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

(Incorporated in Bermuda with limited liability)
Website: www.fsgroup.com   www.irasia.com/listco/hk/frontier
(Stock Code: 00500)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board") of Frontier Services Group Limited (the "Company") announces the final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, which have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CONTINUING OPERATIONS			
Revenue	3	**215,337**	310,444
Cost of sales		**(246,414)**	(171,471)
Gross profit/(loss)		**(31,077)**	138,973
Other income and other gains/(losses), net		**23,151**	(48,246)
Gain on disposal of available-for-sale financial assets	7	**279,870**	–
Provision for impairment of goodwill	7	**(94,975)**	–
Provision for impairment of property, plant and equipment	7	**(66,118)**	–
Marketing, selling and distribution costs		**(13,490)**	(8,079)
Administrative expenses		**(203,200)**	(199,374)
Other operating expenses		**(10,135)**	(9,990)
		(115,974)	(126,716)
Finance costs	4	**(29,667)**	(8,630)
Share of loss of joint ventures		**–**	(1,108)
Share of loss of associates		**(443)**	(4,585)
Loss before income tax		**(146,084)**	(141,039)
Income tax credit	5	**3,164**	2,002
Loss for the year from continuing operations		**(142,920)**	(139,037)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	6(b)	**–**	8,065
LOSS FOR THE YEAR	7	**(142,920)**	(130,972)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(142,920)**	(138,505)
– Discontinued operations		**–**	8,065
		(142,920)	(130,440)
Non-controlling interests			
– Continuing operations		**–**	(532)
– Discontinued operations		**–**	–
		–	(532)
		(142,920)	(130,972)

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted earnings/(loss) per share	*8*		
– Continuing operations		**(11.62) cents**	(11.58) cents
– Discontinued operations		–	0.67 cents
		(11.62) cents	(10.91) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**415,702**	342,878
Goodwill and other intangibles		**40,088**	125,237
Interests in joint ventures		**–**	–
Interests in associates		**8,462**	9,664
Pledged bank deposits		**230,848**	413,146
Restricted cash		**2,690**	–
Deferred income tax assets		**4,031**	–
Non-current prepayments		**32,051**	43,426
Prepaid operating lease rentals		**1,438**	1,673
Available-for-sale financial assets		**90**	70,264
Total non-current assets		**735,400**	1,006,288
CURRENT ASSETS			
Inventories		**9,644**	5,524
Trade receivables	*11*	**58,376**	70,413
Prepayments, deposits and other receivables		**49,759**	32,993
Tax receivables		**320**	–
Available-for-sale financial assets		**31,000**	–
Assets held for sale		**6,317**	–
Restricted cash		**4,581**	–
Pledged bank deposits		**228,722**	–
Short-term bank deposits		**2,229**	2,260
Cash and cash equivalents		**223,365**	283,295
Total current assets		**614,313**	394,485

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2015

	Note	**2015** **HK$'000**	2014 *HK$'000*
CURRENT LIABILITIES			
Trade payables	*12*	**36,713**	18,746
Other payables and accruals		**47,605**	33,981
Borrowings		**235,857**	10,516
Tax payables		**3,170**	2,249
Total current liabilities		**323,345**	65,492
Net current assets		**290,968**	328,993
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,026,368**	1,335,281
NON-CURRENT LIABILITIES			
Borrowings		**307,636**	436,003
Deferred income tax liabilities		**75,737**	79,070
Total non-current liabilities		**383,373**	515,073
Net assets		**642,995**	820,208
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**122,950**	122,950
Reserves		**403,795**	581,008
		526,745	703,958
Non-controlling interests		**116,250**	116,250
Total equity		**642,995**	820,208

Notes:

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group for the year ended 31 December 2015 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 new Hong Kong Companies Ordinance (Cap. 622). 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"). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements for this financial year and the comparative period.

The consolidated financial statements for the year ended 31 December 2015 have been prepared under the historical cost convention, as modified by (i) the revaluation of available-for-sale financial assets and derivative financial instruments, which are carried at fair value and (ii) the assets held for sale which are measured at fair value less cost of disposal.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

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

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

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

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

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

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

(iii) Direct investments – Other direct investments.

Others include corporate income and expenses and others.

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

As further explained in Note 6, the discontinued advertising agency ("AA") business has been classified as discontinued operations.

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

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

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

	Continuing operations					Discontinued operations	Total
	AL business	FMI business	Direct investments	Others	Total	AA business	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	284,624	25,820	–	–	310,444	295	310,739
Depreciation	7,572	151	–	838	8,561	193	8,754
Amortisation	707	–	–	–	707	–	707
Segment results	74,279	(5,141)	(68,598)	(127,256)	(126,716)	(2,040)	(128,756)
Finance costs	(8,630)	–	–	–	(8,630)	–	(8,630)
Share of profit/(loss) of joint ventures	–	–	(1,108)	–	(1,108)	9,577	8,469
Share of loss of associates	–	–	(4,585)	–	(4,585)	–	(4,585)
Profit/(loss) before income tax					(141,039)	7,537	(133,502)
Income tax credit					2,002	528	2,530
Profit/(loss) for the year					(139,037)	8,065	(130,972)
Total assets	1,256,371	10,744	86,717	46,941	1,400,773	–	1,400,773
Total assets include:							
Interests in joint ventures	–	–	–	–	–	–	–
Interests in associates	–	–	9,664	–	9,664	–	9,664
Total liabilities	534,002	9,520	9,046	27,997	580,565	–	580,565
Capital expenditure	195,058	349	–	1,064	196,471	–	196,471
Interest income	17,243	24	–	174	17,441	1,964	19,405

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

	2015			2014		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Africa	**179,609**	**–**	**179,609**	284,624	–	284,624
Europe	**11,961**	**–**	**11,961**	–	–	–
The People's Republic of China ("PRC")						
– Mainland China	**–**	**–**	**–**	–	295	295
– Hong Kong	**17,097**	**–**	**17,097**	17,723	–	17,723
Others	**6,670**	**–**	**6,670**	8,097	–	8,097
	215,337	**–**	**215,337**	310,444	295	310,739

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

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

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

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

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

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

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

3 REVENUE

An analysis of revenue is as follows:

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

4 FINANCE COSTS

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

5 INCOME TAX CREDIT

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

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

6 DISCONTINUED OPERATIONS

(a) Discontinued Operations

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

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

As the operation of the AA business is considered as a separate line of business and was discontinued during the year ended 31 December 2014, it is accounted for as discontinued operations.

(b) Profit from Discontinued Operations

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

	2015	2014
	HK$'000	*HK$'000*
Revenue *(Note 3)*	–	295
Cost of sales	–	(94)
Gross profit	–	201
Other income and other gains/(losses), net	–	2,147
Marketing, selling and distribution costs	–	(258)
Administrative expenses	–	(4,052)
Other operating expenses	–	(78)
	–	(2,040)
Share of profit of a joint venture	–	9,577
Profit before income tax	–	7,537
Income tax credit *(Note 5)*	–	528
Profit for the year	–	8,065
Profit attributable to:		
Equity holders of the Company	–	8,065
Non-controlling interests	–	–
	–	8,065

(c) Analysis of the Cash Flows from Discontinued Operations

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

The cash flows of the AA business for the year ended 31 December 2014 were prepared based on the results of the AA business as set out in Note 6(b), and the assets and liabilities directly attributable to the AA business.

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

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

7 LOSS FOR THE YEAR

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

	2015	2014
	HK$'000	*HK$'000*
		(Note (i))
Cost of provision of aviation and logistics services	**237,700**	162,310
Cost of provision of online financial market information	**8,714**	9,161
Cost of provision of advertising agency services	**–**	94
Gain on disposal of available-for-sale financial assets *(Note (ii))*	**(279,870)**	–
Provision for impairment of goodwill *(Note (iii))*	**94,975**	–
Provision for impairment of property, plant and equipment *(Note (iv))*	**66,118**	–
Depreciation	**25,564**	8,754
Amortisation of prepaid operating lease rentals	**45**	20
Net exchange losses	**12,281**	2,990
Other operating expenses including:		
– Acquisition-related costs	**8,318**	8,776
– Provision for impairment of trade receivables	**63**	23
– Provision for impairment of prepayments, deposits and other receivables	**3**	390
– Provision for inventories	**12**	–
– Amortisation of intangibles	**1,694**	707
(Other income) and other (gains)/losses, net:		
– Interest income on bank balances	**(21,610)**	(19,405)
– 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	**56**	20,270
– Gain on disposal of subsidiaries	**–**	(4,766)
– Net gain on disposal of property, plant and equipment	**(775)**	(91)
– Fair value changes in derivatives	**–**	(6,230)
– Others	**(822)**	(340)

Notes:

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

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

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

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

(a) a provision of HK$62,940,000 taken against two highly modified survey aircraft due to unsuccessful disposal efforts and a general lack of marketability of the assets due to their level of customisation; and

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

8 EARNINGS/(LOSS) PER SHARE

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

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

The basic and diluted earnings/(loss) per share for each of the years ended 31 December 2015 and 2014 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

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

	2015	2014
Weighted average number of ordinary shares in issue	**1,229,503,003**	1,195,704,316
	HK$'000	*HK$'000*
Group's earnings/(loss) attributable to the equity holders of the Company		
– Continuing operations	**(142,920)**	(138,505)
– Discontinued operations	**–**	8,065
	(142,920)	(130,440)

9 DIVIDENDS

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

10 BUSINESS COMBINATION

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

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

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

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

(i) Acquired receivables

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

(ii) Goodwill on acquisition

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

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

(iii) Revenue and profit contribution

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

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

On 14 August 2015, 1PC Ibid Proprietary Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement for the acquisition of the entire equity interest in TFF, a company principally engaged in the provision of freight forwarding services with certain assets necessary to conduct the business in South Africa, at a consideration of South African Rand ("ZAR") 49 million (equivalent to approximately HK$26,093,000). The acquisition was completed on 24 November 2015. The acquisition immediately enabled the expansion of the Group's existing logistics services in Africa, complemented the Group's existing geographic footprint and solidified the Group's strategic aims to provide complete logistics solutions across the African continent.

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

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

(i) Acquired receivables

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

(ii) Goodwill on acquisition

The Group recognised goodwill of approximately HK$1,449,000 in the consolidated statement of financial position, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of approximately HK$24,808,000 as at the date of acquisition.

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

(iii) Revenue and profit contribution

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

11 TRADE RECEIVABLES

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

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

The fair value of trade receivables approximates its carrying amount.

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

12 TRADE PAYABLES

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

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

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

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

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

Financial Key Performance Indicators

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Basic earnings/(loss) per share		
Continuing operations	**(11.62) cents**	(11.58) cents
Discontinued operations	**–**	0.67 cents
	(11.62) cents	(10.91) cents

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

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

Revenue

	2015	2014
	HK$'000	*HK$'000*
Continuing operations:		
AL business	**191,569**	284,624
FMI business	**23,768**	25,820
	215,337	310,444
Discontinued operations:		
AA business	–	295
	215,337	310,739

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

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

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

Other Income and Other Gains/(Losses), Net

	2015	2014
	HK$'000	*HK$'000*
Interest income on bank balances	**21,610**	19,405
Loss on share swap	–	(46,721)
Net gain on disposal of property, plant and equipment	**775**	91
Provision for impairment of interest in a joint venture	–	(7,837)
Provision for impairment of an advance to a joint venture	–	(2,103)
Provision for impairment of interest in an associate	**(56)**	(20,270)
Gain on disposal of subsidiaries	–	4,766
Fair value changes in derivatives	–	6,230
Others	**822**	340
	23,151	(46,099)

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

Gain on Disposal of Available-for-Sale Financial Assets

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

Provision for Impairment of Goodwill

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

Provision for Impairment of Property, Plant and Equipment

The Group recorded HK$66,118,000 in impairment provisions against four aircraft in its fleet. A provision of HK$62,940,000 was reported against two highly modified survey aircraft originally purchased and customised to support the Group's efforts in the natural resources sector. With the aforementioned decision to de-emphasise a focus on the natural resources sector, the Group has endeavoured unsuccessfully to dispose of the aircraft. The impairment charges, therefore, reflect the absence of re-sale marketability of the aircraft due principally to the highly specialised modifications previously made to the aircraft. The Group continues to evaluate all opportunities to dispose of these aircraft at maximum salvage value.

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

Marketing, Selling and Distribution Costs/Administrative Expenses

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

Other Operating Expenses

	2015	2014
	HK$'000	*HK$'000*
Acquisition-related costs	**8,318**	8,776
Amortisation of intangibles	**1,739**	707
Provision for impairment of trade and other receivables, net	**66**	413
Provision for inventories	**12**	–
Others	**–**	172
	10,135	10,068

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

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

Analysis of Results for Continuing Operations

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

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

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

EMPLOYEES

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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company did not grant any share options to the Group's eligible directors and employees under its share option scheme during the year ended 31 December 2015 (2014: 115,477,828 share options).

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

The Group recorded cash and bank balances of HK$692,435,000 (2014: HK$698,701,000) and secured borrowings of HK$548,010,000 (excluding facility arrangement fees of HK$4,517,000) (2014: HK$450,593,000 (excluding facility arrangement fees of HK$4,074,000)) as at 31 December 2015. The Group's borrowings, which comprise of bank loans and finance leases and are denominated in United States dollars ("US$"), will mature in 1 to 5 years (2014: 1 to 6 years) as at 31 December 2015. Except for the borrowings of HK$49,775,000 (2014: HK$9,665,000) which are interest bearing at fixed rates, the remaining balances of HK$498,235,000 (2014: HK$440,928,000) are interest bearing at floating rates as at 31 December 2015. Although the Group has sufficient internal funds for its daily operations, the Group may consider additional finance facilities to support its future business development and expansion if necessary. On the basis of the Group's net borrowings (total borrowings less cash and bank balances) relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was nil (2014: Nil) as at 31 December 2015.

At 31 December 2015, the Company had 344,384,113 outstanding share options (2014: 344,384,113), out of which 116,477,828 share options (2014: 116,477,828) were granted under its share option schemes. If the share options were exercised, gross proceeds of approximately HK$338 million (2014: HK$338 million) in aggregate would be raised before deducting any issuance expenses.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank balances are held mainly in Hong Kong dollars ("HK$"), Renminbi ("RMB"), US$ and Euro. 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$, Euro, Kenyan Shillings ("KES") and ZAR. The exchange rates of Euro, KES and ZAR against HK$ have declined by 10%, 12% and 25% respectively in 2015. No financial instrument was used for hedging purposes for the year. The Group is closely monitoring the currency exchange risk of the Euro, KES and ZAR and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The exchange rate of RMB has devalued since August 2015. No financial instrument was used for hedging purposes for the year due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate the currency exchange risk of RMB.

Material Acquisitions and Disposals of Subsidiaries and Associates

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

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

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2015.

Charges on Assets

At 31 December 2015, the Group had bank deposits amounting to approximately HK$459,570,000 (2014: HK$413,146,000) pledged to banks as security for bank borrowings.

Future Plans for Material Investments or Capital Assets

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

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

Capital Expenditure Commitments

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

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

Contingent Liabilities

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

Events after the Financial Position Date

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year ended 31 December 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("HKExnews website") at www.hkexnews.hk and the Company's website at www.fsgroup.com. The 2015 annual report of the Company will be dispatched to the shareholders of the Company and published on the HKExnews website and the Company's website in due course.

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

Hong Kong, 31 March 2016

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*