering the aviation and transportation space. He holds a degree from Colby College and an MBA from Columbia University in New York City.

Captain Phillips served with distinction for 25 years as a U.S. Navy SEAL, where he traveled to 59 countries on 6 continents. Among his other positions, he served as 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. Captain Phillips graduated from Virginia Polytechnic University and has a graduate degree in national security strategy with a focus on Africa.

Additions to the FSG Team

Reflecting the acceleration of our business, our strong revenue growth and the expansion of our service platform to meet the growing needs of our customers, FSG also added more than 220 employees to our team during the past year. Some of our new colleagues came to us via acquisition while many others were attracted to our corporate vision and the professional opportunity we offer. We continue to invest in our team by creating long-term retention opportunities, implementing training and quality control measures, and rolling out overall business planning tools to ensure that we have the best employees in place for the business going forward.

CORPORATE ASSETS

Pan-African Aviation Portfolio

In July 2014, we completed our investment in Phoenix Aviation Limited ("Phoenix"), a key element to our overall African aviation strategy. Phoenix, a leading Kenyan aviation business that provides charter, air ambulance, and aircraft maintenance services, is our flagship operation offering the strategic platform from which to serve all of sub-Saharan Africa.

Capitalizing on the Phoenix franchise, we established our Phoenix Aviation Malta Limited ("PAM") affiliate in October 2014. PAM gives us an immediate presence to serve the North African market, and we are in the process of relocating assets that will provide the on-demand regional flight capability that our customers seek. PAM is an example of our commitment to becoming the most capable, most well regarded specialty aviation business serving the continent, and we look forward to expanding into West and Central Africa in the coming years.

Complementing Phoenix's fleet of turboprops and light jets, we aggressively invested in other specialized aircraft during the past year. At present, our fleet includes more than 20 aircraft, including helicopters and medium-lift cargo aircraft that are capable of airdrops, palletized offloading, and short-takeoff-and-landing missions into unimproved fields. Given the fact that we started 2014 with a single aircraft, we are pleased with our progress to date. That said, we recognize the important role aviation services play on the continent. We will, therefore, continue to grow our fleet by selectively acquiring other aviation assets, potentially including long-range jets and heavy-lift cargo aircraft, in order to meet every potential customer requirement going forward.

Nairobi Operations Hub

We are firm believers in the philosophy that "you can't manage what you can't measure, and you can't measure what you can't track," so we have also invested in a world-class operations center in Nairobi, Kenya. This operations resource allows FSG to track and monitor every asset – human or physical – affiliated with our business in an around-the-clock capacity. We know of no other corporate resource of its type in Africa, and this center will play an instrumental role in our commercial activity going forward.

2014 BUSINESS REVIEW

The Board and management team are proud of what we have built in our first full year of operations: we successfully entered key verticals, including oil and gas, mining, and humanitarian relief. Across these core markets, FSG continues to support our customers' need to move goods, materials, and employees into and out of some of the fastest growing and more challenging operating environments in the world. Most importantly, we are successfully carrying out our operations in a safe, reliable, and cost-effective manner.

For you, our shareholders, growing our business across multiple verticals in a variety of sectors, combined with a demonstrated ability to perform on a pan-African basis, gives investors a unique opportunity to best access and better manage African risk. What's more, a young, connected, and vibrant population striving for progress and prosperity makes Africa the right market at the right time for FSG.

As you know, operating in Africa is not without its inherent challenges. In fact, our experience in 2014 confirmed that logistics systems remain extremely fragmented and disparate. Few of our competitors own their assets and currently none have the ability to provide integrated mobility, tracking and warehousing across air, sea, and land. Where others see obstacles, we see opportunities: FSG is moving aggressively to become the sought-after solution for the smooth flow of goods, people, and services throughout Africa.

With all of that, we have accomplished a great deal in a very short period of time, and we have done so with an eye toward the profitability of our operations. We generated more than HK$310 million in consolidated revenue at a 45% gross margin for 2014, and our aviation and logistics segment had an outstanding first year before the effect of our corporate build-out and other non-recurring charges. I am excited by our progress, the business we have built and the talented team of professionals that will take FSG forward.

PROSPECTS

Expanding Aviation Platform Across Africa

Looking ahead to 2015, we expect to expand our aviation platform through organic growth in the frequency of operations within our existing fleet. In particular, we are actively pursuing multiple opportunities with our core customers across corporate, non-governmental and government sectors. We are also considering strategic investment in our base of assets to accommodate other specialized customer demands for longer-haul routes and heavy-cargo contracts, which we believe will continue to increase over the next several years. And, as a natural consolidator, FSG will continue to evaluate strategic opportunities to acquire attractive businesses that offer geographic and customer diversification throughout Africa.

Targeted Growth in the Democratic Republic of the Congo

We are also excited about our announced acquisition of an established and licensed ground transportation business in the Democratic Republic of the Congo ("DRC"). Our vision has always been to offer a turnkey logistics solution to our customers, and our initial move into the ground business is the second leg to that platform. The DRC, with vast natural resources and deep ties to many of our Chinese partners, is a key growth market for FSG. We are enthusiastic about our ability to access the DRC through this acquisition and grow this business during the coming year.

West Africa Outlook

While the downturn in global oil prices has dampened the short-term outlook for Nigeria, we remain firm believers in the prospects for West Africa. Reflecting our long-term optimism, we will soon establish FSG's corporate presence in that region. This will enable us to move rapidly and take full advantage of the growth opportunities once the economy recovers. Our plans for West Africa are consistent with our overall strategic objectives to be a full-service logistics provider with multiple points of presence, enabling us to better serve the entire continent.

Expanding our Kenya Hub

Closer to our operational headquarters in Kenya, we are currently exploring a multi-party collaboration around secure warehousing along the East Africa coast. In addition to other ongoing strategic planning to create a maritime mobility capacity, this warehousing concept would be an important step in creating the comprehensive platform from which to grow our enterprise in the coming years.

Deepening our Relationships in China

With a year of proven performance behind us, we anticipate 2015 as the period when our business development efforts with Chinese corporations begin to show results. FSG's talented team of professionals in Beijing will continue their calling efforts aimed at highlighting the value we delivered this past year operating in challenging, frontier environments, precisely where many of our potential Chinese partners have ongoing projects.

Expanding our Franchise in the Marketplace

We also intend to continue brand-building efforts, ranging from trade show attendance to outbound communications. FSG recently participated as a sponsor and exhibitor at the 2015 Mining Indaba conference held in Cape Town, South Africa. This was our first showcase of FSG's logistics services to some of the world's most significant mining companies and our team is pursuing a number of new business leads arising from that conference. Similarly, we will take opportunities to present our corporate branding and messaging to ensure our capabilities and unique value proposition are recognized in the marketplace. And, lastly, we are mindful that FSG is a rapidly growing business that requires financial flexibility, so we will continue to monitor our liquidity and may potentially pursue some form of capital raise during 2015.

I would like to express again my sincere thanks to all of our shareholders, employees, customers, vendors, and business partners for your support over the past year. There is much work to be done and I am confident that our first year of operation has successfully built a foundation from which we will emerge as the preeminent provider of a Complete Logistics Solutions for Africa – and beyond.

Erik D. Prince
Chairman
Hong Kong, 27 March 2015

REVIEW OF RESULTS

Overall Performance

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

Revenue

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

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

Gross Profit and Gross Profit Margin

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

Other Income and Other Gains/(Losses), Net

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

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

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

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

In last year, a provision for impairment was made for the Group's investment in an associate of HK$3,292,000 and the advance to an associate of HK$10,248,000, both of which are engaged in the provision of online Chinese language learning services, in light of their financial position and continuing loss-making performance.

Marketing, Selling and Distribution Costs/Administrative Expenses

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

Other Operating Expenses, Net

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

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

Analysis of Results for Continuing Operations

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

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

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

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

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business

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

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

Financial Market Information Business

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

Advertising Agency Business

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

Direct Investments

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

PROSPECTS

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

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

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

EMPLOYEES

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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company granted 115,477,828 share options to the Group's eligible directors and employees under its share option scheme during the year ended 31 December 2014 (2013: 32,395,000 share options).

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

At 31 December 2014, the Company had 344,384,113 outstanding share options, out of which 116,477,828 share options were granted under its share option schemes. If the share options were exercised, a gross proceed of approximately HK$338 million in aggregate would be raised before deducting any issuance expenses.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank balances are held mainly in Hong Kong dollars ("HK$"), Renminbi ("RMB"), US$ and Euro. Other than the non-current bank deposits pledged for the Group's bank borrowings, surplus cash is generally placed in term deposits and investments in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

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

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

Material Acquisitions and Disposals of Subsidiaries and Associates

On 3 March 2014, the Group entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix at a consideration of US$14,000,000 (equivalent to approximately HK$108,493,000). The acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.

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

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2014.

Charges on Assets

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

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2014 (2013: Nil). However, the Group always seeks for new investment opportunities in the AL business to broaden the revenue and profit potential of the Group and to enhance shareholders' value in long term. On 11 March 2015, the Company announced the acquisition of the entire equity interest in Cheetah Logistics SARL, a company principally engaged in the provision of transport logistics services in the DRC, and certain trucking vehicles for an aggregate consideration of US$1,300,000 (equivalent to approximately HK$10,140,000). The acquisition can be financed by internal funds generated from the Group's business operations or loan facilities provided by the principal bankers.

Capital Expenditure Commitments

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

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

Contingent Liabilities

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

Events after the Financial Position Date

Save as disclosed in the section of "Future plans for material investments or capital assets" above, there has been no other material event subsequent to the financial position date which requires adjustment of or disclosure in these consolidated financial statements.

Corporate Governance Report

INTRODUCTION

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

COMPLIANCE WITH THE CODE

In the opinion of the directors, the Company has complied with the code provisions of the Code throughout the year ended 31 December 2014, 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 were the circumstances warrant reconsideration by the Nomination Committee. Save that Mr Yap Fat Suan, Henry is an independent non-executive director of Concord New Energy Group Limited (formerly known as China WindPower Group Limited), for which Mr Ko Chun Shun, Johnson is also a vice-chairman and a substantial shareholder, the 4 independent non-executive directors do not have any relationships with any members of the Board. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive directors meet the requirements for independence as set out in Rule 3.13 of the Listing Rules. It is also noted that Mr Luo Ning and Mr Hu Qinggang are employees of CITIC Group Corporation, a substantial shareholder of the Company, or its subsidiaries. Save for disclosed herein, there is no other relationship between each of the Board members.

Every newly appointed director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the directors regular updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Company's expense. All directors are required to provide the Company with their record of training they received during the year ended 31 December 2014.

During the year ended 31 December 2014, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The directors acknowledged their responsibility for preparing the financial statements of the Company and the Group for the year ended 31 December 2014. They must ensure that the financial statements of the Company and the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

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 2014, 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.

During the year ended 31 December 2014, the Nomination Committee has reviewed the structure, size and composition of the Board. On 10 January 2014, the Nomination Committee nominated Mr Erik D. Prince to the Board for appointment as executive director. On 24 March 2014 and 8 April 2014, nominations were also made by the Nomination Committee to the Board on the appointments of Professor Lee Hau Leung, and Mr William J. Fallon and Dr Harold O. Demuren, respectively as independent non-executive directors of the Company. Those nominations were made in accordance with the nomination policy and against the objective criteria, with due regard for the benefits of board diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service). The nominations were accepted by the Board respectively that Mr Erik D. Prince was appointed as executive director and Professor Lee Hau Leung, Mr William J. Fallon and Dr Harold O. Demuren were appointed as independent non-executive directors.

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 associates is involved in deciding his own remuneration.

During the year ended 31 December 2014, 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 2014 are set out as below:

	Attended/Eligible to attend					
	Annual general meeting	Special general meetings	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Number of meetings	1	3	12	2	3	7
Executive Directors						
Mr Erik D. Prince (Note (i))	1/1	0/2	9/11	N/A	2/2	6/6
Mr Ko Chun Shun, Johnson	1/1	2/3	12/12	N/A	3/3	7/7
Mr Luo Ning	1/1	0/3	11/12	N/A	N/A	N/A
Mr Gregg H. Smith	1/1	1/3	12/12	N/A	N/A	N/A
Mr Hu Qinggang	1/1	0/3	11/12	N/A	N/A	N/A
Mr Jin Wei (Note (ii))	N/A	0/1	1/1	N/A	N/A	N/A
Mr Xu Qiang (Note (iii))	N/A	0/2	3/4	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr Yap Fat Suan, Henry	1/1	1/3	11/12	2/2	3/3	7/7
Professor Lee Hau Leung (Note (iv))	1/1	0/1	8/8	1/1	1/1	4/4
Mr William J. Fallon (Note (v))	1/1	0/1	6/6	1/1	N/A	3/3
Dr Harold O. Demuren (Note (v))	1/1	0/1	6/6	N/A	N/A	N/A
Mr Liu Tsun Kie (Note (vi))	N/A	0/1	1/1	N/A	1/1	1/1
Mr Chu Hon Pong (Note (vii))	N/A	2/2	5/6	1/1	3/3	4/4

Notes:

(i) Mr Erik D. Prince was appointed as an executive director of the Company on 10 January 2014.
(ii) Mr Jin Wei resigned as an executive director of the Company on 10 January 2014.
(iii) Mr Xu Qiang resigned as an executive director of the Company on 24 March 2014.
(iv) Professor Lee Hau Leung was appointed as an independent non-executive director of the Company on 24 March 2014.
(v) Mr William J. Fallon and Dr Harold O. Demuren were appointed as independent non-executive directors of the Company on 8 April 2014.
(vi) Mr Liu Tsun Kie deceased on 23 January 2014.
(vii) Mr Chu Hon Pong resigned as an independent non-executive director of the Company on 8 April 2014.

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 2014.

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 2014, all directors have participated in continuous professional development by attending training course on the topics related to corporate governance and regulations:

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

AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditor for the year ended 31 December 2014. 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 36 to 37 of this Annual Report.

The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2014 is summarised as follows:

	HK$'000
Auditing services	1,538
Non-auditing services	
Fee for reporting accountant	1,219
	2,757

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 2014.

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. No significant areas of concern which might affect the shareholders were identified. 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 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.

EXECUTIVE DIRECTORS

Mr Erik D. Prince, aged 45, 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 resource development and energy. He is the founder and chairman of Frontier Resource Group, a private equity firm active across the African continent in areas such as exploration, mining and energy development. Mr Prince is the founder of Blackwater, a global private security company, which he sold in 2010 after successfully growing the company over the course of more than a decade into the premier provider of global security and logistics solutions to the 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 63, 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. He is also the chairman and an executive director of Varitronix International Limited and REORIENT GROUP LIMITED, the vice-chairman and an executive director of Concord New Energy Group Limited (formerly known as China WindPower Group Limited) and an executive director of KuangChi Science Limited (formerly known as Climax International Company Limited), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 56, 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 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. 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 52, 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. He has extensive experience in investment banking, private equity, logistics and transportation. He maintains global financial, governmental and business relationships in New York, Washington, D.C., London, Hong Kong, Lagos, Beijing, Nairobi, Johannesburg, Dubai and Abu Dhabi. He graduated from the Michigan State University with a Bachelor of Arts Degree and has a Master Degree in Business Administration (MBA) from the University of Michigan. Mr Smith served in the United States Marine Corps.

Mr Hu Qinggang, aged 40, 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 has worked in the Finance Department of CITIC Group Corporation, a substantial shareholder of the Company, as the deputy director of the Finance and Planning Division. Mr Hu holds a bachelor degree in Economics from the Beijing University of Technology and a master degree in Economics from the University of International Business and Economics in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yap Fat Suan, Henry, aged 69, 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 an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in finance and accounting. He retired as the managing director of Johnson Matthey Hong Kong Limited in June 2007 and prior to that appointment he was the general manager of Sun Hung Kai China Development Limited. He is also an independent non-executive director of Concord New Energy Group Limited (formerly known as China WindPower 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 62, has been appointed 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 Doctor 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 Holdings Limited, both of which are listed on the Main Board of the Stock Exchange. He is also an independent external director of Pericom Semiconductor Corporation, a public company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) in the United States, 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 70, has been appointed 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, with 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 an 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 Government Services, Inc. Mr Fallon is a partner at Tilwell Petroleum, LLC and a partner and member of the management team of SM&A, Inc. Mr Fallon was a Robert E. Wilhelm Fellow at the Massachusetts Institute of Technology, Center for International Studies, and serves as chair of the center's advisory board. Mr Fallon is a graduate of 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 69, has been appointed 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, he has spent most of his professional career as a proponent of aviation safety and security, especially advocating and spreading safety regulatory oversight on the African continent. Dr Demuren started his career with the Federal Ministry of Civil Aviation in Nigeria as a Senior Airworthiness Surveyor and continued upward to Director of Flight Safety Services of the Nigerian Civil Aviation Authority ("CAA"). 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 Hangar, the first fully integrated fixed based operations and maintenance facility in Nigeria. He was appointed as the Director General of the Nigerian CAA in 2005 and held that position until March 2013. 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 the Department of Aeronautics and Astronautics, Massachusetts Institute of Technology.

SENIOR MANAGEMENT

Mr Peter C. Phillips, aged 48, 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 a 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 43, 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, LLC, a leading U.S. middle market investment banking advisory firm. 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 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 41, 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 55, 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 over 20 years.

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 38.

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

DONATIONS

Charitable donations made by the Group during the year amounted to HK$388,000 (2013: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 144 of the Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in Notes 33 and 34 respectively to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2014, which solely comprised contributed surplus, amounted to approximately HK$558,899,000 (2013: HK$558,899,000).

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr Erik D. Prince	(Appointed on 10 January 2014)
Mr Ko Chun Shun, Johnson	
Mr Luo Ning	
Mr Gregg H. Smith	
Mr Hu Qinggang	
Mr Jin Wei	(Resigned on 10 January 2014)
Mr Xu Qiang	(Resigned on 24 March 2014)

Independent Non-Executive Directors

Mr Yap Fat Suan, Henry	
Professor Lee Hau Leung	(Appointed on 24 March 2014)
Mr William J. Fallon	(Appointed on 8 April 2014)
Dr Harold O. Demuren	(Appointed on 8 April 2014)
Mr Liu Tsun Kie	(Deceased on 23 January 2014)
Mr Chu Hon Pong	(Resigned on 8 April 2014)

In accordance with the Company's Bye-laws, Mr Ko Chun Shun, Johnson, Mr Luo Ning and Mr Yap Fat Suan, Henry will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed related party transactions in Note 39 to the consolidated financial statements and under the section titled "Connected transactions" below, there were no other 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 25 to 28 of the Annual Report.

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

At 31 December 2014, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations, as defined in Part XV of the Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of ordinary shares held				Number of underlying shares held				% of the issued
Name of director	Personal interests	Family interests	Corporate interests	Total	Personal interests	Corporate interests	Total	Total	share capital of the Company
Mr Erik D. Prince ("Mr Prince")	575,000	–	–	575,000	307,673,485 (Note (i)	–	307,673,485	308,248,485	25.07%
Mr Ko Chun Shun, Johnson ("Mr Ko")	–	2,040,816 (Note (ii))	280,753,290 (Note (iii))	282,794,106	–	22,790,628 (Note (iv))	22,790,628	305,584,734	24.85%
Mr Gregg H. Smith	11,545,000	–	–	11,545,000	–	–	–	11,545,000	0.94%
Mr Hu Qinggang	9,556,000	–	–	9,556,000	–	–	–	9,556,000	0.78%
Mr Yap Fat Suan, Henry	–	–	–	–	1,400,000 (Note (v))	–	1,400,000	1,400,000	0.11%
Professor Lee Hau Leung	–	–	–	–	1,400,000 (Note (v))	–	1,400,000	1,400,000	0.11%
Mr William J. Fallon	–	–	–	–	1,400,000 (Note (v))	–	1,400,000	1,400,000	0.11%
Dr Harold O. Demuren	–	–	–	–	1,400,000 (Note (v))	–	1,400,000	1,400,000	0.11%

Notes:

(i) This represents Mr Prince's interest in the option for the rights to subscribe for up to 307,673,485 new shares of the Company.

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

(iii) These interests represent:

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

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

(c) the deemed interests of Mr Ko in the 56,976,571 ordinary shares of the Company held by REORIENT GLOBAL LIMITED ("RGlobal") (a direct wholly-owned subsidiary of REORIENT GROUP LIMITED ("RGL")) under the SFO by virtue of his interests in RGL of which Mr Ko is the chairman, an executive director and the controlling shareholder.

(iv) These interests represent the deemed interests of Mr Ko in the 22,790,628 share options of the Company granted to Reorient Financial Markets Limited ("RFML") (an indirect wholly-owned subsidiary of RGL) under the SFO by virtue of his interests in RGL.

(v) These interests represent the share options of the Company granted to the respective directors under the Company's share option scheme, details of which are disclosed in Note 34 to the consolidated financial statements.

Save as disclosed above, at 31 December 2014, none of the directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above and in the share option scheme disclosed in Note 34 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 2014, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Number of ordinary shares held			Number of underlying shares held				
	Direct beneficially owned	Through controlled corporation	Total	Direct beneficially owned	Through controlled corporation	Total	Total	% of the 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 (Formerly known as CITIC Limited)	–	237,592,607 (Note (ii))	237,592,607	–	–	–	237,592,607	19.32%
CITIC Limited (Formerly known as CITIC Pacific Limited)	–	237,592,607 (Note (iii))	237,592,607	–	–	–	237,592,607	19.32%
CITIC Group Corporation	–	237,592,607 (Note (iv))	237,592,607	–	–	–	237,592,607	19.32%
Rich Hill Capital Limited	175,500,000	–	175,500,000	–	–	–	175,500,000 (Note (viii))	14.27%
RGL	56,976,571	–	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (v) and (viii))	6.49%
Gainhigh Holdings Limited ("Gainhigh")	–	56,976,571	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (vi) and (viii))	6.49%
Insula Holdings Limited ("Insula")	–	56,976,571	56,976,571	–	22,790,628	22,790,628	79,767,199 (Notes (vii) and (viii))	6.49%

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 and Mr Hu Qinggang, the executive directors of the Company, are employees of CITIC Group Corporation.

(v) These interests represent:

(a) the deemed interests of RGL in the 56,976,571 ordinary shares of the Company held by RGlobal under the SFO by virtue of its interests in RGlobal; and

(b) the deemed interests of RGL in the 22,790,628 share options of the Company held by RFML under the SFO by virtue of its interests in RFML.

(vi) Gainhigh is deemed to be interested in the shares and the underlying shares of the Company interested by RGL under the SFO by virtue of its interests in RGL.

(vii) Insula is deemed to be interested in the shares and the underlying shares of the Company interested by Gainhigh under the SFO by virtue of its interests in Gainhigh.

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

Save as disclosed above, at 31 December 2014, no other person (other than the directors or chief executive of the Company whose interests are set out in the section titled "Directors' interests and short positions in share and underlying shares of the Company or any associated corporations" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 82% (2013: 24%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 70% (2013: 9%). Purchases from the Group's five largest suppliers accounted for approximately 65% (2013: 63%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25% (2013: 22%).

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 2014, the Company and 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 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 Notes 39(a)(ii) and 39(a)(ix) 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, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements 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.

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, 27 March 2015

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 (together, the "Group") set out on pages 38 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	6	**310,444**	27,692
Cost of sales		**(171,471)**	(9,433)
Gross profit		**138,973**	18,259
Other income and other gains/(losses), net		**(48,246)**	4,434
Marketing, selling and distribution costs		**(8,079)**	(4,799)
Administrative expenses		**(199,374)**	(71,981)
Other operating expenses, net		**(9,990)**	(23,086)
Share option compensation	15(b)	**–**	(59,702)
		(126,716)	(136,875)
Finance costs	7	**(8,630)**	–
Share of loss of joint ventures		**(1,108)**	(2,230)
Share of loss of associates		**(4,585)**	(4,588)
Loss before income tax		**(141,039)**	(143,693)
Income tax credit/(expenses)	8	**2,002**	(26,600)
Loss for the year from continuing operations		**(139,037)**	(170,293)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	9(b)	**8,065**	(12,102)
LOSS FOR THE YEAR	10	**(130,972)**	(182,395)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(138,505)**	(170,125)
– Discontinued operations		**8,065**	(12,102)
	35	**(130,440)**	(182,227)
Non-controlling interests			
– Continuing operations		**(532)**	(168)
– Discontinued operations		**–**	–
		(532)	(168)
		(130,972)	(182,395)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13		
– Continuing operations		**(11.58) cents**	(14.93) cents
– Discontinued operations		**0.67 cents**	(1.06) cents
		(10.91) cents	(15.99) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	**2014 HK$'000**	2013 HK$'000 (Restated)
LOSS FOR THE YEAR		**(130,972)**	(182,395)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(6,093)**	19,212
– Change in value of available-for-sale financial assets	24	**27,420**	–
Other comprehensive income for the year, net of tax		**21,327**	19,212
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(109,645)**	(163,183)
Attributable to:			
– Equity holders of the Company		**(109,113)**	(163,015)
– Non-controlling interests		**(532)**	(168)
		(109,645)	(163,183)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations		**(116,939)**	(154,282)
– Discontinued operations		**7,826**	(8,733)
		(109,113)	(163,015)

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**342,878**	4,703
Goodwill and other intangibles	17	**125,237**	94,975
Interests in joint ventures	19	**–**	19,318
Interests in associates	20	**9,664**	33,339
Pledged bank deposits	28	**413,146**	–
Deferred income tax assets	21	**–**	226
Non-current prepayments	22	**43,426**	–
Prepaid operating lease rentals	23	**1,673**	–
Available-for-sale financial assets	24	**70,264**	–
Total non-current assets		**1,006,288**	152,561
CURRENT ASSETS			
Inventories	25	**5,524**	–
Trade receivables	26	**70,413**	4,340
Prepayments, deposits and other receivables	27	**32,993**	17,527
Tax receivables		**–**	90
Short-term bank deposits	28	**2,260**	2,268
Cash and cash equivalents	28	**283,295**	709,492
Total current assets		**394,485**	733,717
CURRENT LIABILITIES			
Trade payables	29	**18,746**	7,026
Other payables and accruals	30	**33,981**	64,674
Borrowings – current portion	31	**10,516**	–
Tax payables		**2,249**	11,116
Total current liabilities		**65,492**	82,816
Net current assets		**328,993**	650,901
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,335,281**	803,462
NON-CURRENT LIABILITIES			
Borrowings	31	**436,003**	–
Deferred income tax liabilities	21	**79,070**	47,796
Total non-current liabilities		**515,073**	47,796
Net assets		**820,208**	755,666

	Note	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	**122,950**	113,953
Reserves	35	**581,008**	524,931
		703,958	638,884
Non-controlling interests	36	**116,250**	116,782
Total equity		**820,208**	755,666

Signed on behalf of the Board on 27 March 2015 by

Erik D. Prince
Director

Gregg H. Smith
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	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 2013		113,953	547,421	661,374	116,250	777,624
Total comprehensive loss						
Loss for the year		–	(182,227)	(182,227)	(168)	(182,395)
Other comprehensive income – Currency translation differences		–	19,212	19,212	–	19,212
Total other comprehensive income, net of tax		–	19,212	19,212	–	19,212
		–	(163,015)	(163,015)	(168)	(163,183)
Disposal of a subsidiary		–	287	287	–	287
Grant of share options		–	8,138	8,138	–	8,138
Acquisition of subsidiaries		–	132,100	132,100	700	132,800
At 31 December 2013		113,953	524,931	638,884	116,782	755,666
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) – Currency translation differences		**–**	**(6,093)**	**(6,093)**	**–**	**(6,093)**
– Change in value of available-for-sale financial assets	24	–	**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)**
Issue of shares	33	**5,698**	**83,756**	**89,454**	**–**	**89,454**
Exercise of share options	33	**3,299**	**23,756**	**27,055**	**–**	**27,055**
Disposal of subsidiaries		**–**	**(5,098)**	**(5,098)**	**–**	**(5,098)**
Disposal of a joint venture		**–**	**(5)**	**(5)**	**–**	**(5)**
Issue of option rights	39(a)(viii)	**–**	**20,518**	**20,518**	**–**	**20,518**
Grant of share options		**–**	**42,263**	**42,263**	**–**	**42,263**
At 31 December 2014		**122,950**	**581,008**	**703,958**	**116,250**	**820,208**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37	**(90,981)**	76,798
Income tax paid		**(12,824)**	(2,008)
Net cash generated from/(used in) operating activities		**(103,805)**	74,790
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment ("PPE")	16	**(187,136)**	(1,007)
Proceeds from disposal of PPE	37	**654**	180
Acquisition of subsidiaries, net of cash acquired		**(97,839)**	(22,523)
Loan to a joint venture		**–**	(37,703)
Repayment of loan from a joint venture		**–**	38,158
Acquisition of an associate		**–**	(8,169)
Decrease/(increase) in short-term bank deposits		**8**	(2,268)
Prepayments for purchase of aircraft and aviation equipment	22	**(9,335)**	–
Net proceeds from disposal of STB Business	24	**–**	27,436
Net proceeds from disposal of DBOSS Business		**–**	3,180
Interest received		**9,190**	18,463
Proceeds from redemption of available-for-sale financial assets	24	**22**	–
Disposal of subsidiaries, net of cash disposed		**(4,349)**	1,207
Net cash generated from/(used in) investing activities		**(288,785)**	16,954
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(10,811)**	–
Increase in pledged bank deposits		**(413,146)**	–
Proceeds from exercise of share options		**27,055**	–
Drawdown of bank borrowings		**372,295**	–
Repayment of capital element of finance lease payments		**(2,482)**	–
Net cash used in financing activities		**(27,089)**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(419,679)**	91,744
Cash and cash equivalents at beginning of the year		**709,492**	600,993
Exchange differences		**(6,518)**	16,755
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28	**283,295**	709,492

Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**413**	–
Interests in subsidiaries	18	**446,400**	512,075
Interest in a joint venture	19	**–**	–
Available-for-sale financial assets	24	**70,153**	–
Total non-current assets		**516,966**	512,075
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**1,367**	522
Cash and cash equivalents	28	**51,376**	8,307
Total current assets		**52,743**	8,829
CURRENT LIABILITIES			
Other payables and accruals	30	**8,851**	36,343
Total current liabilities		**8,851**	36,343
Net current assets/(liabilities)		**43,892**	(27,514)
Total assets less current liabilities/Net assets		**560,858**	484,561
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	**122,950**	113,953
Reserves	35	**437,908**	370,608
Total equity		**560,858**	484,561

Signed on behalf of the Board on 27 March 2015 by

Erik D. Prince
Director

Gregg H. Smith
Director

Notes to Consolidated Financial Statements

1 GENERAL INFORMATION

Frontier Services Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its principal place of business is Suite 3902, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "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. During the year, the Group was also engaged in the provision of advertising agency services until November 2014 when the Group disposed of and discontinued such business. Details of the disposal was set out in Note 9.

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 27 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

Impact of new, amended and revised HKFRSs

In the current year, the Group has adopted all the new and amended HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2014. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the year, except for the following amended HKAS:

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

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

HKAS 1 (Amendment)	Disclosure Initiatives
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 (Amendment) and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 9 (2014)	Financial Instruments
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle
HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

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

The Group has commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position. In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far, it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

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

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.

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.

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

In fair value approach, all contingent considerations are recognised and measured at fair value at the acquisition date. The contingent consideration is classified either as a liability or as equity. Contingent consideration that is classified as an equity instrument is not re-measured. Contingent consideration that is classified as liability is accounted for as per Note 2.11. Any change in the contingent consideration is then accounted for in profit or loss. Dilution gains or losses arising from investment in associates and joint ventures are recognised in consolidated income statement.

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 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.

(b) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign Currency Translation *(Continued)*

(c) Group companies

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

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

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

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

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

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 exchange difference is reclassified to profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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%
Machinery and tooling	12.5% to 38%
Motor vehicles	18% to 20%
Office equipment	18% to 32%
Furniture and fixtures	12.5% to 32%

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 the end of 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 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 of 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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;

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of Financial Assets *(Continued)*

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

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

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial Liabilities *(Continued)*

(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.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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

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

2.19 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) Employee leave entitlement and long service payment

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

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

(d) Bonus plans

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

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(a) Rendering of services

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

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) Interest income

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

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue Recognition *(Continued)*

(d) Leasing income

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

(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.

(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 2014, 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 available-for-sale financial assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

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

For operations in Mainland China, most of the transactions are denominated in 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. No financial instrument was used for hedging purposes for the year. Although the exchange rate of RMB has fluctuated during the year, it is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

At 31 December 2014, if RMB had weakened/strengthened by 2% (2013: 1%) against HK$ with other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$35,000 (2013: HK$213,000) higher/lower and other components of equity would have been approximately HK$11,184,000 (2013: HK$6,734,000) lower/higher.

At 31 December 2014, if the Euro had weakened/strengthened by 8% (2013: N/A) against HK$ with other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$15,361,000 (2013: N/A) higher/lower and other components of equity would have been approximately HK$7,157,000 (2013: N/A) lower/higher.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

ii. Cash flow and fair value interest rate risk

The Group's cash flow 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 cash held at variable rates. Borrowing obtained at fixed rates expose the Group to fair value interest rate risk. During the year ended 31 December 2014, the Group's borrowings were denominated in US$ (2013: Nil). The Group has not used any derivative financial instruments to hedge its cash flow and fair value interest rate risk.

At 31 December 2014, if interest rate had increased/decreased by 25 basis points (2013: 25 basis points) with all other variables held constant, the Group's loss after tax and accumulated losses would have been approximately HK$2,449,000 (2013: HK$1,642,000) lower/higher and other components of equity would have been approximately HK$2,449,000 (2013: HK$1,642,000) higher/lower.

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 2013.

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 24).

At 31 December 2014, if equity price of the respective equity investments had increased/decreased by 10% (2013: N/A) with all other variables held constant, the Group's equity instrument reserve would have been approximately HK$7,015,000 (2013: N/A) higher/lower.

iv. Fuel price risk

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(b) Credit risk

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

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

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

(c) Liquidity risk

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

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit facilities available from various banks if necessary. The liquidity risk of the Group is primarily attributable to trade payables, 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
Group					
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**
At 31 December 2013					
Trade payables	–	7,026	–	–	7,026
Other payables and accruals	–	51,781	–	–	51,781
	–	58,807	–	–	58,807
Company					
At 31 December 2014					
Other payables and accruals	**–**	**8,851**	**–**	**–**	**8,851**
At 31 December 2013					
Other payables and accruals	–	36,343	–	–	36,343

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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 2014 and 2013. The Group is not subject to any externally imposed capital requirements.

The Group monitors its capital structure on the basis of a total liabilities-to-total assets ratio, which shows the proportion of the Group's assets being financed through debt. During the year ended 31 December 2014, the Group's strategy was to maintain the total liabilities-to-total assets ratio below 50% (2013: 50%). The total liabilities-to-total assets ratio at 31 December 2014 was as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Total liabilities	**580,565**	130,612
Total assets	**1,400,773**	886,278
Total liabilities-to-total assets ratio	**41%**	15%

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).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair Value Estimation *(Continued)*

The fair value of the available-for-sale financial assets with respect to the listed investments amounting to HK$70,259,000 (2013: N/A) is based on the quoted market prices of the listed investments. The instruments are included in level 1 at 31 December 2014 (2013: N/A).

The fair value of the available-for-sale financial assets with respect to the unlisted investments amounting to HK$5,000 (2013: N/A) 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.

If one or more of the significant imputs 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 2014 included in other payables and accruals amounting to HK$1,851,000 (2013: HK$8,081,000) 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 2014 and 2013.

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

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 Estimated Impairment of Goodwill

The Group reviews annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.2(c). The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates (Note 17).

There was no impairment charge arisen in the CGU in Frontier Services Limited ("FSL") (included in the operating segment of aviation and logistics business) during the year ended 31 December 2014. If the estimated revenue used in the value in use calculation for the CGU in FSL had been 20% lower than management's estimation at 31 December 2014, the Group would have recognised an impairment of goodwill of HK$7,111,000. If the estimated gross profit margin used in determining the pre-tax discount rate for the CGU in FSL had been 20% lower than management's estimation at 31 December 2014, the Group would have recognised a further impairment of goodwill of HK$6,694,000.

There was no impairment charge arisen in the CGU in Phoenix Aviation Limited ("Phoenix") (included in the operating segment of aviation and logistics business) during the year ended 31 December 2014. If the estimated freight charge rate beyond the 5-year period used in the value in use calculation for the CGU in Phoenix had been 10% lower than management's estimation at 31 December 2014, the Group would have recognised an impairment of goodwill of HK$6,729,000.

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

FSL is a shareholder of Kijipwa Aviation Limited ("KAL") with a 49% equity interest and has the power to govern the financial, investing and operating policies of KAL so as to obtain returns from the activities of KAL based on the agreement in place and the board representation (2 out of 3 board members). The Group considers that it controls KAL even though it owns less than 50% of the voting rights.

4.3 Trade Receivables

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

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.

Consideration transferred, that is not part of business combination, is accounted for separately. In assessing the portion of the fair value of consideration for the acquisition of Phoenix, an estimate of the fair value of business is used. Details of the fair value estimate on the acquisition of Phoenix are set out in Note 15.

4.5 Deferred Income Tax

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

Deferred income tax liabilities are recognised in respect of the unremitted earnings of subsidiaries in Mainland China generated subsequent to 31 December 2007 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.

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;

(iii) Direct Investments – Other direct investments;

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

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

Others include corporate income and expenses and others.

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

5 SEGMENT INFORMATION *(Continued)*

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

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

5 SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

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

5 SEGMENT INFORMATION *(Continued)*

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

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

6 REVENUE

An analysis of revenue is as follows:

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

7 FINANCE COSTS

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

8 INCOME TAX CREDIT/(EXPENSES)

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

8 INCOME TAX CREDIT/(EXPENSES) *(Continued)*

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

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

The corporate income tax in Mainland China has been provided at the rate of 25% (2013: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items that are not assessable or deductible for the Mainland China corporate income tax purpose. Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the year ended 31 December 2014, a reversal of HK$3,840,000 for deferred withholding tax (2013: provision of HK$26,612,000) was made in respect of the distribution made by a subsidiary established in Mainland China during the year.

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

8 INCOME TAX CREDIT/(EXPENSES) *(Continued)*

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:

	Group	
	2014 **HK$'000**	2013 HK$'000 (Restated)
Profit/(loss) before income tax		
– Continuing operations	**(141,039)**	(143,693)
– Discontinued operations	**7,537**	(11,444)
	(133,502)	(155,137)
Tax calculated at the rates applicable in the countries concerned	**29,284**	24,433
Tax effects of:		
– Income not subject to tax	**11,155**	3,430
– Expenses not deductible for tax purposes	**(30,279)**	(17,354)
– Utilisation of previously unrecognised tax losses	**582**	755
– Tax losses not recognised	**(13,695)**	(11,854)
– Derecognition of deferred income tax assets	**1,551**	–
– Withholding tax	**3,840**	(26,612)
– Adjustment in respect of prior years	**92**	(56)
Income tax credit/(expenses)	**2,530**	(27,258)

9 DISCONTINUED OPERATIONS

(a) Discontinued Operations

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

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

Upon the completion of the STB Disposal and the transfer of the STB Business and the STB Assets on 5 May 2010, the Group ceased to have any equity interest in the Subject Company and the Seller WFOE except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the STB Business in 2010 for accounting purpose, which were wholly recognised over a period of three years up to 5 May 2013.

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

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

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

9 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit/(Loss) from Discontinued Operations

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

	Year ended 31 December 2014			Year ended 31 December 2013		
	AA Business HK$'000	**DVB Business HK$'000**	**Total HK$'000**	AA Business HK$'000 (Restated)	DVB Business HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue (Note 6)	**295**	**–**	**295**	1,796	2,852	4,648
Cost of sales	**(94)**	**–**	**(94)**	(214)	–	(214)
Gross profit	**201**	**–**	**201**	1,582	2,852	4,434
Other income and other gains/(losses), net	**2,147**	**–**	**2,147**	4,093	3,266	7,359
Marketing, selling and distribution costs	**(258)**	**–**	**(258)**	(1,346)	–	(1,346)
Administrative expenses	**(4,052)**	**–**	**(4,052)**	(8,485)	–	(8,485)
Other operating expenses (Note (i))	**(78)**	**–**	**(78)**	(4,175)	–	(4,175)
	(2,040)	**–**	**(2,040)**	(8,331)	6,118	(2,213)
Share of profit of a joint venture	**9,577**	**–**	**9,577**	13,863	–	13,863
Income tax credit/(expenses) (Note 8)	**528**	**–**	**528**	(252)	(119)	(371)
Profit after tax of discontinued operations	**8,065**	**–**	**8,065**	5,280	5,999	11,279
Impairment of available-for-sale financial assets (Note 24)	**–**	**–**	**–**	–	(23,094)	(23,094)
Income tax expenses (Note 8)	**–**	**–**	**–**	–	(287)	(287)
After-tax loss recognised on disposal	**–**	**–**	**–**	–	(23,381)	(23,381)
Profit/(loss) for the year	**8,065**	**–**	**8,065**	5,280	(17,382)	(12,102)
Profit/(loss) attributable to:						
Equity holders of the Company	**8,065**	**–**	**8,065**	5,280	(17,382)	(12,102)
Non-controlling interests	**–**	**–**	**–**	–	–	–
	8,065	**–**	**8,065**	5,280	(17,382)	(12,102)

9 DISCONTINUED OPERATIONS *(Continued)*

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

Note:

(i) Other operating expenses including:

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

(c) Analysis of the Cash Flows from Discontinued Operations

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

The cash flows of the AA Business for the year ended 31 December 2014 were prepared based on the results of the AA Business as set out in Note 9(b), and the assets and liabilities directly attributable to the AA Business. As the treasury functions are centrally administered by the Company, the net cash inflows for the AA Business for the year ended 31 December 2014 were dealt with in the current account with the Company.

9 DISCONTINUED OPERATIONS *(Continued)*

(c) Analysis of the Cash Flows from Discontinued Operations *(Continued)*

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 16)	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):

	Group	
	2014 **HK$'000** **(Note (i))**	2013 HK$'000 (Note (i))
Cost of provision of aviation and logistics services	**162,310**	15
Cost of provision of online financial market information	**9,161**	9,418
Cost of provision of advertising agency services	**94**	214
Depreciation (Note 16)	**8,754**	1,863
Amortisation of prepaid operating lease rentals (Note 23)	**20**	–
Auditor's remuneration		
– Audit services	**1,538**	1,310
– Non-audit services	**1,219**	559
Employee benefit expenses (Note 11)	**141,132**	60,231
Operating lease rentals on land and buildings	**9,510**	6,246
Operating lease rentals on equipment	**4,911**	204
Operating lease rentals on motor vehicles	**579**	235
Operating lease rentals on aircraft	**45,880**	–
Net exchange losses	**2,990**	1,069
Impairment of available-for-sale financial assets (Note 24)	**–**	23,094
Other operating expenses, net including:		
Acquisition-related costs	**8,776**	21,541
Net loss on disposal of property, plant and equipment (Note 37)	**–**	476
Provision for/(reversal of) impairment of trade receivables (Note 26)	**23**	(2,887)
Write-off of value-added tax receivables	**–**	2,634
Provision for impairment of prepayments, deposits and other receivables	**390**	1,618
Amortisation of intangibles (Note 17)	**707**	–
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	**(19,405)**	(17,858)
Interest income on loan to a joint venture	**–**	(605)
Interest income on available-for-sale financial assets	**–**	(894)
Gain on disposal of subsidiaries	**(4,766)**	(823)
Net gain on disposal of property, plant and equipment (Note 37)	**(91)**	–
Government grants	**–**	(471)
Non-compete income	**–**	(866)
Consultancy fee income from a joint venture	**–**	(1,203)
Other income from an associate	**–**	(1,506)
Loss on share swap (Note 24(i))	**46,721**	–
Provision for impairment of interest in a joint venture (Note 19)	**7,837**	–
Provision for impairment of an advance to a joint venture	**2,103**	–
Provision for impairment of interest in an associate (Note 20)	**20,270**	3,292
Provision for impairment of an advance to an associate	**–**	10,248
Fair value changes in derivatives (Note 30(ii))	**(6,230)**	–
Others	**(340)**	(1,107)

10 LOSS FOR THE YEAR *(Continued)*

Note:

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

11 EMPLOYEE BENEFIT EXPENSES

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries and bonuses	**91,100**	47,994
Share-based compensation	**42,263**	7,924
Pension costs – defined contribution plans	**1,227**	1,321
Termination benefits	**1,544**	1,360
Unutilised annual leave	**135**	101
Other benefits	**4,863**	1,531
	141,132	60,231

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Details of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' Emoluments

The remuneration of each director of the Company for the year ended 31 December 2014 is 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
Mr Erik D. Prince (Note (ii))	–	912	–	–	34,673	1,081	36,666
Mr Ko Chun Shun, Johnson	120	–	–	–	–	–	120
Mr Luo Ning	–	–	–	–	–	–	–
Mr Gregg H. Smith	–	3,504	11,283	121	3,672	411	18,991
Mr Jin Wei (Note (iii))	–	–	–	–	–	–	–
Mr Xu Qiang (Note (iv))	–	311	5,740	12	–	14	6,077
Mr Hu Qinggang	–	1,560	5,740	50	–	104	7,454
Mr Chu Hon Pong (Note (v))	39	–	–	–	–	–	39
Mr Liu Tsun Kie (Note (vi))	12	–	–	–	–	–	12
Mr Yap Fat Suan, Henry	443	–	–	–	460	–	903
Professor Lee Hau Leung (Note (vii))	419	–	–	–	460	–	879
Mr William J. Fallon (Note (viii))	396	–	–	–	460	–	856
Dr Harold O. Demuren (Note (viii))	396	–	–	–	460	–	856
Total	1,825	6,287	22,763	183	40,185	1,610	72,853

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

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

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 Erik D. Prince ("Mr Prince") was appointed as an executive director on 10 January 2014.

(iii) Mr Jin Wei resigned as an executive director on 10 January 2014.

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

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

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

(vii) Professor Lee Hau Leung was appointed as an independent non-executive director on 24 March 2014.

(viii) Mr William J. Fallon and Dr Harold O. Demuren were appointed as independent non-executive directors on 8 April 2014.

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2013: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: two) individual during the year are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Basic salaries, other allowances and benefits in kind	**2,699**	2,488
Bonuses	**1,958**	1,643
Share-based compensation	**460**	536
Contributions to pension schemes	**31**	51
	5,148	4,718

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2014**	2013
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–

12 LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

The loss attributable to the ordinary equity holders of the Company for the year ended 31 December 2014 dealt with in the financial statements of the Company was approximately HK$130,413,000 (2013: HK$63,319,000).

13 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 2014 and 2013 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

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

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

14 DIVIDENDS

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

15 BUSINESS COMBINATION

(a) Acquisition of Phoenix

On 3 March 2014, FSL, a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement (the "Share Purchase Agreement") for the acquisition of an equity interest in Phoenix at a total consideration of US$14,000,000 (equivalent to approximately HK$108,493,000). On the same date, FSG Aviation Limited, a wholly-owned subsidiary of the Company, entered into a conditional aircraft acquisition agreement with Phoenix for the acquisition of 5 aircraft at a total consideration of US$6,000,000 (equivalent to approximately HK$46,497,000). The acquisitions were completed on 28 July 2014. The acquisition of Phoenix immediately enabled the Group to better secure aviation and logistics business opportunities in Africa, including the provision of secure logistics services on behalf of local government agencies, non-governmental organisations, and mining, oil and gas operators working across the continent.

15 BUSINESS COMBINATION *(Continued)*

(a) Acquisition of Phoenix *(Continued)*

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

	HK$'000
Purchase consideration	
Cash paid	108,493
Acquisition-related costs, included in other operating expenses	
Financial advisory service fee (Note 39(a)(iv))	3,881
Legal and other professional fees and expenses	4,895
	8,776
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(108,493)
Cash and cash equivalents in subsidiary acquired	10,654
Net cash outflow from acquisition	(97,839)
Property, plant and equipment	165,204
Intangibles	24,238
Non-current prepayments	31,808
Prepaid operating lease payments	1,747
Available-for-sale financial assets	126
Receivables (i)	31,742
Inventories	5,662
Cash and cash equivalents	10,654
Payables	(50,560)
Borrowings	(80,780)
Deferred income tax liabilities	(38,077)
Total identifiable net assets	101,764
Goodwill on acquisition (ii)	6,729
	108,493

15 BUSINESS COMBINATION *(Continued)*

(a) Acquisition of Phoenix *(Continued)*

(i) Acquired receivables

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

(ii) Goodwill on acquisition

The Group recognised goodwill of approximately HK$6,729,000 in the consolidated statement of financial position, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of HK$101,764,000 as at the date of completion.

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

(iii) Revenue and profit contribution

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

(b) Acquisition of FSL

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

15 BUSINESS COMBINATION *(Continued)*

(b) Acquisition of FSL *(Continued)*

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

	2013 HK$'000
Purchase consideration	
Cash paid	23,256
Grant of option (i)	132,100
	155,356
Acquisition-related costs, included in other operating expenses	
Financial advisory service fee (Note 39(a)(iv))	20,518
Legal and other professional fees and expenses	1,023
	21,541
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(23,256)
Cash and cash equivalents in subsidiaries acquired	272
Net cash outflow from acquisition	(22,984)
Property, plant and equipment	1,026
Deferred income tax assets	226
Receivables (ii)	213
Cash and cash equivalents	272
Payables	(358)
Total identifiable net assets	1,379
Non-controlling interests (iii)	(700)
Goodwill on acquisition (iv)	94,975
	95,654
Share option compensation (i)	59,702
	155,356

15 BUSINESS COMBINATION *(Continued)*

(b) Acquisition of FSL *(Continued)*

(i) Grant of option and share option compensation

On 3 December 2013, the option for the rights to subscribe for up to 205,115,657 new shares of the Company at an exercise price of HK$0.73 per share was granted to FMHL with a total fair value of HK$132,100,000, of which HK$59,702,000 represents the share option compensation for motivating Mr Prince (as the owner of the vendor of FSL) to roll out the FSL's business plan and was charged to the consolidated income statement, details of which is set out in Note 34.

(ii) Acquired receivables

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

(iii) Non-controlling interests

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

(iv) Goodwill on acquisition

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

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

(v) Revenue and profit contribution

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

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold properties HK$'000 Note (i)	Leasehold improvements and hangars HK$'000	Aircraft and aviation equipment HK$'000 Note (ii)	Machinery and toolings HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2013								
Cost	–	2,329	–	–	5,436	5,802	930	14,497
Accumulated depreciation and impairment	–	(2,169)	–	–	(1,914)	(4,811)	(493)	(9,387)
Net carrying amount	–	160	–	–	3,522	991	437	5,110
Year ended 31 December 2013								
Opening net carrying amount	–	160	–	–	3,522	991	437	5,110
Additions	–	519	–	–	–	473	15	1,007
Acquisition of subsidiaries	–	311	659	21	–	27	8	1,026
Disposals	–	–	–	–	(50)	(463)	(143)	(656)
Disposal of a subsidiary	–	–	–	–	–	(8)	–	(8)
Depreciation (Note 10)	–	(324)	–	–	(931)	(456)	(152)	(1,863)
Exchange differences	–	(2)	–	–	81	6	2	87
Closing net carrying amount	–	664	659	21	2,622	570	167	4,703
At 31 December 2013								
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 (Note 15)	**–**	**3,383**	**158,185**	**1,693**	**1,245**	**475**	**223**	**165,204**
Disposals (Note 37)	**–**	**–**	**–**	**–**	**(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**

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Motor vehicle HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2013			
Cost	–	414	414
Accumulated depreciation	–	(414)	(414)
Net carrying amount	–	–	–
Year ended 31 December 2013			
Opening net carrying amount	–	–	–
Depreciation	–	–	–
Closing net carrying amount	–	–	–
At 31 December 2013			
Cost	–	414	414
Accumulated depreciation	–	(414)	(414)
Net carrying amount	–	–	–
Year ended 31 December 2014			
Opening net carrying amount	**–**	**–**	**–**
Transfer from subsidiary	**531**	**–**	**531**
Depreciation	**(118)**	**–**	**(118)**
Closing net carrying amount	**413**	**–**	**413**
At 31 December 2014			
Cost	**531**	**414**	**945**
Accumulated depreciation	**(118)**	**(414)**	**(532)**
Net carrying amount	**413**	**–**	**413**

Notes:

(i) Prior to entering into the Share Purchase Agreement, 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 net carrying amount of the aircraft under finance leases at 31 December 2014 is as follows:

	Aircraft and aviation equipment	
	2014 HK$'000	2013 HK$'000
Cost – capitalised finance leases	**92,363**	–
Accumulated depreciation	**(2,804)**	–
Net carrying amount	**89,559**	–

17 GOODWILL AND OTHER INTANGIBLES

	Group					
	2014			2013		
	Goodwill HK$'000 Note (i)	**Other intangibles** HK$'000 Note (iii)	**Total** HK$'000	Goodwill HK$'000 Note (i)	Other intangibles HK$'000	Total HK$'000
At 1 January						
Cost	**94,975**	**–**	**94,975**	–	–	–
Accumulated amortisation and impairment	**–**	**–**	**–**	–	–	–
Net carrying amount	**94,975**	**–**	**94,975**	–	–	–
Year ended 31 December						
Opening net carrying amount	**94,975**	**–**	**94,975**	–	–	–
Acquisition of a subsidiary (Note 15)	**6,729**	**24,238**	**30,967**	94,975	–	94,975
Amortisation (Note 10)	**–**	**(707)**	**(707)**	–	–	–
Exchange differences	**–**	**2**	**2**	–	–	–
Closing net carrying amount	**101,704**	**23,533**	**125,237**	94,975	–	94,975
At 31 December						
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

17 GOODWILL AND OTHER INTANGIBLES *(Continued)*

Notes:

(i) Goodwill is monitored by management at the operating segment level with reference to the business performance based on geography and type of business. With the acquisitions of FSL in 2013 and Phoenix in 2014, the Group qualifies the AL Business as a separate reportable operating segment.

For FSL, 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 estimated growth rate of 3% (2013: 3%). The pre-tax discount rate of 18% (2013: 18%) used in the model reflects specific risk relating to the relevant operating segment. Other key assumptions included projected aviation revenue in the coming 5 years with annual growth rate of 7% (2013: 7%), budgeted gross margin, expected administrative cost and applicable Kenyan corporate income tax rate. Management determines budgeted gross margin based on past performance and its expectation of market development.

For Phoenix, 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 estimated growth rate of 3% (2013: N/A). The pre-tax discount rate of 18% (2013: N/A) used in the model reflects specific risk relating to the relevant operating segment. Other key assumptions include projected number of flight hours and maintenance service to be provided in the coming 5 years with annual growth rate of 12.8% in 2015 and 4% after 2016 (2013: N/A), estimated gross margin, applicable Kenyan corporate income tax rate and capital expenditure. Management determines budgeted gross margin based on past performance and its expectation of market development.

(ii) For both FSL and Phoenix, there was no impairment loss for goodwill recognised during the year ended 31 December 2014 (2013: same).

(iii) Other intangibles represent operating certificates, trademark and non-compete agreements derived from the acquisition of Phoenix during the year ended 31 December 2014.

18 INTERESTS IN SUBSIDIARIES

	Company	
	2014 **HK$'000**	2013 HK$'000
Unlisted investments, at cost	**225,151**	229,312
Less: Provision for impairment	**(67,716)**	(73,418)
	157,435	155,894
Amounts due from subsidiaries	**371,679**	560,933
Less: Provision for amounts due from subsidiaries	**(82,714)**	(204,752)
	288,965	356,181
	446,400	512,075

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

Impairment testing on interests in subsidiaries is based on the financial position and future business plan of the subsidiaries.

The movement in the provision for impairment of investments in subsidiaries during the year ended 31 December 2014 represents a reversal of an impairment of HK$5,702,000 upon the disposal of a subsidiary.

The movements in the provision for amounts due from subsidiaries during the year ended 31 December 2014 include a reversal of an impairment of HK$133,588,000 upon the disposal of a subsidiary during the year and an additional provision of HK$11,550,000 for the amounts due from certain loss-making subsidiaries.

18 INTERESTS IN SUBSIDIARIES *(Continued)*

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	
Frontier Services Limited	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 Aviation Limited	Kenya	KES550,488,000 ordinary	–	100%	Provision of aviation and logistics services
Frontier Logistics Consultancy DMCC	United Arab Emirates	AED50,000 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 (Note 4.2)	Kenya	KES7,496,900 ordinary	–	49%	Provision of aviation and logistics services
Phoenix Aviation Malta Limited	Malta	EUR1,500 ordinary	–	100%	Provision of marketing, sales, and business development services
Frontier Pan-Africa Investment Development (Beijing) Company Limited# (formerly known as Digital Video Networks (Beijing) Company Limited#)	Mainland China*	RMB100,000,000 paid-up capital	–	100%	Investment holding and provision of aviation and logistics related consultancy services

18 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/preference shares/paid-up capital	Percentage of attributable equity interest held by the Company Directly	Indirectly	Principal activities
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	SGD2 ordinary	–	100%	Provision of online financial market information

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19 INTERESTS IN JOINT VENTURES

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**19,318**	8,019
Share of profit of joint ventures	**8,469**	11,633
Impairment (Note 10)	**(7,837)**	–
Disposal of a joint venture	**(18,637)**	(461)
Dilution from joint venture to associate	**(1,202)**	–
Exchange differences	**(111)**	127
At 31 December	**–**	19,318

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
	–	–

Details of the only joint venture as at 31 December 2014 are as follows:

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

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 for the whole amount of the investment cost of the joint venture.

19 INTERESTS IN JOINT VENTURES *(Continued)*

Upon the dilution of the Group's equity interest in Beijing Tongfang Ehero Technology Co., Ltd. ("Tongfang Ehero") and the issue of new shares by Tongfang Ehero to a new investor in September 2014, the Group's interest in Tongfang Ehero was reduced from 33.3% to 10%. The Group considered that it has lost its joint control but only retained significant influence over the financial and operating policies of Tongfang Ehero. Therefore, Tongfang Ehero has been reclassified from a joint venture to an associate (Note 20).

In view of Tongfang Ehero's continuing loss-making performance, the Group recognised an impairment provision of HK$7,837,000 for the investment in Tongfang Ehero during the year ended 31 December 2014.

During the year ended 31 December 2014, the Group determined the recoverable amount of Tongfang Ehero by making reference to the capital injection by the new investor, which was conducted on an arm's length basis.

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

20 INTERESTS IN ASSOCIATES

	Group	
	2014 **HK$'000**	2013 HK$'000
At 1 January	**33,339**	41,230
Share of loss of associates	**(4,585)**	(4,588)
Dilution from joint venture to associate	**1,202**	–
Impairment (Note 10)	**(20,270)**	(3,292)
Exchange differences	**(22)**	(11)
At 31 December	**9,664**	33,339

20 INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates as at 31 December 2014 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 programs
Tongfang Ehero (Note 19)	Mainland China	RMB63,800,000 paid-up capital	10%^	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 influence 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 during the year ended 31 December 2014.

20 INTERESTS IN ASSOCIATES *(Continued)*

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.

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% as at 31 December 2014. 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 30).

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

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

	2014 **HK$'000**	2013 HK$'000
Loss after income tax	**(11,265)**	(15,456)
Group's share of loss for the year	**(4,585)**	(4,588)
Group's share of other comprehensive loss	**(22)**	(11)
Group's share of total comprehensive loss	**(4,607)**	(4,599)

21 DEFERRED TAXATION

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

	Group	
	2014 HK$'000	2013 HK$'000
Deferred income tax assets	**–**	226
Deferred income tax liabilities	**(79,070)**	(47,796)
	(79,070)	(47,570)

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

Deferred income tax assets

	Group							
	Tax losses		Non-current prepayments		Unrealised exchange differences		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
At 1 January	**342**	96	**–**	–	**–**	–	**342**	96
Acquisition of a subsidiary	**1,778**	226	**1,439**	–	**18**	–	**3,235**	226
Credited/(charged) to consolidated income statement	**(2,004)**	20	**–**	–	**648**	–	**(1,356)**	20
Disposal of subsidiaries	**(116)**	–	**–**	–	**–**	–	**(116)**	–
Exchange differences	**–**	–	**(44)**	–	**(22)**	–	**(66)**	–
At 31 December	**–**	342	**1,395**	–	**644**	–	**2,039**	342

Note:

(i) 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 2014, the Group did not recognise deferred income tax assets of HK$24,939,000 (2013: HK$31,161,000) in respect of unrecognised tax losses of HK$138,192,000 (2013: HK$172,996,000) that can be carried forward to offset against future taxable income. The unrecognised tax losses include an amount of approximately HK$22,231,000 (2013: HK$2,167,000) arising in Mainland China and Kenya which is due to expire within one to five years for offsetting against future taxable profits of the companies in which the losses arise.

21 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Group									
	Accelerated tax depreciation		Withholding tax on unremitted profits		Expected periodic adjustment payments and other intangibles		Deferred income		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
At 1 January	**143**	143	**27,008**	–	**–**	6,118	**20,761**	20,128	**47,912**	26,389
Acquisition of a subsidiary	**34,041**	–	**–**	–	**7,271**	–	**–**	–	**41,312**	–
Charged/(credited) to consolidated income statement	**(2,963)**	–	**(3,840)**	26,612	**(212)**	307	**–**	–	**(7,015)**	26,919
Disposal of subsidiaries	**(116)**	–	**–**	–	**–**	–	**–**	–	**(116)**	–
Transfer	**–**	–	**–**	–	**–**	(6,594)	**–**	–	**–**	(6,594)
Exchange differences	**(865)**	–	**(54)**	396	**6**	169	**(71)**	633	**(984)**	1,198
At 31 December	**30,240**	143	**23,114**	27,008	**7,065**	–	**20,690**	20,761	**81,109**	47,912

At 31 December 2014, the Group has recognised deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$23,114,000 (2013: HK$27,008,000) on the unremitted profits of subsidiaries in Mainland China amounting to HK$231,141,000 (2013: HK$266,124,000) as the Company may intend to have dividends declared by the subsidiaries in Mainland China in the foreseeable future.

At 31 December 2014, the Group did not recognise deferred income tax liabilities in respect of temporary differences relating to the withholding tax of HK$11,883,000 (2013: HK$5,520,000) on the unremitted profits of subsidiaries in Africa and Mainland China amounting to HK$118,825,000 (2013: HK$64,791,000), that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

22 NON-CURRENT PREPAYMENTS

	Group					
	2014			2013		
	Engine overhaul HK$'000	**Aircraft and aviation equipment HK$'000**	**Total HK$'000**	Engine overhaul HK$'000	Aircraft and aviation equipment HK$'000	Total HK$'000
At 1 January	**–**	**–**	**–**	–	–	–
Acquisition of a subsidiary (Note 15)	**31,808**	**–**	**31,808**	–	–	–
Additions	**3,350**	**9,335**	**12,685**	–	–	–
Exchange differences	**(1,068)**	**1**	**(1,067)**	–	–	–
At 31 December	**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.

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

23 PREPAID OPERATING LEASE RENTALS

	Group	
	2014 **HK$'000**	2013 HK$'000
At 1 January		
Cost	**–**	–
Accumulated amortisation	**–**	–
Net carrying amount	**–**	–
Year ended 31 December		
Opening net carrying amount	**–**	–
Acquisition of a subsidiary (Note 15)	**1,747**	–
Amortisation (Note 10)	**(20)**	–
Exchange differences	**(54)**	–
Closing net carrying amount	**1,673**	–
At 31 December		
Cost	**1,693**	–
Accumulated amortisation	**(20)**	–
Net carrying amount	**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.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2014					2013				
	Hong Kong listed equity investment HK$'000 Note (i)	Overseas listed security investment HK$'000 Note(ii)	Overseas unlisted security investment HK$'000 Note (iii)	Periodic adjustment payments HK$'000	Total HK$'000	Hong Kong listed equity investment HK$'000	Overseas listed security investment HK$'000	Overseas unlisted security investment HK$'000	Periodic adjustment payments HK$'000 Note (iv)	Total HK$'000
At 1 January	–	–	–	–	–	–	–	–	48,944	48,944
Additions (Note (i))	42,733	–	–	–	42,733	–	–	–	–	–
Acquisition of a subsidiary (Note 15)	–	121	5	–	126	–	–	–	–	–
Impairment (Notes 9(b) and 10)	–	–	–	–	–	–	–	–	(23,094)	(23,094)
Change in value (Note 35)	27,420	–	–	–	27,420	–	–	–	–	–
Receipt of periodic adjustment payments	–	–	–	–	–	–	–	–	(27,436)	(27,436)
Redemptions	–	(22)	–	–	(22)	–	–	–	–	–
Interest accretions	–	–	–	–	–	–	–	–	894	894
Exchange differences	–	7	–	–	7	–	–	–	692	692
At 31 December	70,153	106	5	–	70,264	–	–	–	–	–

Company

	2014 HK$'000	2013 HK$'000
Hong Kong listed equity investment		
At 1 January	–	–
Additions	42,733	–
Change in value (Note 35)	27,420	–
At 31 December	70,153	–

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

Notes:

(i) Pursuant to an agreement entered into by the Company and REORIENT GROUP LIMITED ("RGL") on 23 November 2013 and the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014, the Company allotted and issued 56,976,571 new shares of the Company (Note 33) 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 provision for loss of HK$46,721,000 (Note 10) was made for the price difference arising from the share swap. At 31 December 2014, the fair value of the listed equity investment of HK$70,153,000 was based on quoted market price of the RGL's shares.

(ii) It represents listed corporate bond.

(iii) It represents unlisted equity securities.

(iv) Management considered that the full recoverability of the periodic adjustment payments was remote following the discontinuation of the STB Business, therefore an impairment for the periodic adjustment payments of HK$23,094,000 was recorded as loss for the discontinued STB Business during the year ended 31 December 2013.

25 INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Aircraft spare parts and consumables	**5,524**	–

No provision for inventories was provided as at 31 December 2014 (2013: Nil).

26 TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**70,413**	4,340
Less: Provision for impairment	**–**	–
	70,413	4,340

The fair value of trade receivables approximates its carrying amount.

26 TRADE RECEIVABLES *(Continued)*

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:

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

At 31 December 2014, there was no trade receivable balance (2013: Nil) subject to impairment.

At 31 December 2014, trade receivables of HK$21,236,000 (2013: HK$2,846,000) were past due. After considering their creditworthiness, past collection history and settlement after the financial position date, these overdue trade receivables were not considered impaired. The past due aging analysis of these trade receivables without provision made is as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000 (Restated)
Within 30 days	**10,053**	–
31 days – 60 days	**5,140**	–
Over 60 days	**6,043**	2,846
	21,236	2,846

26 TRADE RECEIVABLES *(Continued)*

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

	Group	
	2014	2013
	HK$'000	HK$'000
Euro ("EUR")	**37,793**	–
US$	**29,521**	–
KES	**1,824**	47
HK$	**820**	–
RMB	**455**	4,293
	70,413	4,340

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.

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	3,259
Provision for/(reversal of) impairment	**23**	(2,887)
Write-off	**–**	(426)
Disposal of subsidiaries	**(23)**	–
Exchange differences	**–**	54
At 31 December	**–**	–

During the year ended 31 December 2014, provision for impairment of HK$23,000 (2013: reversal of provision of HK$2,887,000) was made after considering the collectibility, overdue aging analysis, past collection history of the trade receivables.

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits and other receivables, net of provision	**8,682**	1,876	**1,042**	6
Current accounts with joint ventures	**–**	3,392	**–**	–
Current account with an associate	**6,901**	6,960	**–**	–
Prepayments	**6,614**	5,296	**325**	516
Interest receivables	**10,215**	–	**–**	–
Value-added tax receivables	**581**	3	**–**	–
	32,993	17,527	**1,367**	522

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:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**12,043**	–	**–**	–
Provision for impairment (note (i))	**2,493**	11,866	**–**	–
Exchange differences	**–**	177	**–**	–
At 31 December	**14,536**	12,043	**–**	–

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.

28 CASH AND BANK BALANCES

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Pledged bank deposits (Note 31)	**413,146**	–	**–**	–
Short-term bank deposits, with original maturities over three months	**2,260**	2,268	**–**	–
Cash at banks and on hand	**149,008**	496,043	**51,376**	3,307
Short-term bank deposits, with original maturities of three months or less	**134,287**	213,449	**–**	5,000
Cash and cash equivalents	**283,295**	709,492	**51,376**	8,307
	698,701	711,760	**51,376**	8,307
Maximum exposure to credit risk	**694,538**	711,569	**51,376**	8,307

Notes:

(i) 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.

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

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
HK$	**60,968**	21,531	**50,994**	7,353
US$	**27,352**	3,568	**382**	954
EUR	**58,654**	–	**–**	–
KES	**2,702**	–	**–**	–
RMB	**546,663**	685,194	**–**	–
Others	**2,362**	1,467	**–**	–
	698,701	711,760	**51,376**	8,307

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

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

29 TRADE PAYABLES

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

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

Notes:

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

	Group	
	2014 **HK$'000**	2013 HK$'000
EUR	**7,356**	–
US$	**6,506**	–
KES	**4,121**	–
HK$	**763**	312
RMB	**–**	6,714
	18,746	7,026

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

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment payables (Note (i))	**7,195**	7,193	**–**	–
Derivative financial liabilities (Note (ii))	**1,851**	8,081	**–**	–
Receipts in advance	**7,295**	7,945	**–**	–
Deferred income	**952**	955	**–**	–
Other payables and accruals	**16,688**	19,982	**8,851**	15,825
Accrued financial advisory service fee (Note (iii))	**–**	20,518	**–**	20,518
	33,981	64,674	**8,851**	36,343

Notes:

(i) At 31 December 2014, the investment payables include the consideration payable to COL of US$900,000 (equivalent to approximately HK$6,962,000) (2013: US$900,000 (equivalent to approximately HK$6,960,000)) and the consideration payable to Boyojoy for the second stage of subscription of US$30,000 (equivalent to approximately HK$233,000) (2013: US$30,000 (equivalent to approximately HK$233,000)).

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**8,081**	7,800
Fair value changes (Note 10)	**(6,230)**	–
Exchange differences	**–**	281
At 31 December	**1,851**	8,081

(iii) The accrued financial advisory service fee was settled by the Company by the grant of option rights to subscribe up to 22,790,628 new shares of the Company at an exercise price of HK$0.80 per share on 14 January 2014 upon the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014 (Note 35).

31 BORROWINGS

	Group 2014 HK$'000	Group 2013 HK$'000
Non-current portion		
Bank loans	372,295	–
Finance leases	67,782	–
	440,077	–
Facility arrangement fees	(4,074)	–
	436,003	–
Current portion		
Bank loans	–	–
Finance leases	10,516	–
	10,516	–
Total borrowings	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 estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings.

(a) Bank Loans

The bank loans are repayable as follows:

	Group 2014 HK$'000	Group 2013 HK$'000
After 1 year but within 2 years	221,063	–
After 2 years but within 5 years	151,232	–
	372,295	–
Facility arrangement fees	(4,074)	–
Less: current portion	–	–
Non-current portion	368,221	–

The bank loans are denominated in US$ and bear interests with reference to London Interbank Offered Rate plus margins ranging from 2.2% to 3.0% per annum with due dates in 2016 and 2017. The bank loans are secured by pledged bank deposits of approximately RMB325,919,000 (equivalent to approximately HK$413,146,000) (Note 28).

31 BORROWINGS *(Continued)*

(b) Finance Leases

	Group	
	2014 **HK$'000**	2013 HK$'000
Future payments	**94,802**	–
Future finance charges on finance leases	**(16,504)**	–
Present value of finance lease liabilities	**78,298**	–
Less: current portion	**(10,516)**	–
Non-current portion	**67,782**	–

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

	Group	
	2014 **HK$'000**	2013 HK$'000
Within 1 year	**10,516**	–
After 1 year but within 2 years	**11,159**	–
After 2 years but within 5 years	**44,118**	–
After 5 years	**12,505**	–
	78,298	–

During the year ended 31 December 2014, the Group assumed the finance leases of Phoenix as a result of the acquisition of Phoenix. Interest rates underlying the obligations under finance leases are fixed at their respective contract rates ranging from 3.37% to 7.65% per annum.

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

The net carrying amount of the aircraft under finance leases as at 31 December 2014 amounted to HK$89,559,000.

31 BORROWINGS *(Continued)*

(c) Effective Interest Rates

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

	Group	
	2014	2013
Bank loans	**2.46% – 3.65%**	–
Finance leases	**3.42% – 7.76%**	–

32 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Loans and receivables				
– Trade receivables (Note 26)	**70,413**	4,340	**–**	–
– Deposits and other receivables (Note 27)	**12,918**	5,268	**1,042**	6
– Cash and bank balances (Note 28)	**698,701**	711,760	**51,376**	8,307
	782,032	721,368	**52,418**	8,313
Available-for-sale financial assets (Note 24)	**70,264**	–	**70,153**	–
	852,296	721,368	**122,571**	8,313
Other financial liabilities at amortised costs				
– Trade payables (Note 29)	**18,746**	7,026	**–**	–
– Other payables and accruals	**22,524**	43,700	**8,851**	36,343
– Borrowings (Note 31)	**446,519**	–	**–**	–
	487,789	50,726	**8,851**	36,343
Derivative financial liabilities (Note 30)	**1,851**	8,081	**–**	–
	489,640	58,807	**8,851**	36,343

33 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2013 and 2014	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2013	1,139,531,432	113,953
Issue of shares on 14 January 2014 (Note 24)	56,976,571	5,698
Exercise of share options (Note 34)	32,995,000	3,299
At 31 December 2014	1,229,503,003	122,950

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

34 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.

34 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

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, 115,477,828 share options were granted under the New Scheme. The share option scheme limit was refreshed by a resolution passed at the special general meeting of shareholders held on 5 March 2014. The maximum number of options that can be granted by the Company was refreshed to 119,650,800 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.

The expected volatility measured at the standard deviation of the compound rates of return was based on historical volatility of the Company's share price over the previous 4 to 6 years in view of the expected life of the share options.

Pursuant to the Board resolutions passed on 10 January 2014, 8 April 2014, 18 September 2014 and 24 September 2014 respectively, the following share options were granted under the New Scheme with fair values using the Binominal option pricing model with the following input variables:

Date of grant of share options	Number of options	Exercise price per option HK$	Exercise period of share options	Date of appraisal	Fair value per option HK$	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of share options HK$	Expected life
10/01/2014	34,185,942	1.50	10/01/2015 to 09/01/2018	10/01/2014	0.5646	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
10/01/2014	34,185,943	1.50	10/01/2016 to 09/01/2018	10/01/2014	0.5691	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
10/01/2014	34,185,943	1.50	10/01/2017 to 09/01/2018	10/01/2014	0.5730	1.154%	0%	48%	1.49	10/01/2014 to 09/01/2018
08/04/2014	9,800,000	0.97	08/04/2015 to 07/04/2020	08/04/2014	0.4475	1.613%	0%	59%	0.89	08/04/2014 to 07/04/2020
18/09/2014	1,560,000	1.53	18/09/2015 to 17/09/2020	18/09/2014	0.8082	1.650%	0%	63%	1.51	18/09/2014 to 17/09/2020
24/09/2014	1,560,000	1.53	18/09/2015 to 17/09/2020	24/09/2014	0.7774	1.560%	0%	61%	1.51	24/09/2014 to 17/09/2020

34 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:

	2014		2013	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
Old Scheme				
At 1 January and 31 December	**1.99**	**1,000,000**	1.99	1,000,000
New Scheme				
At 1 January	**0.82**	**32,995,000**	–	–
Granted and accepted	**1.46**	**115,477,828**	0.82	32,995,000
Exercised	**0.82**	**(32,995,000)**	–	–
At 31 December	**1.46**	**115,477,828**	0.82	32,995,000
Total		**116,477,828**		33,995,000

Out of the 116,477,828 outstanding options as at 31 December 2014 (2013: 33,995,000), 1,000,000 options were exercisable (2013: 22,600,000). 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. No share option was exercised during the year ended 31 December 2013.

34 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 2014	2013
Old Scheme			
11 February 2017	**1.99**	**1,000,000**	1,000,000
New Scheme			
9 January 2018	**1.50**	**102,557,828**	–
24 November 2018	**0.82**	**–**	32,995,000
7 April 2020	**0.97**	**9,800,000**	–
17 September 2020	**1.53**	**3,120,000**	–
		115,477,828	32,995,000

34 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 2014	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options reclassified during the year	Outstanding options at 31 December 2014	Weighted average closing price before dates of exercise HK$
Old Scheme							
Date of share options granted	12 February 2007						
Exercise price	HK$1.99						
Exercise period	12 August 2007 – 11 February 2017						
Held by service provider							
In aggregate	500,000	–	–	–	–	500,000	–
Date of share options granted	12 February 2007						
Exercise price	HK$1.99						
Exercise period	12 February 2008 – 11 February 2017						
Held by service provider							
In aggregate	500,000	–	–	–	–	500,000	–
New Scheme							
Date of share options granted	25 November 2013						
Exercise price	HK$0.82						
Exercise period	25 November 2013 – 24 November 2018						
Held by directors							
Mr Xu Qiang (Note (i))	7,000,000	–	–	–	(7,000,000)	–	–
Mr Hu Qinggang	7,000,000	–	(7,000,000)	–	–	–	1.10
Held by employees							
In aggregate	7,000,000	–	(7,000,000)	–	–	–	1.22
Held by service providers							
In aggregate	600,000	–	(7,600,000)	–	7,000,000	–	1.10
	21,600,000	–	(21,600,000)	–	–	–	
Date of share options granted	25 November 2013						
Exercise price	HK$0.82						
Exercise period	25 November 2014 – 24 November 2018						
Held by a director							
Mr Gregg H. Smith	11,395,000	–	(11,395,000)	–	–	–	1.10

34 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

	Outstanding options at 1 January 2014	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options reclassified during the year	Outstanding options at 31 December 2014	Weighted average closing price before dates of exercise HK$
Date of share options granted	10 January 2014						
Exercise price	HK$1.50						
Exercise period	10 January 2015 – 9 January 2018						
Held by a director							
Mr Prince	–	34,185,942	–	–	–	34,185,942	–
Date of share options granted	10 January 2014						
Exercise price	HK$1.50						
Exercise period	10 January 2016 – 9 January 2018						
Held by a director							
Mr Prince	–	34,185,943	–	–	–	34,185,943	–
Date of share options granted	10 January 2014						
Exercise price	HK$1.50						
Exercise period	10 January 2017 – 9 January 2018						
Held by a director							
Mr Prince	–	34,185,943	–	–	–	34,185,943	–
Date of share options granted	8 April 2014						
Exercise price	HK$0.97						
Exercise period	8 April 2015 – 7 April 2020						
Held by directors							
Mr Yap Fat Suan, Henry	–	1,400,000	–	–	–	1,400,000	–
Professor Lee Hau Leung	–	1,400,000	–	–	–	1,400,000	–
Mr William J. Fallon	–	1,400,000	–	–	–	1,400,000	–
Dr Harold O. Demuren	–	1,400,000	–	–	–	1,400,000	–
Held by employees							
In aggregate	–	4,200,000	–	–	–	4,200,000	–
	–	9,800,000	–	–	–	9,800,000	

34 SHARE OPTIONS *(Continued)*

(a) Share Option Schemes *(Continued)*

		Outstanding options at 1 January 2014	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options reclassified during the year	Outstanding options at 31 December 2014	Weighted average closing price before dates of exercise HK$
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 Septemer 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	–

Note:

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

34 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 2014 are as follows:

	Outstanding options at 1 January 2014	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2014	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	–
	205,115,657	22,790,628	–	–	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 using the Binominal option pricing model with the following input variables:

Date of grant of share options	Number of options	Exercise price per option HK$	Exercise period of share options	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of share options HK$	Expected life
14/01/2014	22,790,628	0.80	14/01/2014 to 13/01/2017	14/01/2014	0.67%	0%	51%	1.57	14/01/2014 to 13/01/2017

All outstanding other options were exercisable at 31 December 2014 (2013: 205,115,657). No other options were exercised during the years ended 31 December 2014 and 2013.

35 RESERVES

Group

	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Exchange reserve HK$'000 (Note (iii))	General reserve HK$'000 (Note (iv))	Other capital reserve HK$'000 (Note (v))	Equity instrument reserve HK$'000 (Note (vi))	Share-based compensation reserve HK$'000 (Note (vii))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	1,724	628,235	46,165	12,801	(287)	–	879	(142,096)	547,421
Loss for the year	–	–	–	–	–	–	–	(182,227)	(182,227)
Other comprehensive income									
– Currency translation differences	–	–	19,212	–	–	–	–	–	19,212
Disposal of a subsidiary	–	–	–	–	287	–	–	–	287
Share option scheme									
– Grant of share options	–	–	–	–	–	–	8,138	–	8,138
Issue of options	–	–	–	–	–	132,100	–	–	132,100
Transfer to general reserve	–	–	–	3,040	–	–	–	(3,040)	–
At 31 December 2013	1,724	628,235	65,377	15,841	–	132,100	9,017	(327,363)	524,931
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)									
– Currency translation differences	**–**	**–**	**(6,093)**	**–**	**–**	**–**	**–**	**–**	**(6,093)**
– Change in value of available-for-sale financial assets (Note 24)	**–**	**–**	**–**	**–**	**–**	**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									
– Grant of share options	**–**	**–**	**–**	**–**	**–**	**–**	**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**

35 RESERVES *(Continued)*

Company

	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Equity instrument reserve HK$'000 (Note (vi))	Share-based compensation reserve HK$'000 (Note (vii))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	1,724	558,899	–	879	(267,813)	293,689
Loss for the year	–	–	–	–	(63,319)	(63,319)
Share option scheme						
– Grant of share options	–	–	–	8,138	–	8,138
Issue of options	–	–	132,100	–	–	132,100
At 31 December 2013	1,724	558,899	132,100	9,017	(331,132)	370,608
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 (Note 24)	**–**	**–**	**27,420**	**–**	**–**	**27,420**
Issue of shares	**83,756**	**–**	**–**	**–**	**–**	**83,756**
Issue of option rights	**–**	**–**	**20,518**	**–**	**–**	**20,518**
Share option scheme						
– Grant of share options	**–**	**–**	**–**	**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**

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

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

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

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

(vi) The equity instrument reserve represents:

(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.

(vii) The share-based compensation reserve represents the fair value of the unexercised share options granted under the Company's share option schemes to the eligible participants recognised in accordance with the accounting policy set out in Note 2.19(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 GENERATED FROM/(USED IN) OPERATIONS

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

	Group	
	2014 **HK$'000**	2013 HK$'000 (Restated)
Loss for the year from continuing operations	**(139,037)**	(170,293)
Profit/(loss) for the year from discontinued operations	**8,065**	(12,102)
	(130,972)	(182,395)
Adjustments for		
– Income tax expenses/(credit)	**(2,530)**	27,258
– Interest expenses	**8,630**	–
– Depreciation	**8,754**	1,863
– Amortisation of prepaid operating lease rentals and intangibles	**727**	–
– Share-based compensation	**42,263**	8,138
– Impairment of available-for-sale financial assets	**–**	23,094
– Loss on share swap	**46,721**	–
– Provision for impairment of trade receivables and other receivables	**413**	8,979
– Net loss/(gain) on disposal of property, plant and equipment (Note (i))	**(91)**	476
– Gain on disposal of subsidiaries	**(4,766)**	(823)
– Provision for impairment of interest in an associate	**20,270**	3,292
– 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)**	–
– Share option compensation	**–**	59,702
– Interest income	**(19,405)**	(19,357)
– Share of profit of joint ventures	**(8,469)**	(11,633)
– Share of loss of associates	**4,585**	4,588
Changes in working capital		
– Inventories	**138**	–
– Trade receivables, prepayments, deposits and other receivables	**(45,648)**	154,988
– Trade payables, other payables and accruals	**(21,138)**	(2,479)
Exchange differences	**5,827**	1,107
Cash generated from/(used in) operations	**(90,981)**	76,798

37 CASH GENERATED FROM/(USED IN) OPERATIONS *(Continued)*

Notes:

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

	Group	
	2014 **HK$'000**	2013 HK$'000
Net carrying amount (Note 16)	**563**	656
Net gain/(loss) on disposal of property, plant and equipment (Note 10)	**91**	(476)
Proceeds from disposal of property, plant and equipment	**654**	180

(ii) 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 24); 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$22,790,628 in aggregate (Note 30).

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:

	Group	
	2014 **HK$'000**	2013 HK$'000
Authorised but not contracted for	**–**	–
Contracted for	**13,198**	–

The Company did not have any material capital expenditure commitments at 31 December 2014 and 2013.

38 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Operating Lease Commitments as a Lessor

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

At 31 December 2014, the Group had total commitments receivable under the non-cancellable operating leases as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Not later than one year	**1,552**	–
Later than one year but not later than five years	**11,056**	–
Later than five years	**394**	–
	13,002	–

The Company did not have any commitments receivable under operating lease arrangements at 31 December 2014 and 2013.

38 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Operating Lease Commitments as a Lessee

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

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Aircraft				
– Not later than one year	**353**	–	**–**	–
– Later than one year but not later than five years	**–**	–	**–**	–
	353	–	**–**	–
Land and buildings				
– Not later than one year	**8,859**	1,996	**1,116**	–
– Later than one year but not later than five years	**8,995**	1,153	**837**	–
– Later than five years	**4,581**	–	**–**	–
	22,435	3,149	**1,953**	–
Office equipment				
– Not later than one year	**–**	183	**–**	–
Motor vehicle				
– Not later than one year	**–**	235	**–**	–
Total				
– Not later than one year	**9,212**	2,414	**1,116**	–
– Later than one year but not later than five years	**8,995**	1,153	**837**	–
– Later than five years	**4,581**	–	**–**	–
	22,788	3,567	**1,953**	–

(d) Contingent Liabilities

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

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 and the Company entered into the following material transactions with related parties during the year:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Provision of advisory services to				
– A related company of a director (Note (i))	**323**	–	**–**	–
Provision of maintenance services to				
– A related company owned by directors of a subsidiary	**137**	–	**–**	–
Receipt of consultancy services from				
– A company owned by a director (Note (ii))	**3,984**	–	**–**	–
– A related company of a director of a subsidiary (Note (iii))	**2,466**	–	**–**	–
Receipt of financial advisory services from				
– A related company of a shareholder and a director (Note (iv))	**3,881**	20,518	**3,881**	20,518
Receipt of mapping and repair services from				
– A related company of a director	**480**	–	**–**	–

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Aircraft lease rental to – A related company owned by a director of a subsidiary (Note (v))	**1,793**	–	**–**	–
Rental income of leasehold property from – A related company owned by 3 directors of a subsidiary (Note (vi))	**4**	–	**–**	–
Rental expenses of office to – A related company owned by 3 directors of a subsidiary (Note (vi))	**293**	–	**–**	–
Issue of shares to – A related company of a shareholder and a director (Note (vii))	**89,454**	–	**89,454**	–
Subscription of shares from – A related company of a shareholder and a director (Note (vii))	**42,733**	–	**42,733**	–
Issue of share options to – A related company of a shareholder and a director (Note (viii))	**20,518**	–	**20,518**	–
Sales of goods and services to – A joint venture	**–**	1,544	**–**	–
Receipt of interest income from – A joint venture	**–**	605	**–**	–
Receipt of other income from – An associate	**–**	1,506	**–**	–

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

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

(i) During the year, specialised solutions and services concerning aircraft facilities, maintenance, logistics and other related services of US$42,000 (equivalent to approximately HK$323,000) were provided by KAL to Bridgeporth Holdings Limited, of which Mr Prince is a substantial shareholder. The directors of the Company consider that the specialised solutions and services were provided in accordance with the related service agreement.

(ii) 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, services of US$514,000 (equivalent to approximately HK$3,984,000) were provided from FOL. The directors of the Company consider that the service fees were incurred in accordance with the terms of the service agreement.

(iii) On 1 January 2014, the Company entered into a service agreement with Mwongozo East Africa Limited ("Mwongozo"), a company wholly owned by a director of KAL, pursuant to which Mwongozo would provide consultancy services to the Group for a term of 1 year from 1 January 2014 to 31 December 2014 for a monthly fee of US$26,500 (equivalent to approximately HK$206,000).

During the year, consultancy fees of US$318,000 (equivalent to approximately HK$2,466,000) were made by the Company to Mwongozo. The directors of the Company consider that the consultancy fees were incurred in accordance with the terms of the service agreement.

(iv) On 3 March 2014, the Company entered into an engagement letter to appoint RFML to provide financial advisory services in respect of the acquisition of Phoenix for a fee of US$500,000 (equivalent to approximately HK$3,881,000).

During the year, financial advisory service fee of HK$3,881,000 were incurred. The directors of the Company consider that the financial advisory service fee was incurred in accordance with the terms of the engagement letter.

(v) 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 2 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, the rental payments of US$227,500 (equivalent to approximately HK$1,793,000) were incurred to ACL. The directors of the Company consider that the rental payments were incurred in accordance with the terms of the lease agreements.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

(vi) 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 1 June 2049.

On 2 March 2014, Quadco also entered into a sub-lease agreement with Phoenix to sub-lease 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, rental income of KES43,000 (equivalent to approximately HK$4,000) was earned from Quadco and rental expenses of US$38,000 (equivalent to approximately HK$293,000) was incurred to Quadco in accordance with the terms of the lease agreement and the sub-lease agreement respectively.

(vii) 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.

(viii) 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.

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

Subsequent to the disposal of the Group's digital set top box business in 2010 and the completion of the disposal of the Group's digital broadcasting business in late 2012, no transaction has been recorded by the Group under the Agreement during the years ended 31 December 2014 and 2013.

(x) The related party transactions in respect of items (i) to (ix) above for the current year also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Details of Key Management Compensation of the Group

	Group	
	2014 **HK$'000**	2013 HK$'000
Short-term employee benefits	**39,667**	23,880
Post-employment benefits	**329**	121
Share-based compensation	**40,994**	5,420
	80,990	29,421

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

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

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Trade receivables				
– A related company of a director	**27**	–	**–**	–
– A related company owned by 3 directors of a subsidiary	**66**	–	**–**	–
Trade payables				
– A related company of a director	**662**	–	**–**	–
– A related company owned by 3 directors of a subsidiary	**352**	–	**–**	–

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Other Year-End Balances

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Prepayments, deposits and other receivables				
– A joint venture	**–**	3,392	**–**	–
– An associate	**6,901**	6,960	**–**	–
– A related company of a director of a subsidiary	**185**	–	**–**	–
Other payables and accruals				
– A related company of a shareholder and a director	**1,551**	20,518	**1,551**	–
– Associates	**6,962**	15,044	**–**	–
– A related company owned by 3 directors of a subsidiary	**970**	–	**–**	–
– A company owned by a director	**1,424**	–	**–**	–

40 EVENTS AFTER THE FINANCIAL POSITION DATE

On 11 March 2015, the Company announced the acquisition of the entire equity interest in Cheetah Logistics SARL, a company principally engaged in the provision of transport logistics services in the Democratic Republic of the Congo, and certain trucking vehicles for an aggregate consideration of US$1,300,000 (equivalent to approximately HK$10,140,000).

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

Five Year Financial Summary

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

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**310,739**	32,340	303,145	567,724	787,710
Profit/(loss) before income tax	**(133,502)**	(155,137)	(185,371)	(130,218)	76,605
Income tax credit/(expenses)	**2,530**	(27,258)	(29,353)	12,373	(34,869)
Non-controlling interests	**532**	168	52	124	–
Profit/(loss) attributable to the equity holders of the Company	**(130,440)**	(182,227)	(214,672)	(117,721)	41,736
Assets and liabilities					
Property, plant and equipment	**342,878**	4,703	5,110	19,120	18,182
Goodwill and other intangibles	**125,237**	94,975	–	–	–
Pledged bank deposits	**413,146**	–	–	–	–
Available-for-sale financial assets	**70,264**	–	10,680	51,694	139,429
Deferred development costs	**–**	–	–	32,852	37,233
Investments	**9,664**	52,657	49,249	97,386	60,383
Other non-current assets	**45,099**	226	–	110,970	141,125
Net current assets	**328,993**	650,901	738,878	841,644	861,294
	1,335,281	803,462	803,917	1,153,666	1,257,646
Non-current liabilities	**(515,073)**	(47,796)	(26,293)	(24,190)	(37,125)
Net assets	**820,208**	755,666	777,624	1,129,476	1,220,521
Shareholders' equity	**703,958**	638,884	661,374	1,011,535	1,102,763
Non-controlling interests	**116,250**	116,782	116,250	117,941	117,758
	820,208	755,666	777,624	1,129,476	1,220,521