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

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 00500)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Frontier Services Group Limited (the "**Company**") announces the final results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figure for the year ended 31 December 2017. The final results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers	3	**866,748**	724,414
Cost of direct materials and job expenses	6	**(283,938)**	(131,705)
Cost of aircraft management services		**(128,814)**	(125,448)
Data costs		**(7,028)**	(6,950)
Employee benefit expenses		**(211,722)**	(178,612)
Sub-contracting charges		**(288,488)**	(295,382)
Operating lease rentals	6	**(33,438)**	(22,412)
Repair and maintenance costs		**(33,580)**	(35,694)
Depreciation and amortisation	6	**(37,310)**	(35,375)
Other income and other gains/(losses), net		**8,871**	6,309
Other operating expenses		**(98,144)**	(88,552)
Gain on disposal of available-for-sale financial assets		**—**	592
Provision for impairment of other intangibles		**(4,087)**	(9,000)
Provision for impairment of property, plant and equipment and assets held for sale		**(8,318)**	(23,633)
Operating loss		**(259,248)**	(221,448)
Interest income		**12,426**	9,463
Finance costs	4	**(13,928)**	(18,213)
Share of losses of associates		**(1,517)**	(2,859)
Loss before income tax		**(262,267)**	(233,057)
Income tax credit	5	**5,644**	9,955
LOSS FOR THE YEAR	6	**(256,623)**	(223,102)
Attributable to:			
Equity holders of the Company		**(258,846)**	(223,760)
Non-controlling interests		**2,223**	658
		(256,623)	(223,102)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share	7	**(13.61) cents**	(15.84) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(256,623)**	(223,102)
Other comprehensive (loss)/income		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Foreign exchange differences	**(7,005)**	14,653
— Change in value of available-for-sale financial assets	**—**	(125)
— Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	**—**	(604)
Other comprehensive (loss)/income for the year, net of tax	**(7,005)**	13,924
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(263,628)**	(209,178)
Attributable to:		
Equity holders of the Company	**(265,746)**	(209,917)
Non-controlling interests	**2,118**	739
	(263,628)	(209,178)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**261,128**	272,752
Goodwill and other intangibles		**15,854**	28,121
Interests in associates		**8,074**	9,848
Deferred income tax assets		**7,501**	7,249
Non-current prepayments		**52,543**	27,675
Prepaid operating lease rentals		**1,328**	1,351
Available-for-sale financial assets		**—**	42
Financial assets at fair value through other comprehensive income		**24**	—
Total non-current assets		**346,452**	347,038
CURRENT ASSETS			
Inventories		**6,468**	11,287
Trade receivables	*9*	**188,503**	120,434
Prepayments, deposits and other receivables		**124,908**	82,900
Tax receivables		**1,143**	905
Restricted cash		**7,063**	5,085
Pledged bank deposits		**153,635**	231,365
Short-term bank deposits		**—**	379
Cash and cash equivalents		**677,811**	65,228
		1,159,531	517,583
Assets held for sale		**—**	19,556
Total current assets		**1,159,531**	537,139
Total assets		**1,505,983**	884,177

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade payables	*10*	**87,641**	116,254
Other payables and accruals		**102,635**	65,969
Contract liabilities		**8,132**	—
Borrowings		**16,306**	194,654
Tax payables		**276**	133
Total current liabilities		**214,990**	377,010
Net current assets		**944,541**	160,129
Total assets less current liabilities		**1,290,993**	507,167
NON-CURRENT LIABILITIES			
Borrowings		**45,970**	58,905
Deferred income tax liabilities		**46,265**	52,775
Other long-term liabilities		**7,237**	7,546
Total non-current liabilities		**99,472**	119,226
Total liabilities		**314,462**	496,236
Net assets		**1,191,521**	387,941
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**234,482**	144,970
Reserves		**830,126**	118,704
		1,064,608	263,674
Non-controlling interests		**126,913**	124,267
Total equity		**1,191,521**	387,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), a collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The consolidated financial statements for the year ended 31 December 2018 have been prepared on a historical cost basis, except for (i) certain financial assets and liabilities, which are carried at fair value and (ii) the assets held for sale which are measured at fair value less cost to sell.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

In the current year, the Group has adopted all the following standards, amendments and interpretation for the first time 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 and the related amendments
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual improvments to HKFRSs 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 adopted early:

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Definitions of Business	1 January 2020
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)-Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

HKFRS 16, *Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$83,146,000 and HK$1,344,000 for land and buildings and office equipment, respectively. Of these commitments, HK$1,297,000 relate to short-term leases and HK$1,344,000 to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of HK$57,500,000 on 1 January 2019, lease liabilities of HK$55,073,000 (after adjustments for prepayments recognised as at 31 December 2018). Overall net assets will be HK$2,427,000 higher, and net current assets will be HK$11,233,000 lower due to the presentation of a portion of the liability as a current liability.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to the first adoption.

There are no other new, amended or revised standards that are not yet effective that are expected to have any impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

1.3(a) Impact on the financial statements

As explained in note 1.3(b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated Statement of Financial Position (extract)				
Non-current assets				
Available-for-sale financial assets	42	(42)	—	—
Financial assets at fair value through other comprehensive income ("**FVOCI**")	—	42	—	42
Current liabilities				
Other payables and accruals	65,969	—	(11,042)	54,927
Contract liabilities	—	—	11,042	11,042

1.3(b) HKFRS 9, *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. There is no impact on the Group's accumulated losses as at 1 January 2018 upon the adoption of HKFRS 9.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

There is no impact on the Group's equity.

(a) Available-for-sale debt instruments classified as FVOCI

Listed corporate bonds were reclassified from available-for-sale financial assets to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed corporate bonds with a fair value of HK$38,000 were reclassified from available-for-sale financial assets to FVOCI on 1 January 2018.

(b) Equity investments previously classified as available-for-sale financial assets

The Group elected to present in Other Comprehensive Income ("**OCI**") changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$4,000 were reclassified from available-for-sale financial assets to FVOCI on 1 January 2018.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount	
	Original (HKAS 39)	**New (HKFRS 9)**	**Original** ***HK$'000***	**New** ***HK$'000***
Non-current financial assets				
Equity securities	Available-for-sale	FVOCI	4	4
Listed corporate bonds	Available-for-sale	FVOCI	38	38

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods and from the provisions of services; and
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There was no impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables, according to their respective risk characteristics.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. The Group has assessed that the expected credit loss model apply to the deposits and other receivables as at 1 January 2018 and the change in impairment methodologies has no material impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

1.3(c) HKFRS 15, *Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes to accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group elected to adopt HKFRS 15 without restating comparatives as it has chosen the simplified transition method, to apply HKFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

The reclassifications and the adjustments arising from the new revenue recognition rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 Dec 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated Statement of Financial Position (extract):			
Contract liabilities	—	11,042	11,042
Other payables and accruals	65,969	(11,042)	54,927

Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15 and HKFRS 9:

- Contract liabilities in relation to the receipts in advance derived from online financial market information contracts and aircraft management contracts were previously included in other payables and accruals.

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 business under each operating segments 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 and certain assets, liabilities and expenditure information for the year ended 31 December 2018 by operating segments is as follows:

	AL Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers (from external customers)	**849,276**	**17,472**	**—**	**—**	**866,748**
Depreciation	**28,901**	**77**	**—**	**96**	**29,074**
Amortisation	**8,236**	**—**	**—**	**—**	**8,236**
Provision for impairment of other intangibles	**4,087**	**—**	**—**	**—**	**4,087**
Provision for impairment of property, plant and equipment and assets held for sale	**8,318**	**—**	**—**	**—**	**8,318**
Operating loss	**(196,737)**	**(1,071)**	**—**	**(61,440)**	**(259,248)**
Interest income					**12,426**
Finance costs					**(13,928)**
Share of losses of associates					**(1,517)**
Loss before income tax					**(262,267)**
Income tax credit					**5,644**
Loss for the year					**(256,623)**
Total assets	**934,538**	**2,720**	**7,076**	**561,649**	**1,505,983**
Total assets include:					
Interests in associates	**6,202**	**—**	**1,872**	**—**	**8,074**
Total liabilities	**284,242**	**6,571**	**12,088**	**11,561**	**314,462**
Capital expenditure	**43,925**	**68**	**—**	**100**	**44,093**

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2017 by operating segments is as follows:

	AL Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers (from external customers)	704,587	19,827	—	—	724,414
Depreciation	28,849	69	—	235	29,153
Amortisation	6,222	—	—	—	6,222
Provision for impairment of other intangibles	9,000	—	—	—	9,000
Provision for impairment of property, plant and equipment and assets held for sale	23,633	—	—	—	23,633
Operating loss	(161,987)	(219)	(5,875)	(53,367)	(221,448)
Interest income					9,463
Finance costs					(18,213)
Share of losses of associates					(2,859)
Loss before income tax					(233,057)
Income tax credit					9,955
Loss for the year					(223,102)
Total assets	857,007	4,010	8,012	15,148	884,177
Total assets include: Interests in associates	7,759	—	2,089	—	9,848
Total liabilities	348,575	6,895	12,304	128,462	496,236
Capital expenditure	25,464	43	—	35	25,542

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

	2018	2017
	HK$'000	*HK$'000*
Africa	**506,957**	536,436
Europe	**151,834**	143,757
The People's Republic of China ("**PRC**")		
— Mainland China	**145,737**	24,394
— Hong Kong	**56,381**	13,772
Others	**5,839**	6,055
	866,748	724,414

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

	Operating segment	2018	2017
		HK$'000	*HK$'000*
Customer A	AL business	**234,494**	217,017

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

	2018	2017
	HK$'000	*HK$'000*
Total assets for reportable segments	**944,334**	869,029
Corporate assets	**561,649**	15,148
Total assets of the Group	**1,505,983**	884,177

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

	2018	2017
	HK$'000	*HK$'000*
Africa	**228,712**	242,151
Europe	**73,117**	81,604
The PRC		
— Mainland China	**9,616**	11,393
— Hong Kong	**1,604**	1,732
Others	**25,878**	2,867
	338,927	339,747

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from provision of aviation and logistics services	**849,276**	704,587
Revenue from provision of online financial market information services	**17,472**	19,827
	866,748	724,414

Disaggregation of revenue from contracts with customers:

	2018
	HK$'000
Timing of revenue recognition	
At a point in time	**831,184**
Over time	**35,564**
Revenue (from external customers)	**866,748**

4 FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on:		
Bank loans	**3,448**	8,647
Finance leases	**6,294**	7,216
Other loans	**1,300**	61
Financing arrangement fee	**3,468**	1,831
Net exchange (gains)/losses on borrowings	**(582)**	458
	13,928	18,213

5 INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
— Outside Hong Kong		
— Provision for the year	**(675)**	(317)
— Adjustment in respect of prior years	**(213)**	(40)
	(888)	(357)
Deferred income tax		
— Outside Hong Kong	**6,532**	10,312
	5,644	9,955

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

No provision for Hong Kong profit tax has been provided because the Group did not generate any assessable profits in Hong Kong during the year.

6 LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Cost of direct materials and job expenses *(Note)*	**283,938**	131,705
Depreciation	**29,074**	29,153
Amortisation of other intangibles	**8,192**	6,180
Amortisation of prepaid operating lease rentals	**44**	42
Engine overhaul cost	**5,242**	8,214
Operating lease rentals on land and buildings	**28,867**	17,619
Operating lease rentals on equipment	**4,215**	4,558
Operating lease rentals on motor vehicle	**356**	235
Other operating expenses including, inter alia:		
Net exchange losses/(gains)	**7,545**	(5,846)
Net loss on disposal of property, plant and equipment	**977**	4,348
Impairment losses on financial assets	**2,732**	9,379
Provision for inventories	**4,030**	56

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 costs, toll costs, transportation costs and custom clearing costs.

7 LOSS PER SHARE

The calculation of the basic loss per share for the year 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 year less the weighted average number of ordinary shares held for share award scheme during the year.

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

The basic and diluted loss per share for the year ended 31 December 2018 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

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

	2018	2017
Weighted average number of ordinary shares in issue	**1,902,492,380**	1,414,787,935
Less: Weighted average number of ordinary shares held for share award scheme	**—**	(1,891,150)
	1,902,492,380	1,412,896,785
	HK$'000	*HK$'000*
Group's loss attributable to the equity holders of the Company	**(258,846)**	(223,760)

8 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

9 TRADE RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**93,295**	77,821
1-2 months	**25,947**	16,616
2-3 months	**17,803**	16,785
Over 3 months	**55,911**	10,933
	192,956	122,155
Less: loss allowance	**(4,453)**	(1,721)
	188,503	120,434

The fair value of trade receivables approximates its carrying amount.

Credit terms of one to three months from invoice date are generally granted to major customers. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers, if necessary.

10 TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**45,067**	57,621
1-2 months	**12,846**	28,106
2-3 months	**7,407**	9,936
Over 3 months	**22,321**	20,591
	87,641	116,254

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers	**866,748**	724,414
Cost of direct materials and job expenses	**(283,938)**	(131,705)
Cost of aircraft management services	**(128,814)**	(125,448)
Data costs	**(7,028)**	(6,950)
Employee benefit expenses	**(211,722)**	(178,612)
Sub-contracting charges	**(288,488)**	(295,382)
Operating lease rentals	**(33,438)**	(22,412)
Repair and maintenance costs	**(33,580)**	(35,694)
Depreciation and amortisation	**(37,310)**	(35,375)
Other income and other gains/(losses), net	**8,871**	6,309
Other operating expenses	**(98,144)**	(88,552)
Gain on disposal of available-for-sale financial assets	**—**	592
Provision for impairment of other intangibles	**(4,087)**	(9,000)
Provision for impairment of property, plant and equipment and assets held for sale	**(8,318)**	(23,633)
Operating loss	**(259,248)**	(221,448)
Interest income	**12,426**	9,463
Finance costs	**(13,928)**	(18,213)
Share of losses of associates	**(1,517)**	(2,859)
Loss before income tax	**(262,267)**	(233,057)
Income tax credit	**5,644**	9,955
Loss for the year	**(256,623)**	(223,102)

The Group reported a consolidated revenue of HK$866,748,000 for the year ended 31 December 2018. The revenue growth was mainly due to the Group's expansion in logistics business in Shanghai. For 2018, the Group reported an operating loss of HK$259,248,000, an 17% increase over 2017's reported operating loss of HK$221,448,000. The increase over the same period of 2017 was mainly due to increase in employee benefit expenses and rental expenses due to the expansion of footprints along the Belt and Road regions. Reported results for 2018 also included non-recurring income, expenses, impairment and provisions, such as a gain on the disposal of available-for-sale financial assets and substantial impairment charges against goodwill, other intangibles, property, plant and equipment and assets held for sale, which had a combined net negative effect on the reporting operating loss by HK$13,382,000 (2017: HK$43,726,000).

Financial Key Performance Indicators

	Year ended 31 December	
	2018	2017
Basic loss per share	**(13.61) cents**	(15.84) cents

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Total assets	**1,505,983**	884,177
Shareholders' funds	**1,064,608**	263,674
Net asset value per share (excluding non-controlling interests)	**45 cents**	18 cents
Cash and bank balances	**838,509**	302,057
Current ratio	**5.39**	1.42
Total liabilities-to-total assets ratio	**0.21**	0.56
Price to book ratio	**2.76**	9.11

The basic loss per share was HK$0.1361 for 2018, relative to basic loss per share of HK$0.1584 for 2017. As at 31 December 2018, the Group had total assets of HK$1,505,983,000, marking a 70% increase versus the same figure for 2017 due to issue of new shares and exercise of share options by a director of the Company, offset by impairment made against intangibles, property, plant and equipment and assets held for sale. The current ratio and total liabilities-to-total assets ratio at year-end 2018 were 5.39 and 0.21, respectively. The Group's total liabilities-to-total assets ratio and the current ratio were improved principally because of the increase in cash and bank balances and trade receivables and repayment of bank and other loans during 2018. While the pronounced decrease in the Company's share price over 2018, closing at year-end at HK$1.24 and the increase in Group's net assets were the primary factors for the decrease in the price-to-book ratio.

Revenue from contracts with customers

	2018	2017
	HK$'000	*HK$'000*
Aviation and logistics business	**849,276**	704,587
Financial market information business	**17,472**	19,827
	866,748	724,414

Consolidated revenue for 2018 was HK$866,748,000, marking growth of 20% on an annual basis. The expansion in logistics business managed in Shanghai was the primary driver of the annual growth in total revenue. More specifically, Shanghai logistics business contributed HK$189,545,000 (2017: HK$24,328,000) revenue to the Group for the year ended 31 December 2018. As a result, and in line with past years, aviation and logistics ("**AL**") business accounted for 98% (2017: 97%) of the Group's 2018 revenue. The Group's remaining legacy unit, financial market information ("**FMI**") business, produced HK$17,472,000 of revenue for the full-year 2018, a decline of 12% versus 2017 as a result of market demand slackened.

Provision for Impairment of Other Intangibles

Other intangibles of HK$4,087,000 associated with the Group's operating businesses were impaired in 2018. The decision to take this impairment against an AL subsidiary, namely Phoenix Aviation Limited ("**PAL**"), was reached after a careful internal review of those business units and discussion among the Group's senior management. Impairment made due to the scale down of its maintenance business and a decline in the franchise's core air ambulance business within a generally more competitive marketplace in east and central Africa, which has had a secondary negative effect on pricing. In the future, the Group will continue to monitor the carrying value of other intangibles in accordance with its accounting practices.

Provision for Impairment of Property, Plant and Equipment and Assets Held for Sale

The Group recorded HK$8,318,000 provision for impairment loss against the aircraft fleet for the year ended 31 December 2018. The carrying amount of property, plant and equipment is measured periodically against the resale market value for comparable assets. The market for aviation assets is cyclical, with substantial changes in resale pricing common over time. Consequently, the Group impaired specific aircraft within its fleet to better reflect the likely value achievable in a resale scenario as at 31 December 2018, and will closely monitor if an impairment indicator is identified.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business ("AL Business")

With continuous growth in the Group's AL Business in 2018, HK$849,276,000 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 2017. The Group will continue to implement cost containment measures to increase profitability and potential value in the AL Business.

Transit Freight Forwarding (Pty) Ltd ("**TFF**"), a South African based warehouse and logistics company, generated HK$373,745,000 of revenue in 2018. This 3% revenue growth reflected the increase in freight charges to its customers by TFF in 2018 and was in line with management expectations. With new management team on board, TFF conducted a new thorough cost analysis and will develop a specialty logistics division to further increase its operational efficiency and profitability.

Frontier Logistics (Shanghai) Co., Ltd, a PRC based logistics company, generated HK$189,545,000 of revenue in 2018. With further development of the logistics businesses between PRC and Africa, the revenue of Shanghai logistics business is expected to continue to grow in 2019.

Maleth Aero Limited ("**Maleth**"), a Malta based aircraft management services company, generated HK$151,834,000 of revenue for 2018. With expected expansion through managing more profitable and new aircraft and the provision of freight services, we are optimistic about the operations and results of Maleth in 2019.

PAL, a Kenyan aviation company based in Nairobi, reported a 19% decline in revenue compared to 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 and new business development in 2019.

With tremendous efforts paid on developing security and insurance business along the Belt and Road regions during the past few years, the Group has a breakthrough in revenue in 2018. We expect the security and insurance business will have obvious growth and contribute positive impact to the Group in 2019.

The Group's AL Business loss increased by 21% to HK$196,737,000 comparing 2017. The 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 and rollout of various projects, positive impacts are expected from AL Business in 2019.

Financial Market Information Business ("FMI Business")

For the year ended 31 December 2018, the Group's FMI segment generated reported revenue of HK$17,472,000. This legacy business unit provides online financial market data and related information. FMI segment revenue for 2018 represents a 12% decline against comparable figure for 2017. The FMI Business, a non-core business segment of the Group's overall operations, produced a small operating loss of HK$1,071,000 for the year ended 31 December 2018 as demand for its services declined during the year.

Direct Investments

Direct investments is the Group's segment for available-for-sale financial assets and other direct investment holdings. For 2018, there is no profit generated from the direct investments segment. For 2017, the comparable reported loss from the direct investments segment of HK$5,875,000 resulting from the closedown of one of the associates.

PROSPECTS

2018 was a fruitful year for the Group. Not only just focusing on exploring new markets along the Belt and Road regions, the Group has reallocated its available resources on PAL, TFF and Maleth. With the opening up of new presences and markets in Myanmar, Laos, Cambodia, Nigeria, Mozambique, Kenya, Tanzania and other countries in Asia, Middle East and Africa during 2018, the Group has built up a solid foundation for growth in businesses in 2019 and onwards. The Group is still exploring some other new markets and business segments so as to maximise its shareholders' wealth.

After the completion of the share subscription of the Company in May 2018, additional financial resources were brought into the Group. New investors of different industrial background and knowledge were brought in. Some existing investors also increased its influence over the business operations of the Group. During the second half of 2018, the Group had put additional effort in exploring opportunities on infrastructure business. It is expected that the Group will take part in one or two projects of this kind in 2019 in order to diversify itself not just focusing on logistic, security and insurance business segments. Feasibility studies over these infrastructure projects are undergoing and the Board will provide further information to shareholders when a targeted project has been identified. Projects on major infrastructures, resources, oil and gas along the Belt and Road continue to be the Group's primary focus in this respect.

In 2019, the Group plans to provide infrastructure project solutions encompassing planning and management, financing, construction and logistics, helping our customers to manage the entire project value chain focusing on transportation corridors, energy and logistics networks as well as social housing projects in Africa and South East Asia, echoing China's Belt and Road initiative. The Group also intends to take part in these projects through equity investment. Infrastructure business segment will be established to support the Group's capabilities to take advantage of these large projects and maximize synergies.

Also, the Group has specifically identified certain countries along the Belt and Road for business development namely Laos, Myanmar, Cambodia and the Democratic of Republic of Congo (the "**DRC**") other than Kenya, South Africa and Malta. On business segments, security, logistic and insurance are still the key drivers for growth. The Group would like to take advantage of those infrastructure projects in order to stimulate the growth in revenue and profitability of these three business streams. The Group aim at not just delivering a single service to its customers but a chain of services with the best solution to its customers to their satisfaction. Although the global economy remains highly volatile, the Group remains positive towards 2019 because a strong and solid foundation has been formed. It is the best timing for the Group to grasp those available opportunities and serve our targeted customers with our security, logistic and insurance capabilities. At the same time, the Group will continuously implement various cost reduction measures so as to enhance the Group's overall operational efficiency.

Recently, the global market is facing a lot of challenges. The Group has the belief that our focus on the Belt and Road Initiative and our uniqueness in terms business modeling and shareholding structure would still be our competitive strength to support the Group's long term strategic 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 has granted 21,397,030 share options under its share option scheme during the year ended 31 December 2018 (2017: 14,497,030).

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 them 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 share under its share award scheme during the year ended 31 December 2018 (2017: 1,137,000).

The total number of employees of the Group as at 31 December 2018 was 477 (2017: 432).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2018, the Group recorded total assets of HK$1,505,983,000 (2017: HK$884,177,000) which were financed by liabilities of HK$314,462,000 (2017: HK$496,236,000), non-controlling interests of HK$126,913,000 (2017: HK$124,267,000) and shareholders' equity of HK$1,064,608,000 (2017: HK$263,674,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2018 amounted to HK$0.45 (2017: HK$0.18).

The Group recorded cash and bank balances of HK$838,509,000 (2017: HK$302,057,000) and total borrowings of HK$62,276,000 (excluding facility arrangement fees of HK$2,713,000) (2017: HK$258,347,000 (excluding facility arrangement fees of HK$4,788,000)) as at 31 December 2018. During the year ended 31 December 2018, bank loans amounting to HK$215,804,000 (2017: HK$153,705,000) in aggregate were partially repaid by proceeds received from the subscription below. The Group's borrowings, which comprise of bank loans, finance leases and other loan and are denominated in United States dollars ("**US$**"), South African Rand ("**ZAR**") and Euro ("**EUR**"), will mature in 1 to 4 years (2017: 1 to 4 years) as at 31 December 2018. Except for the borrowings of HK$50,773,000 (2017: HK$59,439,000), which are interest bearing at fixed rates, the remaining balances of HK$11,503,000 (2017: HK$198,908,000) are interest bearing at floating rates as at 31 December 2018. With respect to the Group's net borrowings (total borrowings less cash and bank balances), both 2018 and 2017 reported surplus net cash and bank balances.

On 9 January 2018, Mr. Erik D. Prince ("**Mr. Prince**"), an Executive Director 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 Investments 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 a substantial shareholder of the Company. Net proceeds of HK$830,567,000 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 31 December 2018, approximately HK$389,163,000 has been used for the intended purpose of which HK$16,678,000 has been used for setting up businesses in Myanmar, Laos and Cambodia, HK$49,207,000 was used for aircraft operations, HK$147,186,000 has been used for office related expenditures such as staff costs, rentals and transportation service fees and HK$176,092,000 has been used for the repayment of existing banks loans. The remaining net proceeds will be used as intended.

On 2 December 2018, Mr. Prince, an Executive Director of the Company, has exercised 205,115,657 other options at an exercise price of HK$0.73 per share to subscribe for 205,115,657 new shares of the Company. The total net proceeds received from the exercise of options amounted to HK$149,734,000 and were intended to use as additional working capital of the Group.

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 31 December 2018, all the net proceeds were used for the intended purposes, which included HK$41,761,000 was used for aircraft operation, HK$9,242,000 for license fees, HK$130,301,000 for office related expenditures such as staff costs, rentals and transportation service fees, and HK$11,152,000 for loan interest payment.

As at 31 December 2018, the Company had 64,886,120 outstanding share options (2017: 351,162,575), out of which all share options (2017: 146,046,918) were granted under its share option schemes. If all of the remaining outstanding share options were exercised, a gross proceed of approximately HK$82 million (2017: HK$358 million) in aggregate would be raised before deducting any issuance expenses.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank balances are held mainly in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**"), US$ and 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 Africa, Europe and Mainland China including Hong Kong.

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 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.

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 decreased by 2% and increased by 17% respectively during the year ended 31 December 2018. No financial instrument was used for hedging purposes for the year due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risk of KES and ZAR and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Europe, most of the transactions are denominated in EUR and US$. The exchange rate of EUR against HK$ has decreased by 4% during the year ended 31 December 2018. No financial instrument was used for hedging purposes for the year. The Group is closely monitoring the currency exchange risk of EUR and will consider the use of financial instrument for hedging purposes, if necessary.

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 year ended 31 December 2018.

Charges on Assets

As at 31 December 2018, the Group had bank deposits amounting to HK$153,635,000 (2017: HK$231,365,000) and certain trade receivables of HK$33,921,000 (2017: HK$11,682,000) pledged to banks as securities for bank borrowings and banking facilities. 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 31 December 2018, the Group had capital expenditure commitments for investment in associates and purchase of land-use-rights amounting to HK$6,749,000 (2017: HK$7,058,000) and HK$11,440,000 (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 31 December 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 Liabilities

Save as disclosed under the heading "Charges on Assets", the Group does not have material contingent liability as at 31 December 2018.

Subsequent Events

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2018 and up to the date of the annual result announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year ended 31 December 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("**HKExnews website**") at www.hkexnews.hk and the Company's website at www.fsgroup.com. The 2018 annual 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Yap Fat Suan, Henry, Professor Lee Hau Leung and Dr. Harold O. Demuren. Mr. Yap Fat Suan, Henry is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Group's final results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

By Order of the Board
Frontier Services Group Limited
Chang Zhenming
Chairman

Hong Kong, 22 March 2019

At the date of this announcement, the Board of the Company comprises the non-executive director of Mr. Chang Zhenming (Chairman); executive directors of Mr. Erik D. Prince (Deputy 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.