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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 2021**

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 2021 (the “**Current Period**”), together with the comparative amounts for the corresponding period of 2020. These unaudited condensed interim financial statements are reviewed by members of the audit committee of the Company.

** For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2021

		Six-month period ended 30 June	
		2021	2020
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from contracts with customers	2 and 3	310,460	265,928
Cost of direct materials and job expenses		(94,628)	(73,312)
Cost of aircraft management services		—	(25,951)
Data costs		(2,964)	(2,834)
Employee benefit expenses		(113,743)	(122,627)
Sub-contracting charges		(83,467)	(84,728)
Rental expenses	6	(7,444)	(7,136)
Repairs and maintenance costs		(6,872)	(6,461)
Depreciation and amortisation	6	(24,002)	(27,463)
Other income and other gains, net	6	4,945	1,469
Other operating expenses, net	6	(25,941)	(44,691)
Impairment losses on financial assets		(350)	(3,292)
Provision for impairment of property, plant and equipment		—	(909)
Provision for impairment of asset held-for-sale		(10,215)	—
Operating loss		(54,221)	(132,007)
Interest income		1,205	2,860
Finance costs	4	(5,959)	(6,002)
Share of profits/(losses) of associates and a joint venture, net		703	(1,216)
Loss before income tax		(58,272)	(136,365)
Income tax credit	5	904	6,237
LOSS FOR THE PERIOD	6	(57,368)	(130,128)
Attributable to:			
Equity holders of the Company		(59,760)	(130,221)
Non-controlling interests		2,392	93
		(57,368)	(130,128)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss per share	7	(2.55) cents	(5.55) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021

	Six-month period ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(57,368)</u>	<u>(130,128)</u>
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Foreign exchange differences	<u>(89)</u>	<u>(8,771)</u>
Other comprehensive loss for the period, net of tax	<u>(89)</u>	<u>(8,771)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(57,457)</u></u>	<u><u>(138,899)</u></u>
Attributable to:		
Equity holders of the Company	<u>(59,853)</u>	<u>(138,994)</u>
Non-controlling interests	<u>2,396</u>	<u>95</u>
	<u><u>(57,457)</u></u>	<u><u>(138,899)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	30 June 2021		31 December 2020
	(Unaudited)		(Audited)
<i>Note</i>	HK\$'000		HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	74,669		75,929
Right-of-use assets	168,388		144,421
Other intangibles	7,132		7,646
Interests in associates	40,750		39,401
Investment in a joint venture	429		983
Deferred income tax assets	21,615		17,635
Non-current prepayments	35,679		54,917
Financial assets at fair value through other comprehensive income	4		4
	348,666		340,936
CURRENT ASSETS			
Inventories	4,685		3,216
Trade and bills receivables	173,074	9	155,460
Prepayments, deposits and other receivables	116,308		110,485
Tax receivables	885		1,041
Cash and cash equivalents	245,694		318,681
	540,646		588,883
Assets held-for-sale	—		10,099
	540,646		598,982
Total current assets	540,646		598,982
Total assets	889,312		939,918

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Note</i>		
CURRENT LIABILITIES			
Trade payables	<i>10</i>	56,080	60,223
Other payables and accruals		85,772	91,012
Contract liabilities		23,941	4,725
Borrowings	<i>11</i>	28,310	18,443
Lease liabilities		50,021	54,584
Tax payables		104	103
		<hr/>	<hr/>
Total current liabilities		244,228	229,090
		<hr/>	<hr/>
Net current assets		296,418	369,892
		<hr/>	<hr/>
Total assets less current liabilities		645,084	710,828
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		41,259	51,436
Deferred income tax liabilities		34,638	32,708
		<hr/>	<hr/>
Total non-current liabilities		75,897	84,144
		<hr/>	<hr/>
Total liabilities		320,125	313,234
		<hr/>	<hr/>
Net assets		569,187	626,684
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	<i>12</i>	234,482	234,482
Reserves		214,331	274,184
		<hr/>	<hr/>
		448,813	508,666
Non-controlling interests		120,374	118,018
		<hr/>	<hr/>
Total equity		569,187	626,684
		<hr/> <hr/>	<hr/> <hr/>

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 2021 (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 2020 (“**2020 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 2020 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of 1 January 2021.

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 2021:

Amendments to HKFRS 16	COVID-19-related rent concessions
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phrase 2

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 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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.

- (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 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 <i>HK\$'000</i>
	AL Business <i>HK\$'000</i>	SII Business <i>HK\$'000</i>	FMI Business <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Revenue from contracts with customers (from external customers)	236,066	67,176	7,218	—	310,460
Depreciation	19,471	3,311	281	424	23,487
Amortisation	472	43	—	—	515
Provision for impairment of asset held-for-sale	—	10,215	—	—	10,215
Impairment losses on financial assets	334	—	16	—	350
Operating loss	(340)	(29,409)	(399)	(24,073)	(54,221)
Interest income					1,205
Finance costs					(5,959)
Share of profits of associates and a joint venture, net					703
Loss before income tax					(58,272)
Income tax credit					904
Loss for the Current Period					(57,368)
Total assets	535,930	164,453	3,102	185,827	889,312
Total liabilities	189,852	69,766	6,481	54,026	320,125

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2020 by operating segments is as follows:

	Unaudited				Total <i>HK\$ '000</i>
	AL Business <i>HK\$ '000</i>	SII Business <i>HK\$ '000</i>	FMI Business <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	
Revenue from contracts with customers (from external customers)	225,280	33,452	7,196	—	265,928
Depreciation	22,934	1,872	275	1,538	26,619
Amortisation	801	43	—	—	844
Provision for impairment of property, plant and equipment	909	—	—	—	909
Impairment losses on financial assets	3,274	—	18	—	3,292
Operating loss	(41,960)	(21,374)	(489)	(68,184)	(132,007)
Interest income					2,860
Finance costs					(6,002)
Share of losses of associates					(1,216)
Loss before income tax					(136,365)
Income tax credit					6,237
Loss for the period					(130,128)
Total assets	576,424	161,581	3,460	360,399	1,101,864
Total liabilities	273,015	51,440	7,103	61,019	392,577

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers:

	Six-month period ended 30 June	
	2021 (Unaudited) <i>HK\$ '000</i>	2020 (Unaudited) <i>HK\$ '000</i>
Timing of revenue recognition		
At a point in time	238,573	214,202
Over time	71,887	51,726
Revenue from contracts with customers (from external customers)	310,460	265,928

4 FINANCE COSTS

	Six-month period ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
Bank and other loans	1,171	638
Lease liabilities	4,939	3,917
Facility arrangement fees	—	558
Net exchange (gains)/losses on borrowings	(151)	889
	<u>5,959</u>	<u>6,002</u>

5 INCOME TAX CREDIT

	Six-month period ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Outside Hong Kong		
Provision for the Current Period	(972)	(45)
Adjustments in respect of prior periods	—	—
	<u>(972)</u>	<u>(45)</u>
Deferred income tax		
Outside Hong Kong	1,876	6,282
Income tax credit	<u>904</u>	<u>6,237</u>

Taxes on assessable profits for 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(a) Rental expenses		
Rentals on land and buildings	4,812	4,827
Rentals on equipment	2,514	2,159
Rentals on motor vehicle	118	150
	<u>7,444</u>	<u>7,136</u>
(b) Depreciation and amortisation		
Depreciation of right-of-use assets	14,700	17,749
Depreciation of property, plant and equipment	8,787	8,870
Amortisation of other intangibles	515	844
	<u>24,002</u>	<u>27,463</u>
(c) Other operating expenses, net		
Professional and consultancy fee	5,825	3,479
Travelling expenses	3,071	3,915
Net exchange (gains)/losses	(4,464)	10,099
Auditor's remuneration		
Audit services	1,400	1,540
Non-audit services	—	—
Provision for inventories	67	—
Others	20,042	25,658
	<u>25,941</u>	<u>44,691</u>
(d) Other income and other gains, net		
Warehouse income	(3,012)	(1,116)
Net loss/(gain) on disposal of property, plant and equipment	311	(1)
Others	(2,244)	(352)
	<u>(4,945)</u>	<u>(1,469)</u>

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 both periods were the number of ordinary shares in issue.

	Six-month period ended 30 June	
	2021 (Unaudited)	2020 (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>(59,760)</u>	<u>(130,221)</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 2021 (30 June 2020: Nil).

9 TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Trade receivables from contracts with customers	143,210	147,170
Bills receivable	<u>46,851</u>	<u>24,927</u>
	190,061	172,097
Less: loss allowance	<u>(16,987)</u>	<u>(16,637)</u>
	<u>173,074</u>	<u>155,460</u>

The fair values of trade and bills receivables approximate their carrying amounts.

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.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	67,431	55,809
1-2 months	30,095	33,154
2-3 months	8,117	6,814
Over 3 months	37,567	51,393
	<u>143,210</u>	<u>147,170</u>

As at 30 June 2021, aging analysis of bills receivable based on the bills receiving date is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	5,268	2,970
1-2 months	—	7,129
2-3 months	3,606	3,922
Over 3 months	37,977	10,906
	<u>46,851</u>	<u>24,927</u>

The Group transferred certain bank's acceptance bills amounting to RMB17,900,000 (equivalent to HK\$21,512,000) with recourse in exchange for cash as at 30 June 2021 (31 December 2020: RMB11,900,000 (equivalent to HK\$14,139,000)). The transactions have been accounted for as collateralised bank borrowings.

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	33,170	32,409
1-2 months	9,384	14,134
2-3 months	5,091	4,908
Over 3 months	8,435	8,772
	<u>56,080</u>	<u>60,223</u>

The fair values of trade payables approximate their carrying amounts.

11 BORROWINGS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Bank loans and bank advances for discounted bills	<u>28,310</u>	<u>18,443</u>

The fair values of the borrowings approximate their carrying amounts.

12 SHARE CAPITAL

	Number of shares	Ordinary shares of HK\$0.10 each HK\$'000
Authorised		
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>6,000,000,000</u>	<u>600,000</u>
Issued		
At 31 December 2020 (audited) and 30 June 2021 (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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers	310,460	265,928
Cost of direct materials and job expenses	(94,628)	(73,312)
Cost of aircraft management services	—	(25,951)
Data costs	(2,964)	(2,834)
Employee benefit expenses	(113,743)	(122,627)
Sub-contracting charges	(83,467)	(84,728)
Rental expenses	(7,444)	(7,136)
Repairs and maintenance costs	(6,872)	(6,461)
Depreciation and amortisation	(24,002)	(27,463)
Other income and other gains, net	4,945	1,469
Other operating expenses, net	(25,941)	(44,691)
Impairment losses on financial assets	(350)	(3,292)
Provision for impairment of property, plant and equipment	—	(909)
Provision for impairment of asset held-for-sale	(10,215)	—
Operating loss	(54,221)	(132,007)
Interest income	1,205	2,860
Finance costs	(5,959)	(6,002)
Share of profits/(losses) of associates and a joint venture, net	703	(1,216)
Loss before income tax	(58,272)	(136,365)
Income tax credit	904	6,237
Loss for the period	<u>(57,368)</u>	<u>(130,128)</u>

Revenue from contracts with customers

	Six-month period ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Aviation and logistics business	236,066	225,280
Security, insurance and infrastructure business	67,176	33,452
Financial market information business	7,218	7,196
	<u>310,460</u>	<u>265,928</u>

The Group's revenue for the Current Period was HK\$310,460,000 (30 June 2020 HK\$265,928,000). Aviation and logistics business segment reported a net increase in revenue of HK\$10,786,000, representing by an increase of HK\$13,941,000 in logistics segment and a reduction of HK\$3,155,000 in aviation segment. Continuous lockdowns and restrictions on movement of people and goods affected the business performance of the Group's logistics arms in China and South Africa. Lockdowns and restrictions on travelling also affected the Group's aviation business but our aviation arm in Kenya managed to report an improvement in revenue from HK\$26,459,000 in 2020 to HK\$64,145,000 in 2021, representing an increase of HK\$37,686,000. During the Current Period, the Group rendered much more medivac operations or air ambulance services to compensate for the drop in revenue on VIP chartering. The increase was offset by the drop in revenue as a result of the disposal of an aviation arm in Malta to an independent third party in December 2020.

Revenue from security, insurance and infrastructure business segment for the Current Period reported a significant growth in revenue of HK\$33,724,000. During the Current Period, the Group undertook much more security projects in countries such as the Democratic Republic of the Congo (the "DRC"), Nigeria, Kenya, Cambodia and Myanmar from Chinese and multinational entities. The increase in revenue in this business segment was mainly due to more security projects were secured by our subsidiaries in the DRC and Nigeria, in particular, to those mining, and oil and gas Chinese based companies in these countries.

Overall Performance

Aviation and Logistics Segment

Transit Freight Forwarding (Pty) Ltd ("TFF"), a South African based warehouse and logistic company, remained the major contributor of the Group's revenue, accounting for 34% (30 June 2020: 39%) of the Group's revenue. Its revenue for the Current Period was HK\$104,724,000 (30 June 2020: HK\$102,803,000), which represents an increase in revenue of 2%. For the Current Period, TFF was loss-making because of lockdowns across borders which affected its business volume and its profitability, especially its warehousing businesses.

Frontier Logistics (Shanghai) Co., Ltd reported a total revenue of HK\$48,983,000 (30 June 2020: HK\$40,273,000) for the Current Period, which represents an increase in revenue of 22%. During the Current Period, it was operating at a loss. 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 mainly 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.

During the Current Period, Phoenix Aviation Limited (“PAL”), a Kenyan aviation company based in Nairobi, reported a significant increase in revenue from HK\$26,459,000 in 2020 to HK\$64,145,000 in 2021. The overall number of flying hours improved dramatically during the Current Period because PAL managed to secure fixed and guaranteed income contracts with some of its major customers. Although the outbreak of COVID-19 caused restrictions on flying across borders, PAL managed to take advantage of rendering more medical evacuation or air ambulance services. Also, demand for flights specifically used for the delivery of COVID-19 patients kept on increasing, which generated much more revenue and profit to the Group. For the Current Period, PAL’s operation itself was profit-making. Management of PAL believes that its operating performance in 2021 will be much better than in 2020.

With some positive signs achieved in this segment, its operating loss reduced significantly from HK\$41,960,000 in 2020 to HK\$340,000 in 2021.

Security, Insurance and Infrastructure Segment

Subsidiaries in the DRC and Nigeria contributed approximately 71% of the revenue of this segment and they mainly rendered security services to those Chinese mining, and oil and gas companies in these two countries. The significant growth in revenue in this segment was mainly contributed by a number of sizeable security projects there. Like the DRC, its revenue increased from HK\$19,873,000 in 2020 to HK\$34,954,000 in 2021, while in Nigeria, its revenue increased from HK\$1,979,000 in 2020 to HK\$11,147,000 in 2021. Management of the Group expects that the revenue in this segment will continue to have a remarkable growth during 2021. During the Current Period, those subsidiaries operating in these two countries are profit-making.

During the Current Period, one of the Group’s associated companies involved in the provision of general insurance services in the DRC to those Chinese and multinational mining companies and reported a share of profit of HK\$1,258,000 (30 June 2020: a share of loss of HK\$122,000). Management of the Group expects that the insurance segment can attain further growth through this associated company.

For the Current Period, an impairment provision of HK\$10,215,000 was set against ISDC (as defined below under the heading “Asset held-for sale”), an associated company of this segment. Without this provision made, the operating loss of this segment also decreased from HK\$21,374,000 in 2020 to HK\$19,194,000 in 2021.

Asset held-for-sale

As at 31 December 2021, the asset held-for-sale represented the Group's 47% equity interests held in Xinyang Liliang Security Consulting Company Limited ("ISDC"). Pursuant to an equity repurchase agreement dated 8 December 2020 (the "Disposal Agreement") entered into between the Group and one of the existing equity holders of ISDC (the "ISDC Buyer"), the Group agreed to sell its 47% equity interests in ISDC and to assign the outstanding loan due to ISDC to the ISDC Buyer at an aggregate consideration of RMB8,500,000 (equivalent to approximately HK\$10,215,000). In accordance with the terms and conditions of the Disposal Agreement, the first payment of RMB5,500,000 should be received by the Group from the ISDC Buyer on 8 June 2021. Unfortunately, the ISDC Buyer was unable to commit to the agreed payment schedule and make the payment to the Group. Having further negotiated with the ISDC Buyer and consulted with the Group's legal counsel, the Group decided to take legal action to claim against the ISDC Buyer with respect to the non-fulfilment of the terms and conditions as stated in the Disposal Agreement. For the Current Period, an impairment provision of HK\$10,215,000 (31 December 2020: HK\$8,693,000) was set aside to account for the potential loss.

PROSPECTS

A year and a half since the onset of the COVID-19 pandemic, the global economy is initially posed to stage its most robust in 2021. Unfortunately, the rebound seems to be uneven across countries because some countries are still being affected by the resurgences of COVID-19 pandemic, uneven vaccination, and withdrawal of government economic support measures. In the longer term, the outlook of those emerging markets and developing economies will likely be dampened by the lasting legacies of the pandemic like a continuous and sharp drop in investments, higher debt burdens and greater financial vulnerabilities. Other than the pandemic, the relationship between the United States and China remains tight resulting in a lot of uncertainties and tensions between the two world's largest economies. These two factors have severely disrupted and slowed down the recovery of the global economy in an unprecedented way.

The COVID-19 pandemic also specifically slowed down the progress of those traditional capital-intensive infrastructure projects invested by the Chinese, both at home and abroad. Infrastructure and construction projects have been largely halted. Disruptions to supply chains, lockdowns, and travel restrictions on Chinese workers are some of the main reasons for the project suspensions and slowdowns. In order to adapt to such a volatile environment, the Group has already repositioned itself by focusing more on developing its security, logistics and aviation, and insurance businesses. During the past few years, the Group had put a lot of effort and resources into cultivating these three business segments. As of today, the Group has established its presence in countries like Cambodia, Laos, Myanmar, Bangladesh, the DRC, Kenya, South Africa, Tanzania, Nigeria, United Arab Emirates and the People's Republic of China (including Hong Kong) on these three segments.

In the future, the Group expects that it will continuously build its security profile by winning much more sizable security projects in overseas, in particular, those from mining and oil and gas industries, through expansion from its existing credentials. With overseas projects start to resume, the Group can take advantage of those footprints that it has built along those economic corridors. Hence, our logistics business segment is expected to gradually pick up. With respect to the aviation segment, our PAL will continue to play a vital part in our success in the aviation industry. The provision of air ambulance and medevac services would be our primary focus. Demands for immediate medical support will keep on growing everywhere, especially in Africa, during the COVID-19 pandemic. With our strong associations with United Nations, our aviation segment managed to have a relatively stable income source during this difficult time. The management of our aviation segment is now using their best endeavour to grasp those opportunities in front of us and downsizing its aircraft capacities to enhance our overall operational efficiency. In relation to our insurance segment, we will continue to make use of our platform in the DRC to provide the necessary insurance services and products to those Chinese invested mining areas to safeguard their assets and properties. In view of continuous growth in demand in this aspect, it is expected that the Group can entitle to have much more profit sharing from this associated company in the DRC.

At present, most of the markets are still struggling, and the near-term outlook is subject to considerable uncertainty. Nevertheless, the Group still believes that there are a lot of business opportunities to be grasped by us. Simultaneously, the management of the Group will continue to closely monitor its development, implement any necessary measures and adapt to any required changes whenever necessary to tackle any difficulties during the COVID-19 pandemic. With greater population size being vaccinated and effective controls to prevent any serious renewed outbreaks of the virus, it is expected that the number of new confirmed cases can be substantially reduced. Although setbacks and uncertainties are still surrounding us, we remain confident that the Group can attain more vigorous growth in terms of revenue and operating performance in the near future.

The Group believes that with the continued support from our shareholders, our firm commitment towards our mission and vision, and the continued 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 2021 (30 June 2020: 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 2021 (30 June 2020: Nil).

The total number of employees of the Group as at 30 June 2021 was 1,376 (31 December 2020: 1,125).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2021, the Group's total assets were HK\$889,312,000 (31 December 2020: HK\$939,918,000) which were financed by liabilities of HK\$320,125,000 (31 December 2020: HK\$313,234,000), non-controlling interests of HK\$120,374,000 (31 December 2020: HK\$118,018,000) and shareholders' equity of HK\$448,813,000 (31 December 2020: HK\$508,666,000). The Group's net assets value per share (excluding non-controlling interests) as at 30 June 2021 amounted to HK\$0.19 (31 December 2020: HK\$0.22) per share.

As at 30 June 2021, the Group's available cash and bank balances were HK\$245,694,000 (31 December 2020: HK\$318,681,000) with a total borrowings of HK\$119,590,000 (31 December 2020: HK\$124,463,000). The Group's total borrowings mainly represented lease liabilities for aircraft amounting to HK\$26,720,000 (31 December 2020: HK\$34,072,000), lease liabilities for properties, equipment and trailers amounting to HK\$64,560,000 (31 December 2020: HK\$71,948,000), bank loans amounting to HK\$28,310,000 (31 December 2020: HK\$18,443,000). As at 30 June 2021, the Group's borrowings were mainly denominated in Hong Kong dollars ("HK\$"), Renminbi ("RMB"), United States dollars ("US\$") and South Africa Rand ("ZAR"). 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 2020: 1 to 4 years). The Group, therefore, managed to maintain a surplus net cash and bank position of HK\$126,104,000 (31 December 2020: HK\$194,218,000) (total available cash and bank balances minus total borrowings).

As at 30 June 2021, the gearing ratio (ratio of the sum of total borrowings to the total assets) was approximately 13.4% (31 December 2020: 13.2%).

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 date 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 2021 are set out below:

	Intended use of net proceeds set out in the Circular <i>HK\$'000</i>	Intended use of net proceeds after the change as announced on 24 March 2020 <i>HK\$'000</i>	Actual use of net proceeds up to 30 June 2021 <i>HK\$'000</i>	Unutilised net proceeds as at 30 June 2021 <i>HK\$'000</i>
Setting up businesses in Myanmar, Laos and Cambodia	130,000	130,000	94,002	35,998
Setting up businesses in Pakistan and Xinjiang, China	120,800	20,800	20,800	—
Expansion of businesses in Africa and Middle East	70,767	170,767	170,767	—
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	794,569	35,998

The outbreak of COVID-19 has affected and disrupted certain business activities of the Group. The intended use of the unutilised net proceeds are expected to be utilised by 31 December 2021. The expected timeline for the intended use of the 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 and US\$. 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, South East Asia and Mainland China including Hong Kong.

For operations in Africa, most of the transactions are denominated in US\$, Kenyan Shillings (“KES”) and ZAR. The exchange rates of KES and ZAR against HK\$ have increased by 0.8% and 0.7% respectively during the Current Period ended 30 June 2021. 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 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.

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.

Significant Investments Held and Material Acquisitions

The Group did not have any significant investment held nor there were any other material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2021.

Charges on Assets

As at 30 June 2021, the Group had certain trade receivables of HK\$40,084,000 (31 December 2020: HK\$34,012,000) were pledged to banks as securities for banking facilities.

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

As at 30 June 2021, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments.

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 2021.

Subsequent Events

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2021 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 Current Period. 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 Current Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Current Period, 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**”).

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 Current Period.

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 2020 annual report of the Company are set out below:

On 28 February 2021, Mr. Zhang Yichen resigned his position as non-executive director of the Company. On the same day, Mr. Chan Kai Kong was appointed as non-executive director of the Company.

On 10 March 2021, Dr. Hua Dongyi resigned as his positions as Chief Executive Officer, executive director and a member of the risk committee of the Company.

On 13 April 2021, Mr. Erik D. Prince resigned as executive director, a member of the nomination committee, remuneration committee and risk committee of the Company.

On 19 April 2021, Mr. Dorian Barak was appointed as non-executive director of the Company.

On 15 May 2021, Dr. Harold O. Demuren resigned as independent non-executive director, a member of the audit committee, nomination committee, remuneration committee and risk 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. Currently, the Audit Committee comprises three independent non-executive directors of the Company namely Mr. Yap Fat Suan, Henry (chairman), Mr. Cui Liguu and Mr. Hooi Hing Lee.

The unaudited condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2021 have been reviewed by the Audit Committee together with the management 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 has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six-month period ended 30 June 2020: Nil) to holders of ordinary shares of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited’s website (“**HKExnews website**”) at www.hkexnews.hk and the Company’s website at www.fsgroup.com. The interim report of the Company for the Current Period 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
Chan Kam Kwan, Jason
Company Secretary

Hong Kong, 20 August 2021

At the date of this announcement, the Board of the Company comprises the non-executive directors of Mr. Chang Zhenming (Chairman), Mr. Chan Kai Kong, Mr. Fei Yiping and Mr. Dorian Barak; executive directors of Mr. Ko Chun Shun, Johnson (Deputy Chairman) and Mr. Luo Ning (Deputy Chairman); and the independent non-executive directors of Mr. Yap Fat Suan, Henry, Mr. Cui Liguu and Mr. Hooi Hing Lee.