

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



FRONTIER SERVICES GROUP LIMITED

先豐服務集團有限公司*

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 00500)

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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-month period ended 30 June 2020 (the “**Current Period**”), together with the comparative amounts for the corresponding period of 2019. 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 2020

	Note	Six-month period ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers	2 and 3	265,928	346,690
Cost of direct materials and job expenses		(73,312)	(107,714)
Cost of aircraft management services		(25,951)	(40,775)
Data costs		(2,834)	(3,712)
Employee benefit expenses		(122,627)	(112,999)
Sub-contracting charges		(84,728)	(122,350)
Rental expenses		(7,136)	(8,431)
Repairs and maintenance costs		(6,461)	(8,098)
Depreciation and amortisation		(27,463)	(26,840)
Other income and other gains		1,469	3,821
Other operating expenses		(44,691)	(55,387)
Impairment losses of financial assets		(3,292)	(356)
Provision for impairment of property, plant and equipment		(909)	—
Operating loss		(132,007)	(136,151)
Interest income		2,860	5,788
Finance costs	4	(6,002)	(5,705)
Share of losses of associates		(1,216)	(1,194)
Loss before income tax		(136,365)	(137,262)
Income tax credit	5	6,237	4,331
LOSS FOR THE PERIOD	6	(130,128)	(132,931)
Attributable to:			
Equity holders of the Company		(130,221)	(132,918)
Non-controlling interests		93	(13)
		(130,128)	(132,931)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share	7	(5.55) cents	(5.67) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(130,128)</u>	<u>(132,931)</u>
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Foreign exchange differences	<u>(8,771)</u>	<u>(3,630)</u>
Other comprehensive loss for the period, net of tax	<u>(8,771)</u>	<u>(3,630)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(138,899)</u>	<u>(136,561)</u>
Attributable to:		
Equity holders of the Company	(138,994)	(136,509)
Non-controlling interests	<u>95</u>	<u>(52)</u>
	<u>(138,899)</u>	<u>(136,561)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		78,493	85,987
Right-of-use assets		148,011	157,205
Goodwill and other intangibles		13,562	14,407
Interests in associates		52,426	53,885
Investment in a fund		2,236	—
Deferred income tax assets		11,637	9,380
Non-current prepayments		54,144	54,156
Financial assets at fair value through other comprehensive income		4	4
		<u>360,513</u>	<u>375,024</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		4,506	5,183
Trade receivables	9	230,475	251,587
Prepayments, deposits and other receivables		116,409	118,584
Tax receivables		1,066	1,307
Restricted cash		—	7,090
Pledged bank deposits		102,908	104,936
Cash and cash equivalents		285,987	353,503
		<u>741,351</u>	<u>842,190</u>
Assets held-for-sale		—	6,209
		<u>741,351</u>	<u>848,399</u>
Total current assets			
Total assets		<u>1,101,864</u>	<u>1,223,423</u>

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	<i>10</i>	72,090	81,305
Other payables and accruals		173,133	138,116
Contract liabilities		8,182	10,888
Borrowings		5,103	4,512
Lease liabilities		34,163	63,397
Tax payables		365	883
		<u>293,036</u>	<u>299,101</u>
Total current liabilities			
		<u>448,315</u>	<u>549,298</u>
Net current assets			
		<u>808,828</u>	<u>924,322</u>
Total assets less current liabilities			
NON-CURRENT LIABILITIES			
Lease liabilities		70,018	48,267
Deferred income tax liabilities		29,523	32,442
		<u>99,541</u>	<u>80,709</u>
Total non-current liabilities			
		<u>392,577</u>	<u>379,810</u>
Total liabilities			
		<u>709,287</u>	<u>843,613</u>
Net assets			
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	<i>11</i>	234,482	234,482
Reserves		349,835	484,256
		<u>584,317</u>	<u>718,738</u>
Non-controlling interests		124,970	124,875
		<u>709,287</u>	<u>843,613</u>
Total equity			

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 2020 (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 2019 (“**2019 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 2019 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of 1 January 2020.

1.2 NEW, AMENDED AND REVISED HKFRSs

In the Current Period, the Group has adopted the following 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 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related rent concessions
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The adoption of these 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 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

In December 2019, 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 for the six-month period ended 30 June 2019 has been reclassified to reflect such change.

- (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, total assets and total liabilities information for the Current Period by operating segments is as follows:

	Unaudited				Total
	AL	SII	FMI	Others	
	Business	Business	Business	Business	Business
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contract with customers (from external customers)	<u>225,280</u>	<u>33,452</u>	<u>7,196</u>	<u>—</u>	<u>265,928</u>
Depreciation	22,934	1,872	275	1,538	26,619
Amortisation	<u>801</u>	<u>43</u>	<u>—</u>	<u>—</u>	<u>844</u>
Operating loss	<u>(41,960)</u>	<u>(21,374)</u>	<u>(489)</u>	<u>(68,184)</u>	<u>(132,007)</u>
Interest income					2,860
Finance costs					(6,002)
Share of losses of associates					<u>(1,216)</u>
Loss before income tax					(136,365)
Income tax credit					<u>6,237</u>
Loss for the Current Period					<u>130,128</u>
Total assets	<u>576,424</u>	<u>161,581</u>	<u>3,460</u>	<u>360,399</u>	<u>1,101,864</u>
Total liabilities	<u>273,015</u>	<u>51,440</u>	<u>7,103</u>	<u>61,019</u>	<u>392,577</u>

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2019 by operating segments is as follows:

	Unaudited				Total <i>HK\$ '000</i>
	AL Business <i>HK\$ '000</i> (Restated)	SII Business <i>HK\$ '000</i> (Restated)	FMI Business <i>HK\$ '000</i>	Others <i>HK\$ '000</i> (Restated)	
Revenue from contract with customers (from external customers)	<u>329,109</u>	<u>9,556</u>	<u>8,025</u>	<u>—</u>	<u>346,690</u>
Depreciation	23,808	750	278	1,202	26,038
Amortisation	<u>802</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>802</u>
Operating loss	<u>(43,863)</u>	<u>(22,640)</u>	<u>(1,078)</u>	<u>(68,570)</u>	(136,151)
Interest income					5,788
Finance costs					(5,705)
Share of losses of associates					<u>(1,194)</u>
Loss before income tax					(137,262)
Income tax credit					<u>4,331</u>
Loss for the Current Period					<u>(132,931)</u>
Total assets	<u>711,002</u>	<u>95,671</u>	<u>2,480</u>	<u>639,474</u>	<u>1,448,627</u>
Total liabilities	<u>314,444</u>	<u>9,861</u>	<u>6,538</u>	<u>55,939</u>	<u>386,782</u>

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers:

	Six-month period ended 30 June	
	2020 (Unaudited) <i>HK\$ '000</i>	2019 (Unaudited) <i>HK\$ '000</i>
Timing of revenue recognition		
At a point in time	214,202	321,317
Over time	<u>51,726</u>	<u>25,373</u>
Revenue from contracts with customers (from external customers)	<u>265,928</u>	<u>346,690</u>

4 FINANCE COSTS

	Six-month period ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interests on:		
Bank loans	604	500
Leases liabilities	3,917	3,746
Other loans	34	27
Facility arrangement fees	558	1,361
Net exchange losses on borrowings	889	71
	<u>6,002</u>	<u>5,705</u>

5 INCOME TAX CREDIT

	Six-month period ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current income tax		
Outside Hong Kong		
Provision for the Current Period	(45)	(71)
Adjustments in respect of prior periods	—	30
	<u>(45)</u>	<u>(41)</u>
Deferred income tax		
Outside Hong Kong	<u>6,282</u>	<u>4,372</u>
Income tax credit	<u>6,237</u>	<u>4,331</u>

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 Current Period is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of direct materials and job expenses (<i>Note</i>)	73,312	107,714
Depreciation of right-of-use assets	17,749	15,174
Depreciation of property, plant and equipment	8,870	10,864
Amortisation of other intangibles	844	802
Rentals on land and buildings	4,827	7,099
Rentals on equipment	2,159	1,214
Rentals on motor vehicles	150	118
Other operating expenses including, inter alia:		
Net exchange losses	10,099	5,461
Net (gain)/loss on disposal of property, plant and equipment	(1)	477
	<u> </u>	<u> </u>

Note:

The cost of direct materials and job expenses includes, inter alia, parts for aircraft maintenance services, fuel costs, take-off, landing and depot charges, crew costs, toll road costs and custom clearing costs 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 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, including the conversion of the exchangeable preference shares and the exercise of the outstanding share options, 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	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	<u>2,344,818,660</u>	<u>2,344,818,660</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to the equity holders of the Company	<u>(130,221)</u>	<u>(132,918)</u>

8 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2020 (2019: 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 2020	31 December 2019
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	52,130	73,576
1-2 months	25,653	28,048
2-3 months	7,050	11,934
Over 3 months	<u>162,816</u>	<u>151,911</u>
	247,649	265,469
<i>Less: loss allowance</i>	<u>(17,174)</u>	<u>(13,882)</u>
	<u>230,475</u>	<u>251,587</u>

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	34,267	38,330
1-2 months	11,526	10,967
2-3 months	7,305	6,059
Over 3 months	<u>18,992</u>	<u>25,949</u>
	<u>72,090</u>	<u>81,305</u>

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 2019 (audited) and 30 June 2020 (unaudited)	<u>3,000,000,000</u>	<u>300,000</u>
Issued		
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>2,344,818,660</u>	<u>234,482</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers	265,928	346,690
Cost of direct materials and job expenses	(73,312)	(107,714)
Cost of aircraft management services	(25,951)	(40,775)
Data costs	(2,834)	(3,712)
Employee benefit expenses	(122,627)	(112,999)
Sub-contracting charges	(84,728)	(122,350)
Rental expenses	(7,136)	(8,431)
Repairs and maintenance costs	(6,461)	(8,098)
Depreciation and amortisation	(27,463)	(26,840)
Other income and other gains	1,469	3,821
Other operating expenses	(44,691)	(55,387)
Impairment losses on financial assets	(3,292)	(356)
Provision for impairment of property, plant and equipment	(909)	—
Operating loss	(132,007)	(136,151)
Interest income	2,860	5,788
Finance costs	(6,002)	(5,705)
Share of losses of associates	(1,216)	(1,194)
Loss before income tax	(136,365)	(137,262)
Income tax credit	6,237	4,331
Loss for the period	<u>(130,128)</u>	<u>(132,931)</u>

Revenue from contracts with customers

	Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Aviation and logistics business	225,280	329,109
Security, insurance and infrastructure business	33,452	9,556
Financial market information business	7,196	8,025
	<u>265,928</u>	<u>346,690</u>

The Group's revenue for the Current Period was HK\$265,928,000 (30 June 2019 HK\$346,690,000). Aviation and logistics business segment reported a decrease in revenue of HK\$103,829,000, which was mainly due to the reduction in revenue from the logistics business from HK\$255,466,000 in 2019 to HK\$157,979,000 in 2020. Lockdowns and restrictions on movement of people and goods affected the business performance of the Group's logistics arms in Shanghai and South Africa. Lockdowns and restrictions on travelling also affected the Group's aviation business, which resulted in a decrease in revenue from HK\$73,643,000 in 2019 to HK\$67,301,000 in 2020. However, the Group managed to render much more medivac operations or cargo transportation services to compensate for the drop during the Current Period.

Revenue from security, insurance and infrastructure business for the Current Period reported a marked improvement. During the Current Period, the Group undertook much more security projects in countries such as Myanmar, Cambodia and the Democratic Republic of the Congo (the "DRC") to Chinese and multinational entities. In last period, the security operations in Cambodia and the DRC had not yet started so the contributions from security business in last period was mainly generated from the presence in Myanmar.

Overall Performance

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 six-month period ended 30 June 2020 was HK\$102,803,000 (30 June 2019: HK\$160,334,000), recorded a decline of 36%. For the six-month period ended 30 June 2020, TFF was loss-making because of lockdowns across borders which affected its business volume and its profitability.

Frontier Logistics (Shanghai) Co., Ltd reported a total revenue of HK\$40,273,000 (30 June 2019: HK\$83,704,000) for the first half of 2020, which represents a decline in revenue of 52%. During the Current Period, it was operating at close to breakeven. However, disruptions to supply chains around the world as well as project suspensions and slowdowns affected the transaction volume of

its businesses, in particular, its targeted destinations are in African and South East Asia countries. In view of more businesses with sizable companies are to be secured, it is expected that its operating result will continue to improve in the second half of the year.

Maleth Aero Limited (“**Maleth**”), a Malta based aircraft management services company, reported a total revenue of HK\$35,337,000 (30 June 2019: HK\$50,761,000), representing a decline in revenue by 30%, which was mainly due to the fact that the number of aircraft available for Maleth’s management reduced as a result of lockdowns and restrictions on travelling imposed in Europe during the outbreak of COVID-19. During the Current Period, Maleth conducted much more cargo transportation for the delivery of medical equipment and goods to other countries in Europe such that the loss incurred by Maleth for the Current Period was relatively minimum.

During the Current Period, Phoenix Aviation Limited (“**PAL**”), a Kenyan aviation company based in Nairobi, reported a 85% increase in revenue from HK\$14,306,000 in 2019 to HK\$26,459,000 in 2020. The overall number of flying hours had been improved because of securing a fixed and guaranteed income contract with a key customer. Although the outbreak of COVID-19 in March 2020 in Kenya caused restrictions on flying across borders, relief was granted in May 2020 by the Civil Authority of Kenya allowing PAL’s flights to fly for medical aids, human evacuation and food relief. Hence, only a slight impact was posed on the business performance of PAL for the Current Period. During the Current Period, management of PAL continued to build and strengthen its air ambulance capability. Flights specifically used for delivery COVID-19 patients are now under operation. The management of PAL believes that its operating performance in 2020 will improve considerably as compared to the previous year.

During the Current Period, one of the Group’s associated companies has commenced operation to provide general insurance services to Chinese and multinational mining companies that are operating in the DRC. Management believes that it will provide another source of contribution to the Group in the foreseeable future.

Asset held for sale

In February 2020, the Group completed the disposal of three helicopters to an independent third party at a net consideration of US\$797,000 (equivalent to HK\$6,209,000). The three helicopters were reclassified from non-current assets to assets held-for-sale as at 31 December 2019.

PROSPECTS

The first half of 2020 has proven to be a challenging period for the Group and even the globe. The trade war between the United States and China has already created a lot of uncertainties and tensions between the two world’s largest economies in 2019 followed by the outbreak of COVID-19 at the beginning of 2020; all these are factors that have severely disrupted and slowed down the global economy in an unprecedented way. The ongoing impact of COVID-19 is still widely visible and is significantly impacting a number of industries, of which the Group is engaged in, like manufacturing, supply chains, logistics, aviation and infrastructure.

Some of the Group's business operations during the Current Period had to bring to a halt due to disruption to supply chains around the world, lockdowns, travel restrictions on foreign workers, project suspensions and slowdowns. Such disruptions had severely affected our operations in the logistics (including aviation) and infrastructure segments. All these have inevitably increased our operating costs which caused by the prolonged delays in delivery for certain proposed and on-going infrastructural projects in South East Asia and Africa.

By when COVID-19 pandemic will come to an end, and the global economy resume back to normal remain highly unpredictable. In general, it is expected that many ongoing projects will be rescheduled or even cancelled. The long term impact of the pandemic on certain projects is the real cause of concern. The resurgence of certain projects will be difficult because of problems arising from the mobility of the workers, consultants and contractors as well as the financial viability of these projects. Upstream and downstream players are affected along the supply chain.

During the past two years, the Group had put a lot of efforts and resources in cultivating new markets so as to develop the logistics channels across those economic corridors and to secure certain significant projects in South East Asia and Africa. As of today, the Group has established its presence in the form of security, logistics, insurance and infrastructure in countries like Cambodia, Laos, Myanmar, Bangladesh, the DRC, Kenya, Mozambique, South Africa, Tanzania, Nigeria, Kazakhstan, Malta, United Arab Emirates and the People's Republic of China (including Hong Kong). Although the Group has been exposed to the tremendous impacts of COVID-19 pandemic, every team member of the Group stays focus and is still fighting hard towards the Group's mission in different parts of the world and serving the Group's customers to their satisfaction. With the Group's unique business modelling and shareholding structure, its business development remains positive and active during the Current Period.

At present, most of the markets are struggling amidst the impacts of COVID-19 pandemic and the near-term outlook is difficult to foresee and predict. Nevertheless, the Group still believes that there are a lot of business opportunities to be grasped. For example, air ambulance services, one of the Company's subsidiaries business is now benefiting from high demands during these troubled times. Our Maltese based aircraft management company is also doing well by offering support to government officials in Europe for transporting medical equipment and consumables between borders of the neighbouring cities and/or countries during this critical moment. During the Current Period, the demands for the Group's security and insurance services in the DRC and Cambodia have grown remarkably. With all these positive catalysts, the management believes that the Group's business performance will get better in the foreseeable future.

Simultaneously, the management of the Group will continue to closely monitor its development, implement any necessary measures and adopt to any required changes whenever necessary to tackle any difficulties and grasp any opportunities in front of us.

The Group believes that with the continued support from our shareholders, our firm commitment towards our mission and vision, and the recent implementation of certain cost-cutting measures, the Group will become stronger and thrive in these challenging times.

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 2020 (30 June 2019: 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 2020 (30 June 2019: Nil).

The total number of employees of the Group as at 30 June 2020 was 1,275 (31 December 2019: 625).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2020, the Group's total assets were HK\$1,101,864,000 (31 December 2019: HK\$1,223,423,000) which were financed by liabilities of HK\$392,577,000 (31 December 2019: HK\$379,810,000), non-controlling interests of HK\$124,970,000 (31 December 2019: HK\$124,875,000) and shareholders' equity of HK\$584,317,000 (31 December 2019: HK\$718,738,000). The Group's net assets value per share (excluding non-controlling interests) as at 30 June 2020 amounted to HK\$0.25 (31 December 2019: HK\$0.31) per share.

As at 30 June 2020, the Group's available cash and bank balances were HK\$388,895,000 (31 December 2019: HK\$465,529,000) with a total borrowings of HK\$109,284,000 (31 December 2019: HK\$116,176,000). The Group's total borrowings mainly represented lease liabilities for aircraft amounting to HK\$39,168,000 (31 December 2019: HK\$43,847,000), lease liabilities for properties, equipment and trailers amounting to HK\$65,013,000 (31 December 2019: HK\$67,817,000), bank loans amounting to HK\$4,763,000 (31 December 2019: HK\$4,172,000) and other loans amounting to HK\$340,000 (31 December 2019: HK\$340,000). As at 30 June 2020, the Group's borrowings were mainly denominated in Hong Kong dollars ("HK\$"), Renminbi ("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 (31

December 2019: 1 to 4 years). The Group, therefore, managed to maintain a surplus net cash and bank position of HK\$279,611,000 (31 December 2019: HK\$349,353,000) (total available cash and bank balances minus total borrowings).

In May 2018, net proceeds of HK\$830,567,000 were raised through a subscription of shares under general mandate, as detailed in the Company's circular dated 2 May 2018 (the "Circular"). Subsequent to the subscription and the announcement made in relation to the change of intended use of proceeds from the subscription of the Company on 24 March 2020, the intended use of net proceeds and actual usage up to 30 June 2020 are set out below:

	Intended use of net proceeds set out in the Circular HK\$'000	Intended use of net proceeds after the change as announced on 24 March 2020 HK\$'000	Actual use of net proceeds up to 30 June 2020 HK\$'000	Unutilised net proceeds as at 30 June 2020 HK\$'000
Setting up businesses in Myanmar, Laos and Cambodia	130,000	130,000	60,751	69,249
Setting up businesses in Pakistan and Xinjiang, China	120,800	20,800	13,009	7,791
Expansion of businesses in Africa and Middle East	70,767	170,767	112,405	58,362
General working capital for the Group's existing business	288,000	288,000	288,000	—
Working capital for establishment of new offices along Belt and Road regions	41,000	41,000	41,000	—
Repayment of the Group's indebtedness	180,000	180,000	180,000	—
Total	830,567	830,567	695,165	135,402

The outbreak of COVID-19 has affected and disrupted the Group's business development activities. The intended use of the unutilised net proceeds are expected to be utilised by 31 December 2020. The expected timeline for the intended use of unutilised net proceeds, which is subject to further adjustments if required, is based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business developments and needs.

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, South East Asia 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 5.3% and 19%, respectively during the six-month period ended 30 June 2020. 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 0.1% during the six-month period ended 30 June 2020. 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 the operations in South East Asia, majority of the transactions are denominated in US\$ while only some of the operating expenses are denominated in the respective local currency such as Burmese Kyat (“MMK”), Bangladeshi Taka (“BDT”), Lao Kip (“LAK”) and Cambodian Riel (“KHR”). The Group manages its currency exchange risk of the above currencies by closely monitoring the fluctuation in exchange rates on MMK, BDT, LAK and KHR.

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.

Significant Investments Held and Material Acquisitions and Disposals

The Group did not have any significant investment held nor there were any other material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2020.

Charges on Assets

As at 30 June 2020, the Group had bank deposits amounting to HK\$102,908,000 (31 December 2019: HK\$104,936,000) and certain trade receivables of HK\$28,196,000 (31 December 2019: HK\$36,592,000) were pledged to banks as securities for banking facilities.

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 30 June 2020, the Group had capital expenditure commitment for investment in the fund of US\$24,711,640 (equivalent to HK\$191,552,000) (31 December 2019: US\$25,000,000 (equivalent to HK\$194,775,000)).

As at 30 June 2020, the Group also had capital expenditure commitments for purchase of land-use-rights amounting to HK\$10,948,000 (31 December 2019: HK\$11,163,000).

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 30 June 2020.

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 2020.

Subsequent Events

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2020 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 2020. Neither the Group nor the trustee of the share award scheme of the Company has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2020, 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 for that the number of independent non-executive directors of the Company fell below one-third of the Board as required under Rule 3.10A of the Listing Rules upon an increase in the total number of directors of the Company during the period from 24 March 2020 to 23 June 2020.

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 2020.

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 2019 annual report of the Company are set out below:

Mr. Chang Zhenming, a non-executive director and chairman of the Company, resigned as chairman and executive director of CITIC Limited (stock code: 267), the shares of which are listed on the Main Board of the Stock Exchange, on 30 March 2020.

Mr. Zhang Yichen, a non-executive director of the Company, was appointed as independent non-executive director of China Vanke Co., Ltd. (stock code: 2202), the shares of which are listed on the Main Board of the Stock Exchange, on 30 June 2020.

Mr. Luo Ning, an executive director and deputy chairman of the Company, resigned as director of Baiyin Nonferrous Group Co., Ltd. (stock code: 601212.ss), the shares of which are listed on the Shanghai Stock Exchange in the PRC, on 2 June 2020.

On 23 June 2020, Mr. Cui Liguó was appointed as independent non-executive director of the Company.

On 29 July 2020, Professor Lee Hau Leung resigned as independent non-executive director of the Company and all his related commitments to the audit committee, nomination committee and remuneration committee of the Company.

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

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) which was established with the written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are, among others, 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), Mr. Cui Liguó and Dr. Harold O. Demuren.

The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2020 have been reviewed by the audit committee of the Company. The Audit Committee is of the opinion that such results compiled with the applicable accounting standards, the requirements under the Listing Rules and other application legal requirements, and that adequate disclosures had been made.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six-month period ended 30 June 2019: Nil).

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 2020 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, 21 August 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, Mr. Cui Ligu and Dr. Harold O. Demuren.

** For identification purposes only*