FRONTIER SERVICES GROUP LIMITED
先豐服務集團有限公司*

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 00500)

INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

The board of directors (the "Board") of Frontier Services Group Limited (the "Company") presents the unaudited consolidated results and financial position of the Company and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2015, together with the comparative figures for the corresponding period in 2014. These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2015

	Note	Six-month period ended 30 June **2015** **(Unaudited)** ***HK$'000***	 2014 (Unaudited) *HK$'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*2*	**102,449**	13,248
Cost of sales		**(117,594)**	(5,907)
Gross profit/(loss)		**(15,145)**	7,341
Other income and other gains/(losses), net		**10,967**	(62,417)
Gain on disposal of available-for-sale financial assets	*10*	**263,846**	–
Marketing, selling and distribution costs		**(6,453)**	(3,565)
Administrative expenses		**(94,716)**	(63,316)
Other operating expenses		**(1,217)**	(8,057)
		157,282	(130,014)
Finance costs	*3*	**(16,556)**	(2,511)
Share of loss of joint ventures		**–**	(854)
Share of loss of associates		**(896)**	(2,832)
Profit/(loss) before income tax		**139,830**	(136,211)
Income tax credit/(expenses)	*4*	**2,754**	(216)
Profit/(loss) for the period from continuing operations		**142,584**	(136,427)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	*5(b)*	**–**	6,630
PROFIT/(LOSS) FOR THE PERIOD	*6*	**142,584**	(129,797)

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*
For the six-month period ended 30 June 2015

		Six-month period ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**142,584**	(135,895)
– Discontinued operations		**–**	6,630
		142,584	(129,265)
Non-controlling interests			
– Continuing operations		**–**	(532)
– Discontinued operations		**–**	–
		–	(532)
		142,584	(129,797)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic earnings/(loss) per share	*7*		
– Continuing operations		**11.60 cents**	(11.40) cents
– Discontinued operations		**– cents**	0.56 cents
		11.60 cents	(10.84) cents
Diluted earnings/(loss) per share	*7*		
– Continuing operations		**10.49 cents**	(11.40) cents
– Discontinued operations		**– cents**	0.56 cents
		10.49 cents	(10.84) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

		Six-month period ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
PROFIT/(LOSS) FOR THE PERIOD		**142,584**	(129,797)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(14,442)**	(6,926)
– Change in value of available-for-sale financial assets	*10*	**309,743**	3,561
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets		**(267,153)**	–
Other comprehensive income/(loss) for the period, net of tax		**28,148**	(3,365)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**170,732**	(133,162)
Attributable to:			
– Equity holders of the Company		**170,732**	(132,630)
– Non-controlling interests		**–**	(532)
		170,732	(133,162)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations		**170,732**	(137,594)
– Discontinued operations		**–**	4,964
		170,732	(132,630)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**337,066**	342,878
Goodwill and other intangibles		**127,511**	125,237
Interests in a joint venture		**–**	–
Interests in associates		**8,770**	9,664
Pledged bank deposits		**336,542**	413,146
Deferred income tax assets		**8**	–
Non-current prepayments		**109,447**	43,426
Prepaid operating lease rentals		**1,510**	1,673
Available-for-sale financial assets	*10*	**93**	70,264
Total non-current assets		**920,947**	1,006,288
CURRENT ASSETS			
Inventories		**11,774**	5,524
Trade receivables	*11*	**29,687**	70,413
Prepayments, deposits and other receivables		**38,381**	32,993
Tax receivables		**1,291**	–
Available-for-sale financial assets	*10*	**81,348**	–
Restricted cash		**2,333**	–
Pledged bank deposits		**151,683**	–
Short-term bank deposits		**52,242**	2,260
Cash and cash equivalents		**349,305**	283,295
Total current assets		**718,044**	394,485
CURRENT LIABILITIES			
Trade payables	*12*	**10,287**	18,746
Other payables and accruals		**46,209**	33,981
Borrowings – current portion		**149,597**	10,516
Tax payables		**110**	2,249
Total current liabilities		**206,203**	65,492
Net current assets		**511,841**	328,993
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,432,788**	1,335,281

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2015

	Note	**30 June 2015 (Unaudited)** ***HK$'000***	31 December 2014 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Borrowings		**357,076**	436,003
Deferred income tax liabilities		**73,836**	79,070
Total non-current liabilities		**430,912**	515,073
Net assets		**1,001,876**	820,208
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**122,950**	122,950
Reserves		**762,676**	581,008
		885,626	703,958
Non-controlling interests		**116,250**	116,250
Total equity		**1,001,876**	820,208

Notes:

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2014.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

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

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2015 and have not been early adopted:

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

The Group has commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2 SEGMENT INFORMATION

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

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

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

(iii) Direct Investments – Other direct investments; and

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

Others include corporate income and expenses and others.

As further explained in Note 5, the AA Business has been classified as discontinued operations.

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2015 by operating segments is as follows:

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

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

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

3 FINANCE COSTS

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

4 INCOME TAX CREDIT/(EXPENSES)

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

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

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

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

The corporate income tax in Mainland China has been provided at the rate of 25% (2014: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Mainland China corporate income tax purpose.

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

5 DISCONTINUED OPERATIONS

(a) Discontinued Operations

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

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

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

(b) Profit from Discontinued Operations

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

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Revenue *(Note 2)*	–	286
Cost of sales	–	(41)
Gross profit	–	245
Other income and other gains/(losses), net	–	961
Marketing, selling and distribution costs	–	(254)
Administrative expenses	–	(2,151)
Other operating expenses	–	(198)
	–	(1,397)
Share of profit of a joint venture	–	7,584
Profit before income tax	–	6,187
Income tax credit *(Note 4)*	–	443
Profit for the period	–	6,630
Profit attributable to:		
Equity holders of the Company	–	6,630
Non-controlling interests	–	–
	–	6,630

(c) Analysis of the Cash Flows from Discontinued Operations

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

The cash flows of the AA Business for the six-month period ended 30 June 2014 were prepared based on the results of the AA Business as set out in Note 5(b), and the assets and liabilities directly attributable to the AA Business.

6 PROFIT/(LOSS) FOR THE PERIOD

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

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of provision of aviation and logistics services	**113,191**	1,267
Cost of provision of online financial market information	**4,403**	4,640
Cost of provision of advertising agency services	**–**	41
Depreciation	**12,359**	1,339
Share-based compensation	**10,936**	19,788
Net exchange losses/(gains)	**5,223**	(197)
Other operating expenses:		
Acquisition-related costs	**67**	7,666
Provision for impairment of trade and other receivables	**–**	26
Write-off of a deposit	**–**	388
Net loss on disposal of property, plant and equipment	**279**	175
Amortisation of intangibles	**871**	–
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	**(10,517)**	(7,001)
Rental income	**(303)**	–
Loss on share swap *(Note 10)*	**–**	46,721
Provision for impairment of interest in a joint venture	**–**	5,659
Provision for impairment of an advance to a joint venture	**–**	2,104
Provision for impairment of interest in an associate	**–**	14,040
Net loss on disposal of subsidiaries	**–**	69
Others	**(147)**	(136)

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

7 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the period is based on the Group's earnings/(loss) from continuing operations and discontinued operations attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings/(loss) per share for the period is based on the Group's earnings/(loss) from continuing operations and discontinued operations attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period assuming the conversion of the exchangeable preference shares and the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary values of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options.

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

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

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

8 DIVIDENDS

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

9 BUSINESS COMBINATION

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

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

	HK$'000
Purchase consideration	
Cash paid	**10,077**
Acquisition-related costs, included in other operating expenses	
Legal and other professional fees and expenses	**67**
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**(10,077)**
Cash and cash equivalents in subsidiary acquired	**11**
Net cash outflow from acquisitions	**(10,066)**
Property, plant and equipment	**8,139**
Receivables *(i)*	**155**
Cash and cash equivalents	**11**
Total identifiable net assets	**8,305**
Goodwill on acquisition *(ii)*	**1,772**
	10,077

(i) Acquired receivables

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

(ii) Goodwill on acquisition

The Group recognised goodwill of approximately HK$1,772,000 in the consolidated statement of financial position, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of approximately HK$8,305,000 as at the date of completion.

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

(iii) Revenue and loss contribution

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

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Notes:

(i) Pursuant to an agreement entered into by the Company and REORIENT GROUP LIMITED ("RGL") on 23 November 2013 and the approval by the independent shareholders of the Company at the special general meeting of shareholders held on 9 January 2014, the Company allotted and issued 56,976,571 new shares of the Company at the closing price of HK$1.57 per share on 14 January 2014 to REORIENT GLOBAL LIMITED ("RGlobal"), a direct wholly-owned subsidiary of RGL nominated by RGL, in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK$2.40 per share (the "listed equity investment"). A loss of HK$46,721,000 (Note 6) was made during the six-month period ended 30 June 2014 for the price difference arising from the share swap.

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

(ii) It represents listed corporate bond.

(iii) It represents unlisted equity securities.

11 TRADE RECEIVABLES

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

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

The fair value of trade receivables approximates its carrying amount.

Credit period of 30 days are generally granted to major customers. The Group seeks to maintain strict control over its outstanding trade receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers, if necessary.

12 TRADE PAYABLES

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

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

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

Overall Performance

	Six-month period ended 30 June 2015			Six-month period ended 30 June 2014		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*
Revenue	**102,449**	**–**	**102,449**	13,248	286	13,534
Cost of sales	**(117,594)**	**–**	**(117,594)**	(5,907)	(41)	(5,948)
Gross profit/(loss)	**(15,145)**	**–**	**(15,145)**	7,341	245	7,586
Other income and other gains/(losses), net	**10,967**	**–**	**10,967**	(62,417)	961	(61,456)
Gain on disposal of available-for-sale financial assets	**263,846**	**–**	**263,846**	–	–	–
Marketing, selling and distribution costs	**(6,453)**	**–**	**(6,453)**	(3,565)	(254)	(3,819)
Administrative expenses	**(94,716)**	**–**	**(94,716)**	(63,316)	(2,151)	(65,467)
Other operating expenses	**(1,217)**	**–**	**(1,217)**	(8,057)	(198)	(8,255)
	157,282	**–**	**157,282**	(130,014)	(1,397)	(131,411)
Finance costs	**(16,556)**	**–**	**(16,556)**	(2,511)	–	(2,511)
Share of profit/(loss) of joint ventures	**–**	**–**	**–**	(854)	7,584	6,730
Share of loss of associates	**(896)**	**–**	**(896)**	(2,832)	–	(2,832)
Profit/(loss) before income tax	**139,830**	**–**	**139,830**	(136,211)	6,187	(130,024)
Income tax credit/(expenses)	**2,754**	**–**	**2,754**	(216)	443	227
Profit/(loss) for the period	**142,584**	**–**	**142,584**	(136,427)	6,630	(129,797)

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

Revenue

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

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

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

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

Other Income and Other Gains/(Losses), Net

	Six-month period ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interest income on bank balances	**10,517**	7,001
Rental income	**303**	–
Loss on share swap	**–**	(46,721)
Provision for impairment of interest in a joint venture	**–**	(5,659)
Provision for impairment of an advance to a joint venture	**–**	(2,104)
Provision for impairment of interest in an associate	**–**	(14,040)
Net loss on disposal of subsidiaries	**–**	(69)
Others	**147**	136
	10,967	(61,456)

Pursuant to the share swap agreement entered into by the Company and 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 RGlobal, a direct wholly-owned subsidiary of RGL nominated by RGL, in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK$2.40 per share. The RGL's shares are classified as listed equity investment under available-for-sale financial assets and a loss of HK$46,721,000 was made during the six-month period ended 30 June 2014 for the price difference arising from the share swap.

Gain on Disposal of Available-for-Sale Financial Assets

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

Marketing, Selling and Distribution Costs/Administrative Expenses

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

Other Operating Expenses

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

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

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

Review of Operating Segments

Aviation and Logistics Business ("AL segment")

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

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

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

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

Financial Market Information Business ("FMI segment")

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

Direct Investments

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

Prospects

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

Employees

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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company has not granted any share options to the Group's eligible directors and employees under its share option scheme during the six-month period ended 30 June 2015 (2014: 112,357,828 share options).

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

Financial Review

Liquidity and Financial Resources

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

The Group recorded cash and bank balances of HK$892,105,000 (31 December 2014: HK$698,701,000) and secured borrowings of HK$512,302,000 (excluding facility arrangement fees of HK$5,629,000) (31 December 2014: HK$450,593,000 (excluding facility arrangement fee of HK$4,074,000)) as at 30 June 2015. The Group's borrowings, which comprise of bank loans and finance leases and are denominated in United States dollars ("US$"), will mature in 1 to 6 years (31 December 2014: same) as at 30 June 2015. Except for the borrowings of HK$9,187,000 (31 December 2014: HK$9,665,000) which are interest bearing at fixed rates, the remaining balances of HK$503,115,000 (31 December 2014: HK$440,928,000) are interest bearing at floating rates as at 30 June 2015. Although the Group has sufficient internal funds for its daily operations, the Group may consider additional finance facilities to support its future business development and expansion if necessary. On the basis of the Group's net borrowings (total borrowings less cash and bank balances) relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was nil (31 December 2014: Nil) as at 30 June 2015.

At 30 June 2015, the Company had 344,384,113 outstanding share options, out of which 116,477,828 share options were granted under its share option schemes. If all share options were exercised, a gross proceeds of approximately HK$338 million in aggregate would be raised before deducting any issuance expenses.

Treasury Policies

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

For operations in Africa, most of the transactions are denominated in US$, Euro and Kenyan Shillings ("KES"). The exchange rate of KES against US$ and HK$ has declined since April 2015 and the related currency exchange risk is considered moderate. The exchange rate of the Euro against US$ and HK$ has declined since the last quarter of 2014, and the related currency exchange risk of the Euro is considered material. No financial instrument was used for hedging purposes for the period. The Group is closely monitoring the currency exchange risk of the Euro and KES and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. No financial instrument was used for hedging purposes for the period. Subsequent to these interim results, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Material Acquisitions and Disposals of Subsidiaries and Associates

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

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2015.

Charges on Assets

At 30 June 2015, the Group had bank deposits amounting to approximately HK$488,225,000 (31 December 2014: HK$413,146,000) pledged to banks as security for bank borrowings.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2015 (31 December 2014: Nil). However, the Group always seeks for new investment opportunities in the aviation and logistics business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Further to the Company's announcement on 2 July 2015 in relation to the execution of a non-legal binding term sheet with an independent third party for the proposed acquisition of the business and certain assets of a logistics services group in southern Africa, the Company announced on 14 August 2015 that an indirect wholly-owned subsidiary of the Company has entered into a conditional share purchase agreement with the independent third party on 14 August 2015 for the acquisition of 100% equity interest in a South African entity, which will engage in the freight forwarding business, at a consideration of ZAR (South African Rand) 49 million (equivalent to approximately HK$30.87 million).

Capital Expenditure Commitments

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

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

Contingent Liabilities

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2015, the Board of the Company has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that not all the independent non-executive directors have attended the general meetings of the Company in accordance with code provision A.6.7 due to their other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("HKExnews website") at www.hkexnews.hk and the Company's website at www.fsgroup.com. The 2015 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the HKExnew website and the Company's website in due course.

By Order of the Board
FRONTIER SERVICES GROUP LIMITED
Erik D. Prince
Chairman

Hong Kong, 17 August 2015

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

* *For identification purposes only*