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)

(1) FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 AND (2) CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION

(1) FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, together with the comparative figure for the year ended 31 December 2018. 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 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	3	**725,920**	866,748
Cost of direct materials and job expenses		**(200,120)**	(283,938)
Cost of aircraft management services		**(97,689)**	(128,814)
Data costs		**(5,999)**	(7,028)
Employee benefit expenses		**(240,896)**	(211,722)
Sub-contracting charges		**(268,622)**	(288,488)
Rental expenses	6	**(17,606)**	(33,438)
Repair and maintenance costs		**(17,759)**	(33,580)
Depreciation and amortisation	6	**(56,460)**	(37,310)
Other income and other gains	6	**6,947**	8,871
Other operating expenses	6	**(118,323)**	(95,412)
Provision for impairment of other intangibles		**—**	(4,087)
Provision for impairment of property, plant and equipment and assets held-for-sale		**(64,509)**	(8,318)
Impairment losses on financial assets		**(14,286)**	(2,732)
Operating loss		**(369,402)**	(259,248)
Interest income		**12,045**	12,426
Finance costs	4	**(10,360)**	(13,928)
Share of losses of associates		**(3,760)**	(1,517)
Loss before income tax		**(371,477)**	(262,267)
Income tax credit	5	**14,730**	5,644
LOSS FOR THE YEAR	6	**(356,747)**	(256,623)
Attributable to:			
Equity holders of the Company		**(354,793)**	(258,846)
Non-controlling interests		**(1,954)**	2,223
		(356,747)	(256,623)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share	7	**(15.13) cents**	(13.61) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(356,747)**	(256,623)
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Foreign exchange differences	**(3,330)**	(7,005)
Other comprehensive loss for the year, net of tax	**(3,330)**	(7,005)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(360,077)**	(263,628)
Attributable to:		
Equity holders of the Company	**(358,039)**	(265,746)
Non-controlling interests	**(2,038)**	2,118
	(360,077)	(263,628)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**85,987**	261,128
Right-of-use assets		**157,205**	—
Goodwill and other intangibles		**14,407**	15,854
Interests in associates		**53,885**	8,074
Deferred income tax assets		**9,380**	7,501
Non-current prepayments		**54,156**	52,543
Prepaid operating lease rentals		**—**	1,328
Financial assets at fair value through other comprehensive income		**4**	24
Total non-current assets		**375,024**	346,452
CURRENT ASSETS			
Inventories		**5,183**	6,468
Trade receivables	*9*	**251,587**	188,503
Prepayments, deposits and other receivables		**118,584**	124,908
Tax receivables		**1,307**	1,143
Restricted cash		**7,090**	7,063
Pledged bank deposits		**104,936**	153,635
Cash and cash equivalents		**353,503**	677,811
		842,190	1,159,531
Assets held-for-sale		**6,209**	—
Total current assets		**848,399**	1,159,531
Total assets		**1,223,423**	1,505,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Trade payables	*10*	**81,305**	87,641
Other payables and accruals		**138,116**	102,635
Contract liabilities		**10,888**	8,132
Borrowings		**4,512**	16,306
Lease liabilities		**63,397**	—
Tax payables		**883**	276
Total current liabilities		**299,101**	214,990
Net current assets		**549,298**	944,541
Total assets less current liabilities		**924,322**	1,290,993
NON-CURRENT LIABILITIES			
Borrowings		**—**	45,970
Lease liabilities		**48,267**	—
Deferred income tax liabilities		**32,442**	46,265
Other long-term liabilities		**—**	7,237
Total non-current liabilities		**80,709**	99,472
Total liabilities		**379,810**	314,462
Net assets		**843,613**	1,191,521
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**234,482**	234,482
Reserves		**484,256**	830,126
		718,738	1,064,608
Non-controlling interests		**124,875**	126,913
Total equity		**843,613**	1,191,521

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 2019 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 2019 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 costs 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 2019:

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

The Group had to change its accounting policies as a result of adoption HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of adoption of HKFRS 16 is disclosed in Note 1.3 below. 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 standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2019 and have not been adopted early:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definitions of a Business	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform	1 January 2020

These standards are not expected to have a material 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 16 "Leases" on the Group's financial statements.

The Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments (if any) arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

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 *Leases*. 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 incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.72%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application. There were no remeasurements to the lease liabilities upon the adoption of HKFRS 16.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	**84,490**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(24,771)**
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

(iii) Measurement of right-of-use assets

Right-of-use assets for properties leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. Other right-of-use assets arise from leases previously classified as finance leases and were measured at their carrying amounts immediately before transition at the date of initial application.

(iv) Impact on consolidated financial statements

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Consolidated statement of financial position (extract)	31 December 2018 As originally presented *HK$'000*	HKFRS 16 *HK$'000*	1 January 2019 Restated *HK$'000*
Non-current assets			
Property, plant and equipment	261,128	(97,466)	163,662
Right-of-use assets	—	156,274	156,274
Prepaid operating lease rentals	1,328	(1,328)	—
Current assets			
Prepayments (included in prepayments, deposits and other receivables)	3,060	(3,060)	—
Non-current liabilities			
Borrowings	45,970	(45,970)	—
Lease liabilities	—	88,482	88,482
Current liabilities			
Borrowings	16,306	(15,868)	438
Lease liabilities	—	27,776	27,776

The adoption of HKFRS 16 has no significant impact on loss per share for the year ended 31 December 2019.

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.

During the year, management has changed its internal performance review to align more closely with the Group's strategic decision and development of which the previous operating segment of Aviation and Logistics Business was separated into two operating segments, namely Aviation and Logistics Business and Security, Insurance and Infrastructure Business to reflect the latest business development of the Group. The comparative amounts of the segment information in 2018 has been reclassified to reflect such change.

The business under each operating segments are summarised as follows:

(i) Aviation and Logistics Business ("**AL Business**") — Provision of aviation and logistics related services;

(ii) Security, Insurance and Infrastructure Business ("**SII Business**") — Provision of security, insurance and infrastructure related services; and

(iii) Financial Market Information Business ("**FMI Business**") — Provision of online financial market information.

Others include corporate income and expenses, other direct investments 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 2019 by operating segments is as follows:

	AL Business *HK$'000*	SII Business *HK$'000*	FMI Business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers (from external customers)	**682,497**	**27,463**	**15,960**	**—**	**725,920**
Depreciation	**49,950**	**4,163**	**556**	**172**	**54,841**
Amortisation	**1,605**	**14**	**—**	**—**	**1,619**
Provision for impairment of property, plant and equipment and assets held-for-sale	**64,509**	**—**	**—**	**—**	**64,509**
Impairment losses on financial assets	**14,286**	**—**	**—**	**—**	**14,286**
Operating loss	**(178,139)**	**(86,094)**	**(778)**	**(104,391)**	**(369,402)**
Interest income					**12,045**
Finance costs					**(10,360)**
Share of losses of associates					**(3,760)**
Loss before income tax					**(371,477)**
Income tax credit					**14,730**
Loss for the year					**(356,747)**
Total assets	**650,371**	**175,880**	**2,524**	**394,648**	**1,223,423**
Total assets include:					
Interests in associates	**—**	**52,059**	**—**	**1,826**	**53,885**
Total liabilities	**285,710**	**64,024**	**6,230**	**23,846**	**379,810**
Capital expenditure	**14,773**	**8,139**	**53**	**1,661**	**24,626**

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$'000* (Restated)	SII Business *HK$'000* (Restated)	FMI Business *HK$'000*	Others *HK$'000* (Restated)	Total *HK$'000*
Revenue from contracts with customers (from external customers)	843,135	6,141	17,472	—	866,748
Depreciation	27,896	1,005	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	8,318	—	—	—	8,318
Impairment losses on financial assets	2,732	—	—	—	2,732
Operating loss	(120,407)	(55,892)	(1,071)	(81,878)	(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	632,742	92,697	2,720	777,824	1,505,983
Total assets include: Interests in associates	—	6,202	—	1,872	8,074
Total liabilities	255,116	22,051	6,571	30,724	314,462
Capital expenditure	16,089	27,479	68	457	44,093

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

	2019 *HK$'000*	2018 *HK$'000*
Africa	**462,903**	506,957
Europe	**115,375**	151,834
The People's Republic of China ("**PRC**")		
— Mainland China	**102,494**	145,737
— Hong Kong	**33,910**	56,381
Others	**11,238**	5,839
	725,920	866,748

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

	Operating segment	2019 *HK$'000*	2018 *HK$'000*
Customer A	AL business	**186,954**	234,494

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

	2019 *HK$'000*	2018 *HK$'000* (Restated)
Total assets for reportable segments	**828,775**	728,159
Other direct investments	**6,650**	7,706
Corporate assets	**387,998**	770,118
Total assets of the Group	**1,223,423**	1,505,983

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

	2019 *HK$'000*	2018 *HK$'000*
Africa	**270,699**	228,712
Europe	**40,941**	73,117
The PRC		
— Mainland China	**20,523**	9,616
— Hong Kong	**4,651**	1,604
Others	**28,826**	25,878
	365,640	338,927

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from provision of aviation and logistics services	**682,497**	843,135
Revenue from provision of security, insurance and infrastructure services	**27,463**	6,141
Revenue from provision of online financial market information	**15,960**	17,472
	725,920	866,748

Disaggregation of revenue from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**669,540**	831,184
Over time	**56,380**	35,564
Revenue from contracts with customers (from external customers)	**725,920**	866,748

4 FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
Bank loans	**944**	3,448
Lease liabilities	**7,566**	6,294
Other loans	**—**	1,300
Financing arrangement fee	**1,916**	3,468
Net exchange gain on borrowings	**(66)**	(582)
	10,360	13,928

5 INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— Outside Hong Kong		
— Provision for the year	**(79)**	(675)
— Adjustment in respect of prior years	**(201)**	(213)
	(280)	(888)
Deferred income tax		
— Outside Hong Kong	**15,010**	6,532
	14,730	5,644

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):

		2019	2018
		HK$'000	*HK$'000*
(a)	**Rental expenses**		
	Rentals on land and buildings	**14,029**	28,867
	Rentals on equipment	**3,177**	4,215
	Rentals on motor vehicle	**400**	356
		17,606	33,438
(b)	**Depreciation and amortisation**		
	Depreciation of right-of-use assets *(Note)*	**32,868**	—
	Depreciation of property, plant and equipment	**21,973**	29,074
	Amortisation of other intangibles	**1,619**	8,192
	Amortisation of prepaid operating lease rentals *(Note)*	**—**	44
		56,460	37,310

		2019	2018
		HK$'000	*HK$'000*
(c)	**Other operating expenses**		
	Professional and consultancy fee	**16,410**	10,067
	Travelling expenses	**17,563**	17,506
	Net exchange losses	**12,267**	7,545
	Net loss on disposal of property, plant and equipment	**—**	977
	Auditor's remuneration		
	Audit services	**3,080**	3,010
	Non-audit services	**395**	501
	Provision for inventories	**1,456**	4,030
	Write-off of purchase option in an associate	**3,907**	—
	Others	**63,245**	51,776
		118,323	95,412
(d)	**Other income and other gains**		
	Warehouse income	**(4,512)**	(3,959)
	Write-back of other payables	**(798)**	(4,507)
	Net gain on disposal of property, plant and equipment	**(1,048)**	—
	Others	**(589)**	(405)
		(6,947)	(8,871)

Note: As a result of the adoption of HKFRS 16 *Leases* during the year, depreciation of right-of-use assets was recognised, further details of the impact of the adoption was set out in Note 1.3 of this announcement.

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.

The basic and diluted loss per share for the year ended 31 December 2019 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding, including the conversion of the exchangeable preference shares and the exercise of the outstanding share options, during the year was anti-dilutive.

The weighted average number of ordinary shares in issue during the year ended 31 December 2019 was the number of ordinary shares in issue, as there was no new ordinary shares issued under the share option schemes.

	2019	2018
Weighted average number of ordinary shares in issue	**2,344,818,660**	1,902,492,380
	HK$'000	*HK$'000*
Group's loss attributable to the equity holders of the Company	**(354,793)**	(258,846)

8 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

9 TRADE RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**73,576**	93,295
1-2 months	**28,048**	25,947
2-3 months	**11,934**	17,803
Over 3 months	**151,911**	55,911
	265,469	192,956
Less: loss allowance	**(13,882)**	(4,453)
	251,587	188,503

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 invoice date, of the trade payables as at the date of statement of financial position is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**38,330**	45,067
1-2 months	**10,967**	12,846
2-3 months	**6,059**	7,407
Over 3 months	**25,949**	22,321
	81,305	87,641

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**725,920**	866,748
Cost of direct materials and job expenses	**(200,120)**	(283,938)
Cost of aircraft management services	**(97,689)**	(128,814)
Data costs	**(5,999)**	(7,028)
Employee benefit expenses	**(240,896)**	(211,722)
Sub-contracting charges	**(268,622)**	(288,488)
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Repair and maintenance costs	**(17,759)**	(33,580)
Depreciation and amortisation	**(56,460)**	(37,310)
Other income and other gains	**6,947**	8,871
Other operating expenses	**(118,323)**	(95,412)
Provision for impairment of other intangibles	**—**	(4,087)
Provision for impairment of property, plant and equipment and assets held-for-sale	**(64,509)**	(8,318)
Impairment losses on financial assets	**(14,286)**	(2,732)
Operating loss	**(369,402)**	(259,248)
Interest income	**12,045**	12,426
Finance costs	**(10,360)**	(13,928)
Share of losses of associates	**(3,760)**	(1,517)
Loss before income tax	**(371,477)**	(262,267)
Income tax credit	**14,730**	5,644
Loss for the year	**(356,747)**	(256,623)

Frontier Services Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") reported a consolidated revenue of HK$725,920,000 (2018: HK$866,748,000) for the year ended 31 December 2019. The Group's revenue decreased because of the reduction in revenue from aviation and logistics businesses. For the year ended 31 December 2019, the Group reported a loss of HK$356,747,000 (2018: HK$256,623,000). Such an increase was mainly due to the fact that the Group spent much more resources and effort in developing its businesses along the Belt and Road regions including countries like Myanmar, Cambodia, Laos, Mozambique and the Democratic Republic of Congo (the "**DRC**"), which resulted in more employee benefit expenses, rental expenses and amortisation of right-of-use assets being incurred. Other than this, the Group set aside impairment provisions against the Group's property, plant and equipment of HK$64,509,000 (2018: HK$8,318,000) and some of the Group's financial assets of HK$14,286,000 (2018: HK$2,732,000).

Financial Key Performance Indicators

	Year ended 31 December	
	2019	2018
Basic loss per share	**(15.13) cents**	(13.61) cents

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Total assets	**1,223,423**	1,505,983
Shareholders' funds	**718,738**	1,064,608
Net asset value per share (excluding non-controlling interests)	**31 cents**	45 cents
Cash and bank balances	**465,529**	838,509
Current ratio	**2.84**	5.39
Total liabilities-to-total assets ratio	**0.31**	0.21
Price to book ratio	**2.28**	2.76

The reduction in total assets and cash and bank balances by HK$282,560,000 and HK$372,980,000 was mainly due to the net cash used in operating activities of HK$276,731,000 and the repayment of principal elements of lease liabilities of HK$37,157,000. Additional cash was used in investing activities during the year, which include purchases of property, plant and equipment of HK$20,329,000 and investments in associates of HK$46,487,000.

Revenue from contracts with customers

	2019	2018
	HK$'000	*HK$'000*
Aviation and logistics business	**682,497**	843,135
Security, insurance and infrastructure business	**27,463**	6,141
Financial market information business	**15,960**	17,472
	725,920	866,748

The Group's revenue for the year ended 31 December 2019 reduced by 16% because the Group's revenue from aviation and logistics business reduced by HK$160,638,000, which mainly due to the reduction in revenue contributed by (i) Phoenix Aviation Limited ("**PAL**") from HK$77,339,000 in 2018 to HK$37,766,000 in 2019, (ii) Maleth Aero Limited ("**Maleth**") from HK$151,834,000 in 2018 to HK$115,375,000 in 2019; and (iii) Frontier Logistics (Shanghai) Company Limited and Frontier Project Logistics Limited ("**SH Logistics Business**") from HK$189,545,000 in 2018 to HK$124,069,000 in 2019. Keen price competition and our repositioning in aviation and logistics market as well as internal restructuring plans carried out in certain of these companies resulted in the reduction of revenue for 2019.

Revenue from security, insurance and infrastructure business for the year ended 31 December 2019 reported a marked improvement. It mainly represented those revenue generated from the provision of security, insurance and infrastructure related services. During the year, the Group undertook many more security projects in countries such as Myanmar, Cambodia and the DRC to multinational and Chinese entities. At the same time, a small scale infrastructure project was undertaken by the Group in the DRC.

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 for the year ended 31 December 2019 was HK$353,895,000 (2018: HK$373,745,000), representing a slight decline of 5% and it still contributed approximately 49% (2018: 43%) of the Group's revenue. For the year ended 31 December 2019, TFF managed to operate at a breakeven while it was loss-making in 2018.

SH Logistics Business recorded a decline in revenue of 35%. During the year, SH Logistics Business managed to improve its gross profit margin by focusing on those projects which were in alliance with the Group's strategy. Those projects with thin margins were no longer its targeted customers. Owing to such strategic change during 2019, its overall revenue decreased. In view of the logistics businesses between PRC and Africa are becoming more mature, the revenue of SH Logistics Business is expected to be improved in the coming year.

Maleth, a Malta based aircraft management services company, reported a decline in revenue by 24% mainly due to the fact that the number of aircraft available for Maleth's management reduced as a result of the relevant aircraft owned by aircraft owner has to undergo engine overhaul during 2019 or the aircraft owners' change of intention from continuous ownership to sale, which resulted in the decrease in management fee income and charter income earned by Maleth during 2019.

PAL, a Kenyan aviation company based in Nairobi, reported a 51% decline in revenue. During the year ended 31 December 2019, 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. Its business was gradually improved in the last quarter of 2019. Management of PAL will use their best endeavour to improve the operating performance of PAL in 2020.

With continuous effort and resources put on developing other businesses along the Belt and Road regions, the performance of the Group's security, insurance and infrastructure business segment will gradually pick up in 2020, in particular, the security business segment.

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

Owing to the non-performance of aviation business segment during 2019 including PAL and Maleth, the Group carried out an annual impairment test assessment over certain of its non-performing aircraft. As a result, the Group set aside provision for impairment loss against a non-performing 737 aircraft of HK$20,094,000 for the year ended 31 December 2019 because of its continuous technological issues, which significantly affected its available flying hours. Such aircraft had undergone a number of repairs and maintenance in previous years but those issues still occurred. Therefore, the Group again carried out an annual impairment test against this aircraft by comparing its carrying value with its recoverable amount as at 31 December 2019. The recoverable amount was determined by reference to the best available estimated selling price of the dismantled part of this aircraft in the market by taking into account the recent condition of the sellable dismantled parts.

As of 31 December 2019, the Group has been actively locating buyers for the helicopters held by the Group. Subsequent to the date of statement of financial position, the Group entered into a disposal agreement with an independent third party to dispose of three helicopters at a net consideration of US$797,000 (equivalent to HK$6,209,000) (the "**Disposal**"). Provision for impairment loss of HK$38,926,000 was set aside in this respect to write down their carrying values to their recoverable amount as at 31 December 2019. The recoverable amount of these three helicopters of HK$6,209,000 was reclassified from non-current assets to assets held-for-sale as at 31 December 2019. The Disposal was completed in February 2020.

During the year, the Group carried out another impairment test against other property, plant and equipment. Provision for impairment loss of HK$5,489,000 was set aside which related to those assets held by a non-performing cash-generating unit in Mozambique.

PROSPECTS

In 2020, the Group has entered into another milestone. With the view to giving full play of its "four-in-one" advantages, the Group will consolidate its resources in all aspects and focus its resources and efforts in expanding the development of five major logistics channels and significant projects, so as to vigorously promote our business through professionalism, internationalisation and localisation.

Among these key markets of the Group, its businesses in the DRC, Cambodia, Laos and Myanmar have been fully developed. In the ensuing year, a number of significant projects are expected to achieve fruitful results for our principal businesses, including security, insurance, logistics and infrastructure segments. In addition, our team has taken advantage of the compelling opportunities to cultivate its newly-explored markets, like Bangladesh, and to move forward with their development. Meanwhile, on the foundation of the principal businesses, various comprehensive projects in relation to energy, mining and airport management have been explored, fully reflecting the Group's advantages and capabilities in developing overseas business and integrating resources, thereby laying a solid foundation for the growth in the Group's overall revenue.

Upon the rationalisation of principal subsidiaries and associates of the Group in 2019, we will further integrate and synergise the business development of different regions/countries in 2020 to better align the development strategies of the Group, capitalise the respective competitive strengths, provide superior services for customers, and ultimately deliver greater returns to the shareholders.

Besides, the establishment of the Fund (as defined under the heading "Future Plans for Material Investments or Capital Assets and Capital Expenditure Commitments") represents an excellent opportunity for the Group to promote its diversified development and makes better use of the advantages from the unique business model of the Group, maximising its returns with minimum investment.

At the beginning of 2020, we have been exposed to the tremendous impacts of coronavirus outbreak on the socio-economic environment. Such stressful environment has presented a daunting challenge to the Group, as all of its members, from the leaders at the headquarter to every frontline staff, have to continue their efforts to find opportunities in such crisis and unleash the potential under pressure based on the established strategic layout, thereby realising their commitment to the Board and shareholders. In this regard, the Group remains optimistic that with the guidance and support from the Board, our excellent team can meet the challenges, overcome difficulties and deliver growth amid headwinds by upholding our unique model and team's spirit of struggle.

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 23,448,186 share options under its share option scheme during the year ended 31 December 2019 (2018: 21,397,030).

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 2019 (2018: Nil).

The total number of employees of the Group as at 31 December 2019 was 625 (2018: 477).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2019, the Group recorded total assets of HK$1,223,423,000 (2018: HK$1,505,983,000) which were financed by liabilities of HK$379,810,000 (2018: HK$314,462,000), non-controlling interests of HK$124,875,000 (2018: HK$126,913,000) and shareholders' equity of HK$718,738,000 (2018: HK$1,064,608,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2019 amounted to HK$0.31 (2018: HK$0.45) per share.

As at 31 December 2019, the Group's available cash and bank balances were HK$465,529,000 (2018: HK$838,509,000) with a total borrowings of HK$116,176,000 (2018: HK$62,276,000). The Group's total borrowings mainly represented lease liabilities for aircraft amounting to HK$43,847,000 (2018: HK$59,195,000), lease liabilities for properties, equipment and trailers amounting to HK$67,817,000 (2018: HK$2,643,000), bank loans amounting to HK$4,172,000 (2018: Nil) and other loans amounting to HK$340,000 (2018: HK$438,000). As at 31 December 2019, the Group's borrowings were mainly denominated in Hong Kong dollars ("**HK$**"), Renminibi ("**RMB**"), United States dollars ("**US$**"), South Africa 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 (2018: 1 to 4 years). The Group, therefore, managed to maintain a surplus net cash and bank position of HK$349,353,000 (2018: HK$776,233,000) (total available cash and bank balances minus total borrowings).

In May 2018, net proceeds of HK$830,567,000 were raised through a subscription. The actual use of net proceeds up to 31 December 2019, the expected timeline for utilising the unutilised net proceeds and the subsequent change in use of proceeds are set out under the heading "Change in Use of Proceeds from the Subscription" below.

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 bank borrowings, surplus cash is generally placed on term deposits 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 during the year. 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 1% and increased by 3% respectively during the year ended 31 December 2019. 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 3% during the year ended 31 December 2019. 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 material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2019.

Charges on Assets

As at 31 December 2019, the Group had bank deposits amounting to HK$104,936,000 (2018: HK$153,635,000) and certain trade receivables of HK$36,592,000 (2018: HK$33,921,000) were 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

On 3 December 2019, the Group entered into a shareholders' agreement with Rainbow Sea Limited ("**RSL**"), an indirect wholly-owned subsidiary of CITIC Capital Holdings Limited, in relation to the establishment of a joint-venture company, Frontier Strategic Resources Holding Ltd. (the "**JV Company**"). On the same date, the Group entered into a limited partnership agreement and the subscription agreement pursuant to which the Group and RSL shall commit to a contribution of US$25,000,000 each to the investment fund (the "**Fund**") managed by the JV Company and the JV Company's subsidiaries. Further details in relation to the Fund are set out in the Company's announcement dated 3 December 2019. As at 31 December 2019, the Group had capital expenditure commitment for investment in the fund of US$25,000,000 (equivalent to HK$194,775,000).

As at 31 December 2019, the Group also had capital expenditure commitments for purchase of land-use-rights amounting to HK$11,163,000 (2018: HK$11,440,000).

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 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 31 December 2019.

Subsequent Events

The outbreak of novel coronavirus since January 2020 will affect the global usual business environment of the Mainland China and other locations where the Group had operations such as Malta and some Southeast Asian countries. If such situation continues in the long term, the Group's business operations and financial results may be affected. Management is of the view that the ultimate impact to the Group's businesses due to the virus is uncertain and beyond prediction as it is highly dependent on the future development. Management will closely and continuously monitor the situation and assess the financial impact to the Group.

Except for as disclosed above and elsewhere in the financial statements, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2019 and up to the date of this 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 2019. 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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 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 the accounting year covered by this announcement.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers 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 2019 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 2019 have been reviewed by the Audit Committee.

(2) CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION

Reference is made to (i) the circular of the Company dated 2 May 2018 (the "**Circular**") in relation to the subscription of shares under general mandate (the "**Subscription**"), (ii) the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**") and (iii) the announcement of the Company for supplemental information to the 2018 Annual Report dated 23 September 2019 (the "**Announcement**"). Unless otherwise stated, capitalised terms used hereinafter shall have the same meanings as those defined in the Circular, the 2018 Annual Report and the Announcement.

The net proceeds of approximately HK$830,567,000 were raised through the Subscription. The actual use of net proceeds up to 31 December 2019 is set out below.

At the date of this announcement, the Board resolved to change the intended use of unutilised net proceeds from the Subscription (the "**Change in Use of Proceeds**") in the following manner:

	Intended use of net proceeds set out in the Circular *HK$'000*	Actual use of net proceeds up to 31 December 2019 *HK$'000*	Unutilised net proceeds as at 31 December 2019 *HK$'000*	Revised intended use of unutilised net proceeds Subscription *HK$'000*
Setting up businesses in Myanmar, Laos and Cambodia	130,000	45,768	84,232	84,232
Setting up businesses in Pakistan and Xinjiang, China	120,800	13,009	107,791	7,791
Expansion of businesses in Africa and Middle East	70,767	70,767	—	100,000
General working capital for the Group's existing business	288,000	288,000	—	—
Working capital for establishment of new offices along Belt and Road regions	41,000	41,000	—	—
Repayment of the Group's indebtedness	180,000	180,000	—	—
Total	830,567	638,544	192,023	192,023

Reason for Change in Use of Proceeds

On 24 March 2020, the Board has approved the Change in Use of Proceeds by allocating the unutilised net proceeds of approximately HK$100 million from setting up businesses in Pakistan and Xinjiang, China to expansion of businesses in Africa and Middle East in respect of provision of security, insurance and infrastructure related services in view of the marked improvement in revenue from this segment as set out in sub-section headed "Revenue from contracts with customers" under "Review of Results" section. The Board has reviewed the latest business development in both Pakistan and Xinjiang, China and has concluded that Xinjiang, China will no longer form part of the primary business focus of the Group's latest business plan. The remaining unutilised net proceeds of HK$7,791,000 for setting up businesses in Pakistan and Xinjiang, China will be used for supporting the development of logistics business in relation to the China Pakistan Economic Corridor.

Having considered the impact of the Change in Use of Proceeds on the Group's businesses, the Board is of the view that the revised intended use of unutilised net proceeds will meet the Group's business and operational needs more effectively and in line with the Group's latest business development and future planning. The Board believes that the Change in Use of Proceeds will not have any material adverse effect on the existing business and operation of the Group and is in the best interests of the Company and its shareholders as a whole.

By Order of the Board
Frontier Services Group Limited
Hua Dongyi
Executive Director and Chief Executive Officer

Hong Kong, 24 March 2020

At the date of this announcement, the Board of the Company comprises the non-executive directors of Mr. Chang Zhenming (Chairman), Mr. Zhang Yichen and Mr. Fei Yiping; executive directors of Mr. Erik D. Prince (Deputy Chairman), Mr. Ko Chun Shun, Johnson (Deputy Chairman), Mr. Luo Ning (Deputy Chairman) and Dr. Hua Dongyi (Chief Executive Officer); and the independent non-executive directors of Mr. Yap Fat Suan, Henry, Professor Lee Hau Leung and Dr. Harold O. Demuren.