

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **FRONTIER SERVICES GROUP LIMITED**

**先豐服務集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

Website: [www.fsgroup.com](http://www.fsgroup.com) [www.irasia.com/listco/hk/frontier](http://www.irasia.com/listco/hk/frontier)

**(Stock Code: 00500)**

### **INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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 2018, together with the comparative figures for the corresponding period in 2017. 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 2018

|   | Note | Six-month period<br>ended 30 June |                                 |
|---|------|-----------------------------------|---------------------------------|
|   |      | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| Revenue   | 2    | 348,199                           | 322,838                         |
| Cost of direct materials and job expenses                               |      | (93,803)                          | (56,826)                        |
| Cost of aircraft management services                                    |      | (43,185)                          | (63,719)                        |
| Data costs  |      | (3,718)                           | (3,711)                         |
| Employee benefit expenses   |      | (99,846)                          | (80,882)                        |
| Sub-contracting charges   |      | (134,821)                         | (135,894)                       |
| Operating lease rentals   |      | (15,065)                          | (9,690)                         |
| Repairs and maintenance costs   |      | (20,468)                          | (11,142)                        |
| Depreciation and amortisation   |      | (20,189)                          | (16,239)                        |
| Other income and other gains  |      | 1,906                             | 2,528                           |
| Other operating expenses  |      | (46,832)                          | (30,432)                        |
| Gain on disposal of available-for-sale financial assets                 |      | —                                 | 592                             |
| Operating loss  |      | (127,822)                         | (82,577)                        |
| Interest income   |      | 4,386                             | 5,233                           |
| Finance costs   | 3    | (6,903)                           | (10,291)                        |
| Share of loss of associates   |      | (943)                             | (1,682)                         |
| Loss before income tax  |      | (131,282)                         | (89,317)                        |
| Income tax credit   | 4    | 4,655                             | 5,945                           |
| <b>LOSS FOR THE PERIOD</b>  | 5    | <b>(126,627)</b>                  | <b>(83,372)</b>                 |
| Attributable to:  |      |                                   |                                 |
| Equity holders of the Company   |      | (126,914)                         | (82,666)                        |
| Non-controlling interests   |      | 287                               | (706)                           |
|   |      | <b>(126,627)</b>                  | <b>(83,372)</b>                 |
| <b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY<br/>HOLDERS OF THE COMPANY</b> |      |                                   |                                 |
| Basic and diluted loss per share  | 6    | <b>(7.40) cents</b>               | <b>(6.00) cents</b>             |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2018

|   | Six-month period<br>ended 30 June |                                 |
|---|-----------------------------------|---------------------------------|
|   | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| <b>LOSS FOR THE PERIOD</b>  | <b>(126,627)</b>                  | <b>(83,372)</b>                 |
| <b>Other comprehensive (loss)/income</b>  |                                   |                                 |
| Items that have been reclassified or may be subsequently reclassified to profit or loss       |                                   |                                 |
| Foreign exchange differences  | (3,672)                           | 6,431                           |
| Change in value of available-for-sale financial assets  | —                                 | (126)                           |
| Realisation of equity instrument reserve upon disposal of available-for-sale financial assets | —                                 | (604)                           |
| Other comprehensive (loss)/income for the period, net of tax                                  | <b>(3,672)</b>                    | <b>5,701</b>                    |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>  | <b><u>(130,299)</u></b>           | <b><u>(77,671)</u></b>          |
| Attributable to:  |                                   |                                 |
| Equity holders of the Company   | (130,561)                         | (77,055)                        |
| Non-controlling interests   | <u>262</u>                        | <u>(616)</u>                    |
|   | <b><u>(130,299)</u></b>           | <b><u>(77,671)</u></b>          |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

|   |             | <b>30 June</b>     | 31 December     |
|---|-------------|--------------------|-----------------|
|   |             | <b>2018</b>        | 2017            |
|   |             | <b>(Unaudited)</b> | (Audited)       |
|   | <i>Note</i> | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| <b>NON-CURRENT ASSETS</b>                   |             |                    |                 |
| Property, plant and equipment               |             | 263,123            | 272,752         |
| Goodwill and other intangibles              |             | 22,535             | 28,121          |
| Interests in associates                     |             | 8,876              | 9,848           |
| Deferred income tax assets                  |             | 7,984              | 7,249           |
| Non-current prepayments                     |             | 26,348             | 27,675          |
| Prepaid operating lease rentals             |             | 1,363              | 1,351           |
| Available-for-sale financial assets         |             | 34                 | 42              |
|   |             | <u>330,263</u>     | <u>347,038</u>  |
| Total non-current assets                    |             |                    |                 |
| <b>CURRENT ASSETS</b>                       |             |                    |                 |
| Inventories                                 |             | 7,285              | 11,287          |
| Trade receivables                           | 8           | 114,332            | 120,434         |
| Prepayments, deposits and other receivables |             | 105,421            | 82,900          |
| Tax receivables                             |             | 1,015              | 905             |
| Restricted cash                             |             | —                  | 5,085           |
| Pledged bank deposits                       |             | 206,737            | 231,365         |
| Short-term bank deposits                    |             | 129,388            | 379             |
| Cash and cash equivalents                   |             | 693,603            | 65,228          |
|   |             | <u>1,257,781</u>   | <u>517,583</u>  |
| Assets held for sale                        |             | 19,634             | 19,556          |
|   |             | <u>1,277,415</u>   | <u>537,139</u>  |
| Total current assets                        |             |                    |                 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 30 June 2018*

|   |             | <b>30 June</b>     | 31 December     |
|---|-------------|--------------------|-----------------|
|   |             | <b>2018</b>        | 2017            |
|   |             | <b>(Unaudited)</b> | (Audited)       |
|   | <i>Note</i> | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| <b>CURRENT LIABILITIES</b>                          |             |                    |                 |
| Trade payables                                      | 9           | 71,654             | 116,254         |
| Other payables and accruals                         |             | 99,252             | 65,969          |
| Borrowings  |             | 158,708            | 194,654         |
| Tax payables  |             | 133                | 133             |
|   |             | <u>329,747</u>     | <u>377,010</u>  |
| Total current liabilities                           |             | <u>329,747</u>     | <u>377,010</u>  |
| Net current assets                                  |             | <u>947,668</u>     | <u>160,129</u>  |
| Total assets less current liabilities               |             | 1,277,931          | 507,167         |
| <b>NON-CURRENT LIABILITIES</b>                      |             |                    |                 |
| Borrowings  |             | 51,874             | 58,905          |
| Deferred income tax liabilities                     |             | 49,386             | 52,775          |
| Other long-term liabilities                         |             | 7,385              | 7,546           |
|   |             | <u>108,645</u>     | <u>119,226</u>  |
| Total non-current liabilities                       |             | <u>108,645</u>     | <u>119,226</u>  |
| Net assets  |             | <u>1,169,286</u>   | <u>387,941</u>  |
| <b>EQUITY</b>                                       |             |                    |                 |
| Equity attributable to the Company's equity holders |             |                    |                 |
| Share capital                                       | 10          | 213,970            | 144,970         |
| Reserves  |             | 830,259            | 118,704         |
|   |             | <u>1,044,229</u>   | <u>263,674</u>  |
| Non-controlling interests                           |             | 125,057            | 124,267         |
|   |             | <u>125,057</u>     | <u>124,267</u>  |
| Total equity  |             | <u>1,169,286</u>   | <u>387,941</u>  |

Notes:

## 1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2018 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 2017 (“2017 Annual Financial Statements”), 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 2017 Annual Financial Statements.

## 1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the 2017 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of 1 January 2018.

In the current period, the Group has adopted the followings new and amended HKFRSs, a 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 2018:

|   |   |
|---|---|
| Amendments to HKFRS 2                         | Classification and Measurement of Share-based Payment Transactions      |
| Amendments to HKFRS 4                         | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9                                       | Financial Instruments   |
| HKFRS 15                                      | Revenue from Contracts with Customers                                   |
| Amendments to HKAS 40                         | Transfers to Investment Property  |
| HK(IFRIC) – Int 22                            | Foreign Currency Transactions and Advance Considerations                |
| Annual improvements to HKFRSs 2014-2016 cycle | Amendments to HKFRS 1 and HKAS 28                                       |

The adoption of these new and amended HKFRSs does not have any material impact on the Group’s condensed consolidated interim 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 2018 and have not been early adopted:

|   |   | <b>Effective for<br/>annual periods<br/>beginning<br/>on or after</b> |
|---|---|---|
| HKFRS 16                                      | Leases  | 1 January 2019  |
| HKFRS 17                                      | Insurance contracts   | 1 January 2021  |
| Amendments to HKFRS 9                         | Prepayment features with negative compensation  | 1 January 2019  |
| Amendments to HKFRS 10 and HKAS 28            | Sale or contribution of assets between an investor and its associate or joint venture | To be determined  |
| Amendments to HKAS 19                         | Plan amendment, curtailment or settlement   | 1 January 2019  |
| Amendments to HKAS 28                         | Long-term interests in associates and joint ventures                                  | 1 January 2019  |
| Annual improvements to HKFRSs 2015-2017 cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23                                  | 1 January 2019  |
| HK(IFRIC) Int-23                              | Uncertainty over income tax treatments  | 1 January 2019  |

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases, which may have an impact on the Group's consolidated financial statements.

### **HKFRS 16, Leases**

As discussed in the 2017 Annual Financial Statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of lease for items of property, plant and equipment which are currently classified as operating leases.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK\$96,792,000. As a result of the adoption of new standard, there will be no operating lease commitment.

We are continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 January 2019.

There are no other new, amended or revised HKFRSs that are not yet effective that are expected to have any impact on the Group's consolidated financial statements.

## 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 services provided by different strategic business units, and the services offered are subject to risks and returns that are different from those of the other operating segments. The performance and the financial position under each operating segment are summarised as follows:

- (i) Aviation and Logistics Business (“**AL Business**”) — Provision of aviation and logistics services;
- (ii) Financial Market Information Business (“**FMI Business**”) — Provision of online financial market information; and
- (iii) Direct Investments – Other direct investments, including interests in associates and available-for-sale financial assets.

Others include corporate income and expenses and others.

The Board of the Company assesses segment performance based on reportable operating result.

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2018 by operating segments is as follows:

|                                   | Unaudited                  |                             |                                   |                    | Total<br>HK\$'000 |
|-----------------------------------|----------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
|                                   | AL<br>Business<br>HK\$'000 | FMI<br>Business<br>HK\$'000 | Direct<br>Investments<br>HK\$'000 | Others<br>HK\$'000 |                   |
| Revenue (from external customers) | <u>339,110</u>             | <u>9,089</u>                | <u>—</u>                          | <u>—</u>           | <u>348,199</u>    |
| Depreciation                      | 14,472                     | 48                          | —                                 | 46                 | 14,566            |
| Amortisation                      | <u>5,623</u>               | <u>—</u>                    | <u>—</u>                          | <u>—</u>           | <u>5,623</u>      |
| Operating loss                    | <u>(101,037)</u>           | <u>(373)</u>                | <u>—</u>                          | <u>(26,412)</u>    | (127,822)         |
| Interest income                   |                            |                             |                                   |                    | 4,386             |
| Finance costs                     |                            |                             |                                   |                    | (6,903)           |
| Share of loss of associates       |                            |                             |                                   |                    | <u>(943)</u>      |
| Loss before income tax            |                            |                             |                                   |                    | (131,282)         |
| Income tax credit                 |                            |                             |                                   |                    | <u>4,655</u>      |
| Loss for the period               |                            |                             |                                   |                    | <u>(126,627)</u>  |
| Total assets                      | <u>855,950</u>             | <u>3,166</u>                | <u>7,724</u>                      | <u>740,838</u>     | <u>1,607,678</u>  |
| Total liabilities                 | <u>404,797</u>             | <u>6,402</u>                | <u>12,286</u>                     | <u>14,907</u>      | <u>438,392</u>    |



An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2017 by operating segments is as follows:

|                                   | Unaudited                         |                                    |  |                           | Total<br><i>HK\$'000</i> |
|-----------------------------------|-----------------------------------|------------------------------------|--|---------------------------|--------------------------|
|                                   | AL<br>Business<br><i>HK\$'000</i> | FMI<br>Business<br><i>HK\$'000</i> | Direct<br>Investments<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> |                          |
| Revenue (from external customers) | <u>313,091</u>                    | <u>9,747</u>                       | <u>—</u>                                 | <u>—</u>                  | <u>322,838</u>           |
| Depreciation                      | 14,445                            | 46                                 | —  | 135                       | 14,626                   |
| Amortisation                      | <u>1,613</u>                      | <u>—</u>                           | <u>—</u>                                 | <u>—</u>                  | <u>1,613</u>             |
| Operating profits/(loss)          | <u>(53,914)</u>                   | <u>(407)</u>                       | <u>592</u>                               | <u>(28,848)</u>           | <u>(82,577)</u>          |
| Interest income                   |                                   |                                    |  |                           | 5,233                    |
| Finance costs                     |                                   |                                    |  |                           | (10,291)                 |
| Share of loss of associates       |                                   |                                    |  |                           | <u>(1,682)</u>           |
| Loss before income tax            |                                   |                                    |  |                           | (89,317)                 |
| Income tax credit                 |                                   |                                    |  |                           | <u>5,945</u>             |
| Loss for the period               |                                   |                                    |  |                           | <u>(83,372)</u>          |
| Total assets                      | <u>959,455</u>                    | <u>3,918</u>                       | <u>11,241</u>                            | <u>62,298</u>             | <u>1,036,912</u>         |
| Total liabilities                 | <u>493,749</u>                    | <u>6,890</u>                       | <u>8,877</u>                             | <u>13,463</u>             | <u>522,979</u>           |

### 3 FINANCE COSTS

|   | Six-month period<br>ended 30 June      |  |
|---|--|--|
|   | 2018<br>(Unaudited)<br><i>HK\$'000</i> | 2017<br>(Unaudited)<br><i>HK\$'000</i> |
| Interests on:                             |  |  |
| Bank loans                                | 2,913                                  | 5,201                                  |
| Finance leases                            | 3,172                                  | 3,621                                  |
| Other loans                               | 475                                    | —                                      |
| Facility arrangement fees                 | 1,171                                  | 819                                    |
| Net exchange (gains)/losses on borrowings | <u>(828)</u>                           | <u>650</u>                             |
|   | <u>6,903</u>                           | <u>10,291</u>                          |

#### 4 INCOME TAX CREDIT

|   | Six-month period<br>ended 30 June |                                 |
|---|-----------------------------------|---------------------------------|
|   | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| Current income tax                      |                                   |                                 |
| Outside Hong Kong                       |                                   |                                 |
| Provision for the period                | (8)                               | (82)                            |
| Adjustments in respect of prior periods | (219)                             | (16)                            |
|   | <u>(227)</u>                      | <u>(98)</u>                     |
| Deferred income tax                     |                                   |                                 |
| Outside Hong Kong                       | 4,882                             | 6,043                           |
| Income tax credit                       | <u>4,655</u>                      | <u>5,945</u>                    |

Taxes on assessable profits for the interim periods are accrued using the tax rates that would be applicable to the 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.

#### 5 LOSS FOR THE PERIOD

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

|  | Six-month period<br>ended 30 June |                                 |
|--|-----------------------------------|---------------------------------|
|  | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| Cost of direct materials and job expenses ( <i>Note</i> )    | 93,803                            | 56,826                          |
| Depreciation   | 14,566                            | 14,626                          |
| Amortisation of other intangibles                            | 5,601                             | 1,592                           |
| Amortisation of prepaid operating lease rentals              | 22                                | 21                              |
| Engine overhaul cost   | 5,245                             | —                               |
| Operating lease rentals on land and buildings                | 13,014                            | 8,189                           |
| Operating lease rentals on equipment                         | 1,933                             | 1,383                           |
| Operating lease rentals on motor vehicles                    | 118                               | 118                             |
| Other operating expenses including, inter alia:              |                                   |                                 |
| Net exchange loss/(gain)                                     | 357                               | (3,448)                         |
| Net (gain)/loss on disposal of property, plant and equipment | (7)                               | 3,570                           |
| Provision for impairment of trade receivables                | 866                               | 155                             |
| Provision/(reversal of provision) for inventories            | 3,376                             | (11)                            |
|  | <u>3,376</u>                      | <u>(11)</u>                     |

*Note:*

The cost of direct materials and job expenses includes, inter alia, parts for aircraft maintenance services, fuel cost, take-off, landing and depot charges, crew cost, toll cost, custom clearing cost and logistics and transportation costs for logistics business.

## 6 LOSS PER SHARE

The calculation of the basic loss per share for the six-month period ended 30 June 2018 is based on the Group's loss attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period less the weighted average number of ordinary shares held for share award scheme during the period.

The calculation of the diluted loss per share for the six-month period ended 30 June 2018 is based on the Group's loss attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period less the weighted average number of ordinary shares held for share award scheme during the period assuming the conversion of the exchangeable preference shares and the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary values of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options.

The basic and diluted loss per share for the six-month period ended 30 June 2018 were the same because the effect of the conversion of all dilutive potential ordinary shares outstanding during the period was anti-dilutive.

The weighted average number of ordinary shares in issue during the period less the weighted average number of ordinary shares held for share award scheme during the period for the calculation of the basic and diluted loss per share is set out as follows:

|   | <b>Six-month period<br/>ended 30 June</b> |                             |
|---|---|-----------------------------|
|   | <b>2018</b>                               | 2017                        |
|   | <b>(Unaudited)</b>                        | (Unaudited)                 |
| Weighted average number of ordinary shares in issue                                 | <b>1,715,393,611</b>                      | 1,379,294,163               |
| <i>Less:</i> Weighted average number of ordinary shares held for share award scheme | <u>—</u>                                  | <u>(1,277,735)</u>          |
|   | <b><u>1,715,393,611</u></b>               | <b><u>1,378,016,428</u></b> |
|   | <i>HK\$'000</i>                           | <i>HK\$'000</i>             |
| Loss attributable to the equity holders of the Company                              | <b><u>126,914</u></b>                     | <b><u>82,666</u></b>        |

## 7 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2018 (2017: Nil).

## 8 TRADE RECEIVABLES

An aging analysis, based on the invoice date, of the trade receivables as at the end of the reporting period is as follows:

|                                       | <b>30 June<br/>2018<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2017<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|--|
| Within 1 month                        | <b>52,565</b>  | 77,821                                       |
| 1-2 months                            | <b>19,164</b>  | 16,616                                       |
| 2-3 months                            | <b>10,661</b>  | 16,785                                       |
| Over 3 months                         | <b>34,529</b>  | 10,933                                       |
|                                       | <b>116,919</b>                                       | 122,155                                      |
| <i>Less: Provision for impairment</i> | <b>(2,587)</b>                                       | (1,721)                                      |
|                                       | <b>114,332</b>                                       | 120,434                                      |

The fair value of trade receivables approximates its carrying amount.

Credit term of one month from invoice date is 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.

## 9 TRADE PAYABLES

An aging analysis, based on the invoice date, of the trade payables as at the end of the reporting period is as follows:

|                | <b>30 June<br/>2018<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2017<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 1 month | <b>32,064</b>  | 57,621                                       |
| 1-2 months     | <b>11,704</b>  | 28,106                                       |
| 2-3 months     | <b>17,294</b>  | 9,936  |
| Over 3 months  | <b>10,592</b>  | 20,591                                       |
|                | <b>71,654</b>  | 116,254                                      |

The fair value of trade payables approximates its carrying amount.

## 10 SHARE CAPITAL

|  | Ordinary shares of<br>HK\$0.10 each |                 |
|--|-------------------------------------|-----------------|
|  | <i>Number of<br/>shares</i>         | <i>HK\$'000</i> |
| <b>Authorised</b>  |                                     |                 |
| At 31 December 2017 (audited) and 30 June 2018 (unaudited)                                     | <u>3,000,000,000</u>                | <u>300,000</u>  |
| <b>Issued</b>  |                                     |                 |
| At 31 December 2017 (audited)  | 1,449,703,003                       | 144,970         |
| Issuance of shares upon the exercise of share options<br>on 9 January 2018 ( <i>Note (i)</i> ) | 50,000,000                          | 5,000           |
| Issuance of shares on 23 May 2018 ( <i>Note (ii)</i> )   | <u>640,000,000</u>                  | <u>64,000</u>   |
| At 30 June 2018 (unaudited)  | <u>2,139,703,003</u>                | <u>213,970</u>  |

### Notes:

- (i) On 9 January 2018, Mr. Erik D. Prince, the chairman of the Company, exercised his right to subscribe 50,000,000 share options at an exercise price of HK\$1.50 per share, which were granted to him on 10 January 2014 under the share option scheme adopted by the Company on 28 March 2012. The total net proceeds of approximately HK\$75,000,000 were utilised as additional working capital of the Group.
- (ii) On 23 May 2018, the Company issued 640,000,000 new shares to three subscribers, namely Easy Flow Investment Limited (“**Easy Flow**”), Taiping Trustees Limited and Trinity Gate Limited at an issue price of HK\$1.30 each. Easy Flow, a company that is ultimately controlled by a stated-owned enterprise in the PRC, was already an existing substantial shareholder of the Company before the subscription of shares. The total net proceeds of HK\$831,073,000 were raised and have been utilised for the development and expansion of the Group’s existing businesses, repayments of existing bank loans, and as general working capital of the Group.
- (iii) Upon the completion of the subscription of shares on 23 May 2018, the exchange price of the preference shares (the “**Preference Shares**”) issued by DVN (Group) Limited (a wholly-owned subsidiary of the Company) are exchangeable into new ordinary shares of the Company shall be adjusted in accordance with their terms from HK\$3.72 per share to HK\$3.40 per share (the “**Adjusted Exchange Price**”). Following the Adjusted Exchange Price becoming effective, the number of new ordinary shares of the Company into which such outstanding Preference Shares are exchangeable shall be adjusted from 31,250,000 shares to 34,191,176 shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review Of Results

#### Overall Performance

|   | Six-month period<br>ended 30 June |                                 |
|---|-----------------------------------|---------------------------------|
|   | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| Revenue   | 348,199                           | 322,838                         |
| Cost of direct materials and job expenses               | (93,803)                          | (56,826)                        |
| Cost of aircraft management services                    | (43,185)                          | (63,719)                        |
| Data costs  | (3,718)                           | (3,711)                         |
| Employee benefit expenses                               | (99,846)                          | (80,882)                        |
| Sub-contracting charges                                 | (134,821)                         | (135,894)                       |
| Operating lease rentals                                 | (15,065)                          | (9,690)                         |
| Repairs and maintenance costs                           | (20,468)                          | (11,142)                        |
| Depreciation and amortisation                           | (20,189)                          | (16,239)                        |
| Other income and other gains                            | 1,906                             | 2,528                           |
| Other operating expenses                                | (46,832)                          | (30,432)                        |
| Gain on disposal of available-for-sale financial assets | —                                 | 592                             |
| Operating loss  | (127,822)                         | (82,577)                        |
| Interest income   | 4,386                             | 5,233                           |
| Finance costs   | (6,903)                           | (10,291)                        |
| Share of loss of associates                             | (943)                             | (1,682)                         |
| Loss before income tax                                  | (131,282)                         | (89,317)                        |
| Income tax credit                                       | 4,655                             | 5,945                           |
| Loss for the period                                     | <u>(126,627)</u>                  | <u>(83,372)</u>                 |

The Group reported consolidated revenue of HK\$348,199,000 for the six-month period ended 30 June 2018. The revenue growth on a semi-annual basis was mainly due to the Group's expansion in logistics business in Shanghai. For the six-month period ended 30 June 2018, the Group reported an operating loss of HK\$127,822,000. A substantial increase over the same period of 2017 was mainly due to (i) increase in employee benefit expenses and rental expenses due to the expansion of footprints and (ii) an engine overhaul cost was incurred in the first half of 2018.

## Revenue

|                                       | Six-month period<br>ended 30 June |                                 |
|---------------------------------------|-----------------------------------|---------------------------------|
|                                       | 2018<br>(Unaudited)<br>HK\$'000   | 2017<br>(Unaudited)<br>HK\$'000 |
| Aviation and logistics business       | 339,110                           | 313,091                         |
| Financial market information business | 9,089                             | 9,747                           |
|                                       | <b>348,199</b>                    | <b>322,838</b>                  |

Consolidated revenue for the six-month period ended 30 June 2018 was HK\$348,199,000, increased by 7.9% on semi-annual basis. The expansion in logistics business in Shanghai was the primary driver of the semi-annual growth in total revenue. More specifically, Shanghai logistics business contributed approximately HK\$54,737,000 revenue to the Group for the six-month period ended 30 June 2018. As a result, and in line with prior periods, aviation and logistics (“AL”) business accounted for 97.4% (30 June 2017: 97.0%) of the Group’s revenue for the six-month period ended 30 June 2018. The Group’s remaining legacy unit, financial market information (“FMI”) business, produced HK\$9,089,000 of revenue for the six-month period ended 30 June 2018, a decline of 6.8% versus 2017 as a result of market demand slackened.

## REVIEW OF OPERATING SEGMENTS

### Aviation and Logistics Business (“AL Business”)

With continuous growth in the Group’s AL Business in the first half of 2018, HK\$339,110,000 of revenue was reported from operating subsidiaries mainly from Africa, Southern Europe and Mainland China. The organic growth in logistics business in Shanghai was fundamental catalyst in AL Business revenue growth comparing to the first half of 2017. The Group will continue to implement cost containment measures to increase profitability and maximise the potential value in the AL Business.

Transit Freight Forwarding (Pty) Ltd. (“TFF”), a South African based warehouse and logistic company, generated HK\$168,615,000 of revenue for the first half of 2018. Its revenue growth was 1.6%, which were roughly in line with management expectation. In the remainder of 2018, with new management team on board, TFF will conduct a new thorough cost analysis and will develop new fuel sale business to further increase its operational efficiency and profitability of TFF. Cheetah Logistics SARL, a small Congolese logistic company, has continued and will continue to strive for improvements in its revenue and results in 2018.

Maleth Aero Limited (“**Maleth**”), a Malta based aircraft management services company, generated HK\$53,693,000 of revenue for the first half of 2018. With expected expansion through managing more profitable aircraft and the provision of freight services, we are optimistic about the operations and results of Maleth in 2018.

Phoenix Aviation Limited (“**PAL**”), a Kenyan aviation company based in Nairobi, reported a 8.8% decline in revenue comparing to the first half of 2017. Downward price pressure and keen competition in the charter and air ambulance services in Africa deeply impacted the overall results of PAL. Improved performance is expected from PAL upon the implementation of cost containment measures in the second half of 2018.

The Group’s AL Business loss increased by 87% to HK\$101,037,000 in the first half of 2018 comparing to the first half of 2017. This increase was mainly due to expansion of offices, as well as the increase in initial set up expenses, along the Belt and Road roadmap. With the launch of various cost containment measures, positive impacts are expected from AL Business in the second half of 2018.

### **Financial Market Information Business (“FMI Business”)**

For the six-month period ended 30 June 2018, the Group’s FMI Business generated revenue of HK\$9,089,000. This legacy business unit provides online financial market data and related information. FMI Business revenue for the first six months of 2018 represents a 6.8% decrease as compared to the same period of last year. The FMI Business, a non-core business segment of the Group’s overall operations, produced a small operating loss of HK\$373,000 for the six-month period ended 30 June 2018.

### **Direct Investments**

Direct investments is the Group’s segment for available-for-sale financial assets and other direct investment holdings. For the six-month period ended 30 June 2018, there is no profit generated from the direct investments segment. For 2017, the comparable reported profit from the direct investments segment included a profit of HK\$592,000 resulting from the disposal of shares in the predecessor to Yunfeng Financial Group Limited.

### **PROSPECTS**

During the first half of 2018, the Group continued to grow the AL Business and to further develop its security and insurance business in accordance with the Belt and Road Initiative. For the second half of 2018, the Group is expected to grasp much more clientele in Africa, Asia and Middle East regions as market opportunities there remain huge. The logistics centre in Shanghai starts to work very closely with its Chinese clients and it gradually becomes their business partner when they go out in support of the Belt and Road Initiative.



More offices are expected to be set up in those important and representative regions along the Belt and Road in the near future. They all expect to play a critical role in building the foundation of our security business.

After the completion of the subscription in June 2018, new investors were brought in and more catalysts are injected into the Group as they are all supportive to the Group's three major lines of business. The Group believes that these businesses can further benefit from their respective leading position in the relevant industry.

In the remaining half of 2018, the Group will make good use of the existing available resources to grow our businesses with our strategic alliances. The Group will not just deliver a single service to our customers but a value chain of our services with the best solution to our customers to their satisfaction. The Group remains positive towards the second half of 2018 because a strong and solid foundation is nearly in place. At the same time, the Group will also continue to implement various cost reduction measures so as to enhance the Group's overall operational efficiency.

Although the global market is facing a lot of challenges recently, the Group still believes that our focus on the Belt and Road Initiative and our uniqueness in terms of businesses and shareholding structure would still be our competitive strength to support the Group's long term growth.

## **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 under its share option scheme during the six-month period ended 30 June 2018 (2017: Nil).

The Company also operates 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 their services for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Company has not granted any shares under its share award scheme during the six-month period ended 30 June 2018 (2017: 1,137,000 shares).

The total number of employees of the Group as at 30 June 2018 was 445 (31 December 2017: 432).

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 June 2018, the Group recorded total assets of HK\$1,607,678,000 (31 December 2017: HK\$884,177,000) which were financed by total liabilities of HK\$438,392,000 (31 December 2017: HK\$496,236,000), non-controlling interests of HK\$125,057,000 (31 December 2017: HK\$124,267,000) and shareholders' equity of HK\$1,044,229,000 (31 December 2017: HK\$263,674,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2018 amounted to HK\$0.49 (31 December 2017: HK\$0.18).

The Group recorded cash and bank balances of HK\$1,029,728,000 (31 December 2017: HK\$302,057,000) and secured borrowings of HK\$215,734,000 (excluding facility arrangement fees of HK\$5,152,000) (31 December 2017: HK\$258,347,000 (excluding facility arrangement fees of HK\$4,788,000)) as at 30 June 2018. During the six-month period ended 30 June 2018, bank loans amounting to HK\$67,702,000 (31 December 2017: HK\$153,705,000) in aggregate were matured and repaid by internal resources. As at 30 June 2018, the Group's borrowings, which comprise bank loans, finance leases and other loan, are denominated in United States dollars ("US\$"), South African Rand ("ZAR") and Euro ("EUR"), and will mature in 1 to 4 years (31 December 2017: 1 to 4 years). Except for the borrowings of HK\$66,937,000 (31 December 2017: HK\$59,439,000) which are interest bearing at fixed rates, the remaining balances of HK\$148,797,000 (31 December 2017: HK\$198,908,000) are interest bearing at floating rates as at 30 June 2018. With respect to the Group's net borrowings (total borrowings less cash and bank balances), both reporting periods reported surplus net cash and bank balances.

On 13 March 2017, the Company issued 216,000,000 new shares at an issue price of HK\$0.90 each. Net proceeds of HK\$192,456,000 was raised for the working capital for the development and expansion of the Group's existing AL Business. As at 30 June 2018, all were used for the intended purposes, which included approximately HK\$41,761,000 was used for aircraft operation, approximately HK\$9,242,000 for license fees, approximately HK\$130,301,000 for office related expenditures such as staff costs, rentals and transportation service fees, and approximately HK\$11,152,000 for loan interest payment.

On 9 January 2018, Mr. Erik D. Prince, the Chairman of the Board of Directors of the Company, has exercised 50,000,000 share options at an exercise price of HK\$1.50 per share to subscribe for 50,000,000 new shares. The total net proceeds received from the exercise of options amounted to HK\$75,000,000 and were utilised as additional working capital of the Group.

On 23 May 2018, the Company issued 640,000,000 new shares to three subscribers, namely Easy Flow, Taiping Trustees Limited and Trinity Gate Limited at an issue price of HK\$1.30 each. Easy Flow, a company that is ultimately controlled by a stated-owned enterprise in the PRC, is already an existing substantial shareholder of the Company. Net proceeds of HK\$831,073,000 was raised, which was used for the development and expansion of the Group's existing business, repayment of existing bank loans and as general working capital of the Group. As at 30 June 2018, approximately HK\$85,566,000 has been used for the intended purpose of which approximately HK\$55,268,000 has been used for office related expenditures such as staff costs, rentals and transportation service fees and approximately HK\$30,298,000 has been used for the repayment of existing banks loans. The remaining net proceeds will be used as intended.

As at 30 June 2018, the Company had 248,604,747 outstanding share options (31 December 2017: 351,162,575), out of which 43,489,090 share options (31 December 2017: 146,046,918) were granted under its share option schemes. If all of the remaining outstanding share options were exercised, gross proceeds of approximately HK\$204,000,000 (31 December 2017: HK\$358,000,000) 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 EUR. Other than the bank deposits pledged for the Group's bank borrowings, surplus cash is generally placed on term deposits and investments depending on the Group's funding requirements.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group currently operates mainly in Hong Kong, Africa, Malta 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\$, Kenyan Shillings ("KES") and ZAR. The exchange rates of KES and ZAR against HK\$ have increased by 2.6% and decreased by 10.2%, respectively during the six-month period ended 30 June 2018. No financial instrument was used for hedging purposes for the period due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risk of KES and ZAR and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Malta, most of the transactions are denominated in EUR and US\$. The exchange rate of EUR against HK\$ has decreased by 2.1% during the six-month period ended 30 June 2018. No financial instrument was used for hedging purposes for the period. The Group is closely monitoring the currency exchange risk of EUR and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. No financial instrument was used for hedging purposes for the period. 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**

The Group did not have any other material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2018.

### **Charges on Assets**

As at 30 June 2018, the Group had bank deposits amounting to approximately HK\$206,737,000 (31 December 2017: HK\$231,365,000) and certain trade receivables of HK\$9,837,000 (31 December 2017: HK\$11,682,000) pledged to banks as securities for bank borrowings. In addition, an indirect wholly-owned subsidiary of the Company also issued a fixed and floating debenture on all its assets as securities for a banking facility limit of US\$3,000,000.

### **Future Plans for Material Investments or Capital Assets and Capital Expenditure Commitments**

As at 30 June 2018, the Group had capital expenditure commitments for investment in associates and purchase of land-use-rights amounting to HK\$6,998,000 (31 December 2017: HK\$7,058,000) and HK\$23,722,000 (31 December 2017: HK\$35,889,000), respectively. Apart from the aforesaid, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments as at 30 June 2018.

However, the Group always seeks for new investment opportunities in order to broaden the revenue base, improve the Group's profitability and enhance shareholders' value in long term.

### **Contingent Liability**

Save as disclosed under the heading "Charges on Assets", the Group does not have material contingent liability as at 30 June 2018.

## **Events After The Reporting Period**

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2018 and up to the date of this interim result announcement.

## **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 2018. Neither the Company nor any of its subsidiaries, except the trustee of the share award scheme of the Company, has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2018.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the six-month period ended 30 June 2018, 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 and Corporate Governance Report (the "CG 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 six-month period ended 30 June 2018.

## **CHANGE IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2017 annual report of the Company are set out below:

Mr. Ko, an executive director and a deputy chairman of the Company, was appointed as executive director of Branding China Group Limited (stock code: 00863), a company having its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited, with effect from 16 April 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. Currently, the audit committee comprises three independent non-executive directors of the Company namely Mr. Yap Fat Suan, Henry (Chairman), Professor Lee Hau Leung and Dr. Harold O. Demuren.

These unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2018 of the Group have been reviewed by the audit committee.

## **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](http://www.hkexnews.hk) and the Company's website at [www.fsgroup.com](http://www.fsgroup.com). The 2018 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the 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, 24 August 2018

*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), Dr. Hua Dongyi (Chief Executive Officer) and Mr. Hu Qinggang; and the independent non-executive directors of Mr. Yap Fat Suan, Henry, Professor Lee Hau Leung and Dr. Harold O. Demuren.*

\* *For identification purposes only*