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

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 00500)

INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Frontier Services Group Limited (the "**Company**") presents the unaudited consolidated financial results and financial position of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019 (the "**Current Period**"), together with the comparative amounts for the corresponding period of 2018. These unaudited condensed interim financial statements are reviewed by members of the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2019

	Note	Six-month period ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Revenue from contracts with customers	2 & 3	**346,690**	348,199
Cost of direct materials and job expenses		**(107,714)**	(93,803)
Cost of aircraft management services		**(40,775)**	(43,185)
Data costs		**(3,712)**	(3,718)
Employee benefit expenses		**(112,999)**	(99,846)
Sub-contracting charges		**(122,350)**	(134,821)
Operating lease rentals		**(8,431)**	(15,065)
Repairs and maintenance costs		**(8,098)**	(20,468)
Depreciation and amortisation		**(26,840)**	(20,189)
Other income and other gains		**3,821**	1,906
Other operating expenses		**(55,743)**	(46,832)
Operating loss		**(136,151)**	(127,822)
Interest income		**5,788**	4,386
Finance costs	4	**(5,705)**	(6,903)
Share of losses of associates		**(1,194)**	(943)
Loss before income tax		**(137,262)**	(131,282)
Income tax credit	5	**4,331**	4,655
LOSS FOR THE PERIOD	6	**(132,931)**	(126,627)
Attributable to:			
Equity holders of the Company		**(132,918)**	(126,914)
Non-controlling interests		**(13)**	287
		(132,931)	(126,627)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share	7	**(5.67) cents**	(7.40) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(132,931)**	(126,627)
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Foreign exchange differences	**(3,630)**	(3,672)
Other comprehensive loss for the period, net of tax	**(3,630)**	(3,672)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(136,561)**	(130,299)
Attributable to:		
Equity holders of the Company	**(136,509)**	(130,561)
Non-controlling interests	**(52)**	262
	(136,561)	(130,299)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**159,654**	261,128
Right-of-use assets		**159,805**	—
Goodwill and other intangibles		**15,052**	15,854
Interests in associates		**6,867**	8,074
Deferred income tax assets		**7,826**	7,501
Non-current prepayments		**54,108**	52,543
Prepaid operating lease rentals		**1,296**	1,328
Financial assets at fair value through other comprehensive income		**14**	24
Total non-current assets		**404,622**	346,452
CURRENT ASSETS			
Inventories		**7,094**	6,468
Trade receivables	*9*	**211,239**	188,503
Prepayments, deposits and other receivables		**125,341**	124,908
Tax receivables		**1,136**	1,143
Restricted cash		**7,014**	7,063
Pledged bank deposits		**106,818**	153,635
Cash and cash equivalents		**581,738**	677,811
		1,040,380	1,159,531
Assets held for sale		**3,625**	—
Total current assets		**1,044,005**	1,159,531
Total assets		**1,448,627**	1,505,983

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2019

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	*10*	**74,054**	87,641
Other payables and accruals		**110,463**	102,635
Contract liabilities		**31,980**	8,132
Borrowings		**37,569**	16,306
Tax payables		**369**	276
Total current liabilities		**254,435**	214,990
Net current assets		**789,570**	944,541
Total assets less current liabilities		**1,194,192**	1,290,993
NON-CURRENT LIABILITIES			
Borrowings		**83,431**	45,970
Deferred income tax liabilities		**41,737**	46,265
Other long-term liabilities		**7,179**	7,237
Total non-current liabilities		**132,347**	99,472
Total liabilities		**386,782**	314,462
Net assets		**1,061,845**	1,191,521
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*11*	**234,482**	234,482
Reserves		**700,502**	830,126
		934,984	1,064,608
Non-controlling interests		**126,861**	126,913
Total equity		**1,061,845**	1,191,521

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 2019 (the "**Current Period**") 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 2018 ("**2018 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, except for certain financial assets and liabilities, which are carried at fair value. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the 2018 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of 1 January 2019.

1.2 NEW, AMENDED AND REVISED HKFRSs

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 2019:

HKFRS 16	Leases
HK(IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Annual improvements to HKFRSs 2015-2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The impact of adoption of HKFRS 16 Leases is disclosed in 1.3 below. The adoption of other new and amended HKFRSs does not have any material impact on the Group's condensed consolidated interim financial statements for the Current Period.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRSs	Amendments to References to Conceptual Framework in HKFRS Standards	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

1.3 CHANGES IN ACCOUNTING POLICIES

HKFRS 16, *Leases*

The Group has adopted HKFRS 16 *Leases* from 1 January 2019. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 *Leases* and related interpretations.

1.3 (a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) — Interpretation 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contain, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied HKFRS 16 only to contacts that were previously identified as leases. Contracts that were not identified as lease under HKAS 17 and HK(IFRIC) — Interpretation 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

1.3 (b) As a lessee

The Group leases many assets, including properties, equipment, aircraft and trailers.

As a lessee, the Group previously classified lease as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases — i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. equipment). The Group recognises the lease payables associate with these lease as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets in a separate line item in the condensed consolidated statement of financial position and presents lease liabilities in "Borrowings" in the condensed consolidated statement of financial position.

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increase by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease from some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office and warehouse facilities. The leases typically run for a period of less than 1 year to a maximum period of 45 years. Some leases included an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measure at either:

— their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application (the Group applied this approach to most of its property lease); or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (the Group applied his approach to some property lease and all other leases).

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating lease under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight with determining the lease term if the contract contain options to extend or terminate the lease.

The Group leases a number of trailers and aircraft. There leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

1.3 (c) Impacts on financial statements

On the transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The impact on transition is summarised below.

	1 January 2019 (Unaudited) *HK$'000*
Right-of-use assets	**57,480**
Lease Liabilities	**(54,420)**
Prepayment	**(3,060)**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's annual incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.72%.

	1 January 2019 (Unaudited)
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**84,490**
Discounted using the lessee's annual incremental borrowing rate of at the date of initial application	**59,719**
Add:	
Finance lease liabilities recognised as at 31 December 2018	**61,838**
Less:	
Short-term leases recognised on a straight-line basis as expenses	**(1,297)**
Low-value leases recognised on a straight-line basis as expenses	**(1,344)**
Adjustment as a result of amendment of agreements	**(2,658)**
Lease liabilities recognised as at 1 January 2019	**116,258**
Of which are:	
Current lease liabilities	**27,776**
Non-current lease liabilities	**88,482**
	116,258

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 (Unaudited)	1 January 2019 (Unaudited)
	HK$'000	*HK$'000*
Aircraft	**89,797**	94,562
Properties	**55,554**	57,480
Equipment	**696**	—
Trailers	**13,758**	2,904
	159,805	154,946

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 segment are summarised as follows:

(i) Aviation, Logistics and Other Business ("**ALO Business**") — Provision of aviation, logistics, security, insurance and infrastructure related 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 Current Period by operating segments is as follows:

	Unaudited				
	ALO Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contract with customers (from external customers)	**338,665**	**8,025**	**—**	**—**	**346,690**
Depreciation	**25,686**	**278**	**—**	**52**	**26,016**
Amortisation	**824**	**—**	**—**	**—**	**824**
Operating loss	**(95,167)**	**(1,078)**	**—**	**(39,906)**	**(136,151)**
Interest income					**5,788**
Finance costs					**(5,705)**
Share of losses of associates					**(1,194)**
Loss before income tax					**(137,262)**
Income tax credit					**4,331**
Loss for the Current Period					**(132,931)**
Total assets	**1,016,898**	**2,480**	**6,958**	**422,291**	**1,448,627**
Total liabilities	**359,991**	**6,538**	**12,033**	**8,220**	**386,782**

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				
	ALO 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)	339,110	9,089	—	—	348,199
Depreciation	14,472	48	—	46	14,566
Amortisation	5,623	—	—	—	5,623
Operating loss	(101,037)	(373)	—	(26,412)	(127,822)
Interest income					4,386
Finance costs					(6,903)
Share of losses of associates					(943)
Loss before income tax					(131,282)
Income tax credit					4,655
Loss for the period					(126,627)
Total assets	855,950	3,166	7,724	740,838	1,607,678
Total liabilities	404,797	6,402	12,286	14,907	438,392

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers:

	Six-month period ended 30 June	
	2019 **(Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
Timing of revenue recognition		
At a point in time	**321,317**	332,272
Over time	**25,373**	15,927
Revenue from contracts with customers (from external customers)	**346,690**	348,199

4 FINANCE COSTS

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on:		
Bank loans	**500**	2,913
Lease liabilities	**3,746**	3,172
Other loans	**27**	475
Facility arrangement fees	**1,361**	1,171
Net exchange losses/(gains) on borrowings	**71**	(828)
	5,705	**6,903**

5 INCOME TAX CREDIT

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
Outside Hong Kong		
Provision for the Current Period	**(71)**	(8)
Adjustments in respect of prior periods	**30**	(219)
	(41)	(227)
Deferred income tax		
Outside Hong Kong	**4,372**	4,882
Income tax credit	**4,331**	4,655

Taxes on assessable profits for the both 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.

6 LOSS FOR THE PERIOD

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

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of direct materials and job expenses *(Note)*	**107,714**	93,803
Depreciation of right-of-use assets	**15,152**	—
Depreciation of property, plant and equipment	**10,864**	14,566
Amortisation of other intangibles	**802**	5,601
Amortisation of prepaid operating lease rentals	**22**	22
Engine overhaul cost	**—**	5,245
Operating lease rentals on land and buildings	**7,099**	13,014
Operating lease rentals on equipment	**1,214**	1,933
Operating lease rentals on motor vehicles	**118**	118
Other operating expenses including, inter alia:		
Net exchange losses	**5,461**	1,186
Net loss/(gain) on disposal of property, plant and equipment	**477**	(7)
Impairment losses on financial assets	**356**	866
Provision for inventories	**—**	3,376

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 transportation costs.

7 LOSS PER SHARE

The calculation of the basic loss per share for the Current Period 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 Current Period.

The calculation of the diluted loss per share for the Current Period 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 Current 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 Current Period were the same because the effect of the conversion of all dilutive potential ordinary shares outstanding during the Current Period was anti-dilutive.

The weighted average number of ordinary shares in issue during the both periods were the number of ordinary shares in issue.

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	**2,344,818,660**	1,715,393,611
	HK$'000	*HK$'000*
Loss attributable to the equity holders of the Company	**(132,918)**	(126,914)

8 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2019 (2018: Nil).

9 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:

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**55,075**	93,295
1-2 months	**33,624**	25,947
2-3 months	**27,041**	17,803
Over 3 months	**100,308**	55,911
	216,048	192,956
Less: loss allowance	**(4,809)**	(4,453)
	211,239	188,503

The fair value of trade receivables approximates its carrying amount.

Credit terms ranging from one to three months from the 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 end of the reporting period is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**38,972**	45,067
1-2 months	**15,693**	12,846
2-3 months	**6,057**	7,407
Over 3 months	**13,332**	22,321
	74,054	87,641

The fair value of trade payables approximates its carrying amount.

11 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	***HK$'000***
Authorised		
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	3,000,000,000	300,000
Issued		
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	2,344,818,660	234,482

MANAGEMENT DISCUSSION AND ANALYSIS

Review Of Results

Overall Performance

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers	**346,690**	348,199
Cost of direct materials and job expenses	**(107,714)**	(93,803)
Cost of aircraft management services	**(40,775)**	(43,185)
Data costs	**(3,712)**	(3,718)
Employee benefit expenses	**(112,999)**	(99,846)
Sub-contracting charges	**(122,350)**	(134,821)
Operating lease rentals	**(8,431)**	(15,065)
Repairs and maintenance costs	**(8,098)**	(20,468)
Depreciation and amortisation	**(26,840)**	(20,189)
Other income and other gains	**3,821**	1,906
Other operating expenses	**(55,743)**	(46,832)
Operating loss	**(136,151)**	(127,822)
Interest income	**5,788**	4,386
Finance costs	**(5,705)**	(6,903)
Share of losses of associates	**(1,194)**	(943)
Loss before income tax	**(137,262)**	(131,282)
Income tax credit	**4,331**	4,655
Loss for the period	**(132,931)**	(126,627)

Revenue from contracts with customers

	Six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Aviation and logistics business	**329,109**	339,110
Financial market information business	**8,025**	9,089
Other businesses (including security, insurance and infrastructure revenue)	**9,556**	—
	346,690	348,199

The Group's revenue for the Current Period was HK$346,690,000 (30 June 2018: HK$348,199,000). There was a slight decrease in revenue from aviation and logistics business by HK$10,001,000, which was mainly due to the reduction in revenue contributed by Phoenix Aviation Limited ("**PAL**") from HK$41,479,000 in 2018 to HK$14,306,000 in 2019. The downward price pressure in the charter service and air ambulance service as well as keen competition in African market impacted the overall performance of PAL. However, such reduction was offset by the improvement in revenue from our logistics business managed in Shanghai. Its revenue increased from HK$54,737,000 in 2018 to HK$83,704,000 in 2019, representing a growth in revenue of 53%.

Revenue from other businesses mainly represented those revenue generated from the provision of security, insurance, and infrastructure related services. During the Current Period, the Group started to render security services in countries such as Myanmar and Cambodia. At the same time, a small scale infrastructure project was undertaken by the Group in Africa.

Transit Freight Forwarding (Pty) Ltd ("**TFF**"), a South African based warehouse and logistic company, remained the major contributor of the Group's revenue. Its revenue contribution represented approximately 50% of the Group's revenue, which was similar to the corresponding period of 2018. For the Current Period, TFF managed to operate at a breakeven position while it was loss-making for the corresponding period of the last year.

Frontier Logistics (Shanghai) Co., Ltd and Frontier Project Logistics Limited (collectively known as "**Shanghai Logistics Business**"), generated HK$83,704,000 (30 June 2018: HK$54,737,000) of revenue for the first half of 2019. It represents a growth in revenue of 53%. During the Current Period, more logistic businesses were rendered to African countries. With further development of the logistics businesses between PRC and Africa, the revenue of Shanghai Logistics Business is expected to continue to grow in the second half of 2019.

Maleth Aero Limited ("**Maleth**"), a Malta based aircraft management services company, reported a total revenue of HK$50,761,000 (Six months ended 30 June 2018: HK$53,693,000). Owing to certain aircraft are under maintenance during the Current Period, the time available to Maleth for managing the aircraft reduced. The management fee income earned by Maleth was affected. As a result, the overall profitability of Maleth was impacted. In view of the fact that the number of aircraft that are available for management under Maleth will be increased in the second half of 2019, it is expected that the operation of Maleth will be improved.

During the Current Period, PAL successfully renewed its air service license for another three years. Owing to the downward price pressure of the chartered service and air ambulance service as well as keen competition within the region, PAL's overall revenue was affected. In order to cope with the change in the market condition of the aviation industry in the region, PAL underwent a restructuring not only in terms of its business but also in terms of its cost structure and market positioning. Management of PAL will use their best endeavour to improve the operating performance of PAL for the second half of 2019.

Asset held for sale

In June 2019, the Group entered into a disposal agreement with an independent third party in relation to the disposal of an aircraft at a consideration of US$650,000 (equivalent to HK$5,077,000) (the "**Disposal**"). As at 30 June 2019, certain conditions for the completion of the Disposal had not yet been fulfilled. In this connection, such aircraft was reclassified from non-current assets to current assets as assets held for sale as at 30 June 2019.

PROSPECTS

The Group had a busy first six months in 2019. Not only continuously exploring the infrastructure business opportunities in Africa and South East Asia, the Group, through its presence in Cambodia, Myanmar, Laos, Mozambique, Tanzania and Democratic Republic of Congo, started to bring in additional sources of revenue to different business segments. We believe that more revenue will be generated from these countries in the years to come. Other than this, the Group continued to build its footprint along the Belt and Road including countries like Kazakhstan and Pakistan. Our primary focuses are to find ways to provide the necessary support and solutions in terms of logistics, security, insurance and infrastructure to enterprises operating along the Belt and Road. During the Current Period, business partner had also been successfully identified on logistics for the development of China-Pakistan Economic Corridor. With our continued effort and resources put in these countries during the past few years, it is expected that more revenue will be generated by the Group in the near future. Our contributions and initiatives putting on Belt and Road will finally pay off and people in the market will recognise our presence and our influence.

During the Current Period, the Group had carried out a number of studies, evaluations and assessments on projects in different countries with an aim to provide the best infrastructure project solutions to our customers. There are some projects currently under study and the Group expects that some of these projects will be launched soon. Owing to our active and significant involvement upfront, this will provide the Group with investment opportunities to take part in some of these projects through small amount of equity investment.

Although the Group has been facing a lot of challenges in recent years, the Group's mission and vision remain unchanged. With the continued support from our shareholders such as Citic Group Corporation and China Tai Ping Insurance Holdings Company Limited, this can enable the Group to create values to its stakeholders in a foreseeable future. The Group strongly believes that we are on the right track of the Belt and Road Initiative. We can transform this initiative into the Group's long term strategy and can deliver good investment returns to our stakeholders.

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 2019 (2018: 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 2019 (2018: Nil).

The total number of employees of the Group as at 30 June 2019 was 587 (31 December 2018: 477).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2019, the Group's total assets was HK$1,448,627,000 (31 December 2018: HK$1,505,983,000) and the Group's total liabilities was HK$386,782,000 (31 December 2018: HK$314,462,000). After rounds of fund raising exercises completed in 2018, the Group's financial position remained solid and the Group's net current assets position as at 30 June 2019 was HK$789,570,000 (31 December 2018: HK$944,541,000).

As at 30 June 2019, the Group's available cash and bank balances were HK$695,570,000 (31 December 2018: HK$838,509,000) with a total borrowings of HK$121,000,000 (31 December 2018: HK$62,276,000). The Group's total borrowings mainly represented lease liabilities for aircraft amounting to HK$51,607,000 (31 December 2018: HK$59,195,000), lease liabilities for properties, equipment and trailers amounting to HK$68,958,000 (31 December 2018: HK$2,643,000) and other loans amounting to HK$435,000 (31 December 2018: HK$438,000). All bank loans were fully repaid during 2018 and the Group did not have any bank loan as at 30 June 2019. As at 30 June 2019, the Group's borrowings are mainly denominated in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**"), United States dollars ("**US$**"), South African Rand ("**ZAR**") and Euro ("**EUR**"). Excluding the lease liabilities in relation to property leases, the repayment terms of the Group's borrowings are ranging from 1 to 4 years (31 December 2018: 1 to 4 years). The Group therefore managed to maintain a surplus net cash and bank position of HK$574,570,000 (31 December 2018: HK$776,233,000) (total available cash and bank balances minus total borrowings).

During 2018, net proceeds of HK$1,055,301,000 were raised through a subscription completed in May 2018 and exercises of options in January and December 2018. Up to 30 June 2019, a total amount of HK$531,704,000 was used for the intended purpose which included (i) HK$25,465,000 was used for setting up businesses in Myanmar, Laos, Cambodia; (ii) HK$66,800,000 was used in expansion of businesses in Africa and Middle East, including establishing joint ventures and training facilities for security personnel, purchasing security equipment and vehicles and replacing existing aircraft and trucks; (iii) HK$263,347,000 was used for office related expenditures such as staff costs, rentals and transportation service fees; and (iv) HK$176,092,000 was used for the repayment of outstanding bank loans. The remaining balance of the net proceeds will be used for intended purposes.

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 HK$, RMB, US$ and EUR. Other than the bank deposits pledged for the Group's banking facilities, 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 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 0.8% and increased by 1.9%, respectively during the six-month period ended 30 June 2019. 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 Europe, most of the transactions are denominated in EUR and US$. The exchange rate of EUR against HK$ has decreased by 0.8% during the six-month period ended 30 June 2019. 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 2019.

Charges on Assets

As at 30 June 2019, the Group had bank deposits amounting to approximately HK$106,818,000 (31 December 2018: HK$153,635,000) and certain trade receivables of HK$33,551,000 (31 December 2018: HK$33,921,000) pledged to banks as securities for 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$1,500,000.

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

As at 30 June 2019, the Group had capital expenditure commitments for investment in associates and purchase of land-use-rights amounting to HK$6,705,000 (31 December 2018: HK$6,749,000) and HK$11,364,000 (31 December 2018: HK$11,440,000), 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 2019.

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 30 June 2019.

Subsequent Events

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2019 and up to the date of the interim result announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2019. Neither the Group nor the trustee of the share award scheme of the Company had purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2019, 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except that not all the independent non-executive directors had attended the annual general meeting 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 their tenure during the six-month period ended 30 June 2019.

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 2018 annual report of the Company are set out below:

Mr. Ko Chun Shun Johnson, an executive director and a deputy chairman of the Company, resigned as independent non-executive director of Meitu, Inc. (stock code: 1357), a company listed on the Main Board of the Stock Exchange, on 1 January 2019.

Mr. Luo Ning ("**Mr. Luo**"), an executive director and a deputy chairman of the Company, resigned as an executive director of CITIC Telecom International Holdings Limited (stock code: 1883), a company listed on the Main Board of the Stock Exchange, on 27 May 2019. In addition, Mr. Luo retired and did not offer himself to be re-elected as a non-executive director of Lajin Entertainment Network Group Limited (stock code: 8172), a company listed on the GEM of the Stock Exchange, with effect from the conclusion of the annual general meeting held on 21 June 2019.

Save as disclosed above, there is no other change in information of the Directors 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.

The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2019 have been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("**HKExnews website**") at www.hkexnews.hk and the Company's website at www.fsgroup.com. The 2019 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
Chang Zhenming
Chairman

Hong Kong, 28 August 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.

* *For identification purposes only*