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 2014

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 2014, together with the comparative figures for the corresponding period in 2013. 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 2014

	Note	**Six-month period ended 30 June** **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
CONTINUING OPERATIONS			
Revenue	*2*	**13,534**	17,679
Cost of sales		**(5,948)**	(4,756)
Gross profit		**7,586**	12,923
Other income and other gains/(losses), net		**(61,456)**	(4,943)
Marketing, selling and distribution costs		**(3,819)**	(3,073)
Administrative expenses		**(65,467)**	(24,894)
Other operating income/(expenses), net		**(8,255)**	175
Operating loss		**(131,411)**	(19,812)
Finance costs	*3*	**(2,511)**	–
Share of profit/(loss) of joint ventures		**6,730**	(8,411)
Share of loss of associates		**(2,832)**	(2,789)
Loss before income tax		**(130,024)**	(31,012)
Income tax credit	*4*	**227**	198
Loss for the period from continuing operations		**(129,797)**	(30,814)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	*5(b)*	**–**	(20,428)
LOSS FOR THE PERIOD	*6*	**(129,797)**	(51,242)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(129,265)**	(30,814)
– Discontinued operations		**–**	(20,428)
		(129,265)	(51,242)
Non-controlling interests			
– Continuing operations		**(532)**	–
– Discontinued operations		**–**	–
		(532)	–
		(129,797)	(51,242)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7		
– Continuing operations		**(10.84) cents**	(2.71) cents
– Discontinued operations		**– cents**	(1.79) cents
		(10.84) cents	(4.50) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2014

		Six-month period ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
LOSS FOR THE PERIOD		**(129,797)**	(51,242)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(6,926)**	11,199
– Change in value of available-for-sale financial assets	*9*	**3,561**	–
Other comprehensive income/(loss) for the period, net of tax		**(3,365)**	11,199
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(133,162)**	(40,043)
Attributable to:			
– Equity holders of the Company		**(132,630)**	(40,043)
– Non-controlling interests		**(532)**	–
		(133,162)	(40,043)
Total comprehensive loss attributable to equity holders of the Company arising from:			
– Continuing operations		**(132,630)**	(19,821)
– Discontinued operations		**–**	(20,222)
		(132,630)	(40,043)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	**30 June 2014 (Unaudited)** *HK$'000*	31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**64,172**	4,703
Goodwill		**94,975**	94,975
Interests in joint ventures		**20,228**	19,318
Interests in associates		**10,112**	33,339
Pledged bank deposits	*12*	**150,701**	–
Deferred income tax assets		**223**	226
Available-for-sale financial assets	*9*	**46,293**	–
Total non-current assets		**386,704**	152,561
CURRENT ASSETS			
Trade receivables	*10*	**1,216**	4,340
Prepayments, deposits and other receivables		**42,880**	17,527
Tax receivables		**90**	90
Short-term bank deposits		**10,435**	2,268
Cash and cash equivalents		**532,748**	709,492
Total current assets		**587,369**	733,717
CURRENT LIABILITIES			
Trade payables	*11*	**5,878**	7,026
Other payables and accruals		**32,144**	64,674
Tax payables		**1,272**	11,116
Total current liabilities		**39,294**	82,816
Net current assets		**548,075**	650,901
TOTAL ASSETS LESS CURRENT LIABILITIES		**934,779**	803,462
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**43,562**	47,796
Bank borrowings	*12*	**138,834**	–
Total non-current liabilities		**182,396**	47,796
Net assets		**752,383**	755,666
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**119,651**	113,953
Reserves		**516,482**	524,931
		636,133	638,884
Non-controlling interests		**116,250**	116,782
Total equity		**752,383**	755,666

Notes:

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Company and its subsidiaries (together, the Group") for the six-month period ended 30 June 2014 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 2013, 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 2013.

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 2014. 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 2014 and have not been early adopted:

HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
HKFRS 9	Financial Instruments
HKFRS 9 (Amendment) and HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9 (Amendment)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle

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

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

(iv) Direct Investments – Other direct investments of information technology business; and

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

Others include corporate income and expenses and others.

As further explained in Note 5, the discontinued STB Business (as defined in Note 5) under the DVB Business have 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 2014 by operating segments is as follows:

	Unaudited								
	Continuing operations							Discontinued operations	
	AL Business *HK$'000*	AA Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	DVB Business *HK$'000*	Others *HK$'000*	Total *HK$'000*	DVB Business *HK$'000*	Total *HK$'000*
Revenue (from external customers)	497	286	12,751	–	–	–	13,534	–	13,534
Depreciation	367	182	71	–	–	719	1,339	–	1,339
Operating loss	(19,747)	(1,397)	(1,707)	(21,803)	–	(86,757)	(131,411)	–	(131,411)
Finance costs	–	–	–	–	–	(2,511)	(2,511)	–	(2,511)
Share of profit/(loss) of joint ventures	–	7,584	–	(854)	–	–	6,730	–	6,730
Share of loss of associates	–	–	–	(2,832)	–	–	(2,832)	–	(2,832)
Loss before income tax							(130,024)	–	(130,024)
Income tax credit							227	–	227
Loss for the period							(129,797)	–	(129,797)
Total assets	190,051	102,047	19,132	20,564	–	642,279	974,073	–	974,073
Total liabilities	2,368	7,331	9,346	8,808	–	193,837	221,690	–	221,690

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2013 by operating segments is as follows:

	Unaudited								
	Continuing operations							Discontinued operations	
	AL Business	AA Business	FMI Business	Direct Investments	DVB Business	Others	Total	DVB Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	–	1,150	13,695	–	2,834	–	17,679	–	17,679
Depreciation	–	223	71	–	–	718	1,012	–	1,012
Operating profit/(loss) *(Note (i))*	–	(3,285)	(783)	(13,135)	6,085	(8,694)	(19,812)	(23,094)	(42,906)
Share of loss of joint ventures	–	(7,274)	–	(1,137)	–	–	(8,411)	–	(8,411)
Share of loss of associates	–	–	–	(2,789)	–	–	(2,789)	–	(2,789)
Loss before income tax							(31,012)	(23,094)	(54,106)
Income tax credit							198	2,666	2,864
Loss for the period							(30,814)	(20,428)	(51,242)
Total assets *(Note (ii))*	–	122,324	22,927	53,033	27,436	603,726	829,446	–	829,446
Total liabilities *(Note (iii))*	–	29,595	8,993	23,011	23,919	6,347	91,865	–	91,865

Notes:

(i) The operating profit under the continuing operations of the DVB Business for the six-month period ended 30 June 2013 is stated after crediting, inter alia, the technology licensing income of HK$2,834,000, the non-compete income of HK$866,000 and interest income from the expected periodic adjustment payments of HK$894,000, of the discontinued STB Business.

(ii) The total assets under the continuing operations of the DVB Business as at 30 June 2013 represent the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business.

(iii) The total liabilities under the continuing operations of the DVB Business as at 30 June 2013 represent the deferred income tax liabilities provided for the expected periodic adjustment payments classified as available-for-sale financial assets and the deferred income of the discontinued STB Business.

3 FINANCE COSTS

	Six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**901**	–
Financing arrangement fee	**1,610**	–
	2,511	–

4 INCOME TAX CREDIT

	Six-month period ended 30 June 2014			Six-month period ended 30 June 2013		
	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*
Current income tax						
– Hong Kong						
– Provision for the period	**–**	**–**	**–**	(16)	–	(16)
– Outside Hong Kong						
– Provision for the period	**–**	**–**	**–**	(346)	–	(346)
– Adjustment in respect of prior periods	**227**	**–**	**227**	560	–	560
	227	**–**	**227**	198	–	198
Deferred income tax						
– Outside Hong Kong	**–**	**–**	**–**	–	2,666	2,666
Income tax credit	**227**	**–**	**227**	198	2,666	2,864

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.

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

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% (2013: 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.

5 DISCONTINUED OPERATIONS

(a) Discontinued Operations

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

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

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

(b) Loss from Discontinued Operations

The analysis of the loss from the STB 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue *(Note 2)*	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other income and other gains/(losses), net	**–**	–
Marketing, selling and distribution costs	**–**	–
Administrative expenses	**–**	–
Other operating income/(expenses), net	**–**	–
Loss before income tax	**–**	–
Income tax credit *(Note 4)*	**–**	–
Loss after tax of discontinued operations	**–**	–
Impairment of available-for-sale financial assets *(Note 9)*	**–**	(23,094)
Income tax credit *(Note 4)*	**–**	2,666
After-tax loss recognised on disposal	**–**	(20,428)
Loss for the period	**–**	(20,428)
Loss attributable to:		
Equity holders of the Company	**–**	(20,428)
Non-controlling interests	**–**	–
	–	(20,428)

(c) Analysis of the Cash Flows from Discontinued Operations

	Six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**–**	–
Net cash generated from/(used in) investing activities	**–**	–
Net cash generated from/(used in) financing activities	**–**	–
	–	–

6 LOSS FOR THE PERIOD

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

	Six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of provision of aviation and logistics services	**1,267**	–
Cost of provision of advertising agency services	**41**	66
Cost of provision of online financial market information	**4,640**	4,690
Depreciation	**1,339**	1,012
Share-based compensation	**19,788**	–
Net exchange gains	**(197)**	(699)
Impairment of available-for-sale financial assets *(Note 9)*	**–**	23,094
Other operating (income)/expenses, net:		
Acquisition-related costs	**7,666**	–
Provision for/(reversal of) impairment of trade and other receivables	**26**	(177)
Write-off of a deposit	**388**	–
Loss on disposal of property, plant and equipment	**175**	–
Others	**–**	2
(Other income) and other (gains)/losses, net:		
Interest income on bank balances	**(7,001)**	(5,009)
Interest income on available-for-sale financial assets *(Note 9)*	**–**	(894)
Non-compete income	**–**	(866)
Provision for impairment of available-for-sale financial assets *(Note 9)*	**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**	3,292
Provision for impairment of an advance to an associate	**–**	9,843
Loss on disposal of subsidiaries, net	**69**	–
Others	**(136)**	(1,423)

7 LOSS PER SHARE

The calculation of the basic loss per share for the period is based on the Group's 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 loss per share for the period is based on the Group's 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 value of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted loss per share is set out as follows:

	Six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	**1,192,415,763**	1,139,531,432
Adjustment for preference shares	**–**	–
Adjustment for share options	**57,212,445**	–
Weighted average number of ordinary shares for diluted loss per share	**1,249,628,208**	1,139,531,432
	HK$'000	*HK$'000*
Group's loss attributable to the equity holders of the Company		
– Continuing operations	**(129,265)**	(30,814)
– Discontinued operations	–	(20,428)
	(129,265)	(51,242)

The basic and diluted loss per share for each of the six-month periods ended 30 June 2014 and 2013 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

8 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2014 (2013: Nil).

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014			31 December 2013		
	Hong Kong listed equity investment (Unaudited) *HK$'000*	**Periodic adjustment payments (Unaudited) *HK$'000***	**Total (Unaudited) *HK$'000***	Hong Kong listed equity investment (Audited) *HK$'000*	Periodic adjustment payments (Audited) *HK$'000*	Total (Audited) *HK$'000*
At 1 January	**–**	**–**	**–**	–	48,944	48,944
Addition *(Note (i))*	**89,453**	**–**	**89,453**	–	–	–
Change in value	**3,561**	**–**	**3,561**	–	–	–
Receipt of periodic adjustment payments	**–**	**–**	**–**	–	(27,436)	(27,436)
Impairment *(Notes (i), (ii), 5(b) and 6)*	**(46,721)**	**–**	**(46,721)**	–	(23,094)	(23,094)
Interest accretions	**–**	**–**	**–**	–	894	894
Exchange differences	**–**	**–**	**–**	–	692	692
At financial position date	**46,293**	**–**	**46,293**	–	–	–

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, a direct wholly-owned subsidiary of RGL nominated by RGL, in return for the subscription of 17,805,178 new shares of RGL at the closing price of HK$2.40 per share (the "listed equity investment"). A provision for impairment of HK$46,721,000 was made when the RGL's shares were marked to market on 14 January 2014. At 30 June 2014, the fair value of the listed equity investment was based on quoted market price of the RGL's shares.

(ii) Management considered that the full recoverability of the periodic adjustment payments was remote following the discontinuation of the STB Business, therefore an impairment for the periodic adjustment payments of HK$23,094,000 was recorded as loss for the discontinued STB Business during the six-month period ended 30 June 2013.

10 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 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Within 6 months	**314**	1,494
7 – 12 months	**14**	–
Over 12 months	**888**	2,846
	1,216	4,340

The fair value of trade receivables approximates its carrying amount.

The Group's principal trading terms with its customers are payment in advance or on credit for a period up to three months in general. 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.

11 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 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Within 6 months	**4,250**	6,355
7 – 12 months	**1,628**	671
	5,878	7,026

The fair value of the trade payables approximates its carrying amount.

12 BANK BORROWINGS

The bank borrowings are repayable as follows:

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
After one year but within two years	**138,834**	–
	138,834	–
Less: current portion	**–**	–
Non-current portion	**138,834**	–

The bank borrowings bear interest with reference to London Interbank Offered Rate plus margins ranging from 2.2% to 2.6% per annum with due dates in February and May 2016. All the bank borrowings are secured by pledged bank deposits amounting to approximately RMB119,619,000 (equivalent to approximately HK$150,701,000) (31 December 2013: Nil).

Review of Results

Overall Performance

	Six-month period ended 30 June 2014			Six-month period ended 30 June 2013		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Revenue	**13,534**	**–**	**13,534**	17,679	–	17,679
Cost of sales	**(5,948)**	**–**	**(5,948)**	(4,756)	–	(4,756)
Gross profit	**7,586**	**–**	**7,586**	12,923	–	12,923
Other income and other gains/(losses), net	**(61,456)**	**–**	**(61,456)**	(4,943)	–	(4,943)
Marketing, selling and distribution costs	**(3,819)**	**–**	**(3,819)**	(3,073)	–	(3,073)
Administrative expenses	**(65,467)**	**–**	**(65,467)**	(24,894)	–	(24,894)
Other operating income/ (expenses), net	**(8,255)**	**–**	**(8,255)**	175	–	175
Operating loss	**(131,411)**	**–**	**(131,411)**	(19,812)	–	(19,812)
Finance costs	**(2,511)**	**–**	**(2,511)**	–	–	–
Share of profit/(loss) of joint ventures	**6,730**	**–**	**6,730**	(8,411)	–	(8,411)
Share of loss of associates	**(2,832)**	**–**	**(2,832)**	(2,789)	–	(2,789)
Loss before income tax	**(130,024)**	**–**	**(130,024)**	(31,012)	–	(31,012)
Income tax credit	**227**	**–**	**227**	198	–	198
Loss after tax	**(129,797)**	**–**	**(129,797)**	(30,814)	–	(30,814)
Impairment of available-for-sale financial assets	**–**	**–**	**–**	–	(23,094)	(23,094)
Income tax credit	**–**	**–**	**–**	–	2,666	2,666
After-tax loss recognised on disposal	**–**	**–**	**–**	–	(20,428)	(20,428)
Loss for the period	**(129,797)**	**–**	**(129,797)**	(30,814)	(20,428)	(51,242)

Revenue

	Six-month period ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Aviation and logistics business	**497**	–
Advertising agency business	**286**	1,150
Financial market information business	**12,751**	13,695
Digital broadcasting business	**–**	2,834
	13,534	17,679

As there was no more revenue from the digital broadcasting business in the first half of 2014, the Group recorded a decrease of 23% in revenue in the current period when compared to the corresponding period in 2013.

Gross Profit and Gross Profit Margin

The Group recorded a decrease of 41% in gross profit in the first half of 2014 when compared to the corresponding period in 2013, as no more relatively high-margin sales from the digital broadcasting business was recorded in the current period. Overall gross profit margin decreased from 73% to 56%.

Other Income and Other Gains/(Losses), Net

	Six-month period ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interest income on bank balances	**7,001**	5,009
Interest income on available-for-sale financial assets	**–**	894
Non-complete income	**–**	866
Provision for impairment of available-for-sale financial assets	**(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)**	(3,292)
Provision for impairment of an advance to an associate	**–**	(9,843)
Loss on disposal of subsidiaries, net	**(69)**	–
Others	**136**	1,423
	(61,456)	(4,943)

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

In the current period, provision for impairment was made for the Group's investment in a joint venture of HK$5,659,000 and the advance to a joint venture of HK$2,104,000, which is engaged in the development, operation and provision of related services of interactive TV media systems, in light of its financial position and operating performance.

In the current period, provision for impairment was made for the Group's investment in an associate of HK$14,040,000, which is engaged in the development and provision of online games, in light of its financial position and operating performance.

In the last period, provision for impairment was made for the Group's investment in an associate of HK$3,292,000 and the advance to an associate of HK$9,843,000, both of which are engaged in the provision of online Chinese language learning services, in light of their financial position and operating performance.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded an increase of near 1.5 times in the operating expenses for the current period as more management team and subcontractors were engaged for the development of the Group's aviation and logistics business and the share-based compensation of HK$19,788,000 resulted from the issue of share options under the Company's share option scheme.

Other Operating Income/(Expenses), Net

	Six-month period ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Acquisition-related costs	**(7,666)**	–
Reversal of/(provision for) impairment of trade and other receivables	**(26)**	177
Write-off of a deposit	**(388)**	–
Loss on disposal of property, plant and equipment	**(175)**	–
Others	**–**	(2)
	(8,255)	175

Acquisition-related costs for the current period represent the professional fee incurred for the acquisitions of Phoenix Aviation Limited ("Phoenix") and its five aircraft, which were completed on 28 July 2014.

After-tax Loss Recognised on Disposal

An impairment of the available-for-sale financial assets of HK$23,094,000 regarding the periodic adjustment payments for the disposal of the Group's discontinued set top box business in 2010 was recorded as a loss under the discontinued operations of the Group during the six-month period ended 30 June 2013.

Review of Operating Segments

Aviation and Logistics Business

In December 2013, the Group acquired Frontier Services Limited ("FSL") which holds 49% equity interest in Kijipwa Aviation Limited ("Kijipwa"). Kijipwa holds certain Kenyan licences and certificates and provides logistics and aircraft maintenance services out of the Mombasa region of Eastern Kenya. During the current period, the Group's aviation and logistics business has contributed HK$497,000 in turnover with an operating loss of HK$19,747,000 to the Group. The period was one of transition for Kijipwa, as the Group pursued the acquisition of Phoenix. During this time of transition, the Group's resources have been directed toward maintaining Kijipwa's licences, implementing new information technology systems, renewing its existing real estate lease, and attending to Kijipwa's limited base of existing customers. Due to the foregoing, Kijipwa's results for the period fell below management expectations. With the Phoenix acquisition now completed (see below), Kijipwa will be integrated into the broader strategic plan for the Group's aviation and logistics business.

Advertising Agency Business

Although the operation of the Group's advertising agency business has been scaled down since the second quarter of 2013, the Group's advertising agency business still recorded profitable results for the current period because of the recognition of income brought forward from last year.

Financial Market Information Business

The Group's financial market information business recorded a 7% decrease in revenue and an operating loss of HK$1,707,000 in the current period.

Direct Investments

All direct investments incurred losses in the current period. Provision for impairment was made for the Group's interest in those direct investments in the current period.

Prospects

The Group completed the acquisition of Phoenix, including a certain portion of its aircraft fleet, in late July 2014. Phoenix is among the largest and most active private providers of air ambulance and regional charter flying in Africa. Phoenix holds key licences and regulatory authorisations in its home country of Kenya, in addition to Angola, Ethiopia, Puntland (a semi-autonomous region of Somalia), Tanzania, and Uganda. Also, Phoenix holds important customer approvals from the United Nations, the British government, and the U.S. government. Phoenix also provides maintenance, repair and overhaul ("MRO") services to third parties from its Nairobi, Kenya, base of operations. In its MRO line of business, Phoenix is certified by Cessna Aircraft Corporation, one of the largest manufacturers of light jet aircraft in the world. Consequently, the acquisition of Phoenix and its fleet assets will immediately and substantially expand the size and reach of the Group's aviation and logistics business. The Group intends to capitalise upon the platform to secure business throughout Africa, with a focus on growing with Phoenix's existing customers and generating new business from infrastructure, mineral, and hydrocarbon operators. To that end, the Group's operating base was moved from Mombasa, Kenya, to Nairobi, Kenya, during the current period.

On the whole, the Group aims to build out a pan-African services business with key capabilities in aviation, frontier construction, logistics, and risk management. Over time, the Group seeks to diversify its core business to include other logistics-related verticals such as ground transportation, maritime services, and exploration support services.

Clients from China have been identified by the Group as a major untapped market. According to the National Bureau of Statistics of China, China's stock of direct investment in Africa amounted to US$21.7 billion at the end of 2012. For 2012, the related net overseas direct investment totalled US$2.5 billion. The Export-Import Bank of China reportedly forecast in November 2013 that Beijing and state-owned banks would provide a total of US$1 trillion of financing to the continent of Africa over the next 12 years. This level of investment creates a range of opportunities across numerous commercial sectors for the Group to support Chinese enterprises active across Africa.

Leveraging the Group's global relationships with the wide range of businesses, non-governmental organisations, and host and foreign governments present in the African marketplace, and the Group's personnel's experience and expertise, the Group aims to grow into the pre-eminent provider of aviation and logistics services in expeditionary markets.

The Group will from time to time review its capital needs and will consider different means to strengthen its capital base to support its rapid expansion in the next few years.

Employees

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

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company granted 112,357,828 share options to the Group's eligible directors and employees under its share option scheme during the six-month period ended 30 June 2014 (2013: Nil).

The total number of employees of the Group as at 30 June 2014 was 97 (31 December 2013: 78).

Financial Review

Liquidity and Financial Resources

At 30 June 2014, the Group recorded total assets of HK$974,073,000 (31 December 2013: HK$886,278,000) which were financed by liabilities of HK$221,690,000 (31 December 2013: HK$130,612,000), non-controlling interests of HK$116,250,000 (31 December 2013: HK$116,782,000) and shareholders' equity of HK$636,133,000 (31 December 2013: HK$638,884,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2014 amounted to HK$0.53 (31 December 2013: HK$0.56).

The Group recorded a net cash and bank balance of HK$555,050,000 (31 December 2013: HK$711,760,000) after deducting bank borrowings of HK$138,834,000 (31 December 2013: Nil) as at 30 June 2014. During the six-month period ended 30 June 2014, bank borrowings were raised for the acquisition of aircraft and equipment in respect of the Group's aviation and logistics business, which are secured by the Group's non-current bank deposits. The bank borrowings are due in February and May 2016. Although the Group has sufficient internal funds for its daily operations, the Group may consider to obtain additional banking facilities for its future business development and expansion if necessary. On the basis of the Group's net borrowings relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was 0% (31 December 2013: Nil).

At 30 June 2014, the Company had 374,259,113 outstanding share options, out of which 146,352,828 share options were granted under its share option schemes. If the share options were exercised, a gross proceed of approximately HK$360,356,000 in aggregate would be raised before deducting any issuing 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$"), Renminbi ("RMB") and United States dollars ("US$"). 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 operates mainly in Hong Kong, Mainland China and Kenya.

For the 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 the 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. Although there are fluctuations in the exchange rate of RMB in the first half of 2014, it is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

For the operations in Kenya, most of the transactions are denominated in US$ and Kenyan Shillings ("KES"). The exchange rate of KES against US$ or HK$ is relatively stable and the related currency exchange risk is considered not material.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 3 March 2014, FSL entered into a conditional share purchase agreement for the acquisition of equity interest in Phoenix at a consideration of US$14,000,000 (equivalent to approximately HK$108,507,000). Subsequent to the financial position date, the acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.

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 2014.

Charges on Assets

The Group had bank deposits amounting to approximately HK$150,701,000 pledged to banks as security for bank borrowings as at 30 June 2014 (31 December 2013: Nil).

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 2014 (31 December 2013: Nil). However, the Group always seeks for new investment opportunities in the aviation and logistics business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

Capital Expenditure Commitments

On 3 March 2014, FSG Aviation Limited ("FSGA", a wholly-owned subsidiary of the Company) entered into a conditional aircraft purchase agreement for the acquisition of five aircraft from Phoenix at a consideration of US$6,000,000 (equivalent to approximately HK$46,503,000). Subsequent to the financial position date, the acquisition was completed on 28 July 2014 following the approval by the shareholders of the Company at the special general meeting of shareholders held on 16 July 2014.

At 30 June 2014, the Group had contracted capital expenditure commitments (including that for the acquisition of aircraft from Phoenix) amounting to approximately HK$95,477,000 (31 December 2013: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014.

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 2014. 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 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2014, 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").

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.irasia.com/listco/hk/frontier. The 2014 interim 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, 22 August 2014

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*