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FRONTIER SERVICES GROUP LIMITED

先豐服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00500)

**(1) DISCLOSEABLE TRANSACTION —
ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE;
AND
(2) ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

ACQUISITION

The Board is pleased to announce that, on 23 September 2021 (after trading hours), the Company, the Purchaser and the Vendors entered into the Acquisition Agreement under which the Purchaser has conditionally agreed to acquire from the Vendors the entire issued share capital of the Target Company at the initial consideration of HK\$200,000,000 to be satisfied in cash and the maximum deferred consideration of HK\$300,000,000 to be satisfied by the issue of Consideration Shares. The maximum 230,769,228 Consideration Shares represent approximately 9.84% of the issued Shares as at the date of this announcement and approximately 8.96% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares. The issue price of the Consideration Shares is HK\$1.30 per Share. The Consideration Shares will be allotted and issued under the General Mandate.

** For identification purposes only*

Based on all the applicable percentage ratios, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that, on 23 September 2021 (after trading hours), the Company entered into the Subscription Agreements with each of the Subscribers respectively, under which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$210 million, which may be converted into 210,000,000 Conversion Shares based on the initial Conversion Price of HK\$1.00 per Conversion Share upon full conversion. The 210,000,000 Conversion Shares represent approximately 8.96% of the issued Shares as at the date of this announcement and approximately 8.22% of the issued Shares as enlarged by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price, assuming that there are no other changes to the issued share capital of the Company. The Conversion Shares will be allotted and issued under the General Mandate.

The gross proceeds and the net proceeds of the Subscriptions will be HK\$210 million. The Company intends to apply the net proceeds of the Subscriptions to satisfy the initial consideration of the Acquisition and as general working capital of the Group.

The Acquisition and the Subscriptions are subject to all the conditions under the Acquisition Agreement and the Subscription Agreements, respectively, being satisfied (or, if applicable, waived) and therefore may or may not become unconditional. If any of the conditions is not satisfied (or, if applicable, waived), the Acquisition and/or the Subscriptions (as the case may be) will not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

ACQUISITION

The Board is pleased to announce that, on 23 September 2021 (after trading hours), the Company, the Purchaser and the Vendors entered into the Acquisition Agreement in respect of an acquisition of the entire issued share capital of the Target Company.

ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date: 23 September 2021

Parties: (i) the Company
(ii) Frontier Security Services (Asia) Limited, a wholly-owned subsidiary of the Company (as the Purchaser)
(iii) Mr. Li (as one of the Vendors and the guarantor)
(iv) DeWe (HK) (as one of the Vendors)
(v) South Pacific (as one of the Vendors)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of DeWe (HK), South Pacific and Mr. Li (the ultimate beneficial owner of DeWe (HK) and South Pacific) are third parties independent of the Company and its connected persons.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The initial consideration for the Acquisition is HK\$200,000,000 and the deferred consideration is up to HK\$300,000,000, which shall be satisfied in the following manner:

- (i) Initial consideration — The Purchaser shall pay to the Vendors HK\$50,000,000 as a deposit (which forms part of the initial consideration) on the date of signing of the Acquisition Agreement. The Purchaser shall pay to the Vendors the remaining HK\$150,000,000 upon Acquisition Completion.

If the Acquisition Agreement is terminated for whatever reasons, the deposit shall be refunded to the Purchaser within 5 Business Days after the notice of the termination of the Acquisition Agreement. The initial consideration will be funded by the net proceeds from the proposed issue of Convertible Bonds (details of which are set out below in this announcement) and internal resources of the Group.

- (ii) Deferred consideration — The Purchaser shall satisfy the deferred consideration of up to HK\$300,000,000 by the issue of maximum 230,769,228 Consideration Shares to the Vendors at the issue price of HK\$1.30 per Consideration Share in three instalments within 14 Business Days after confirming the Target Group's net profit for (1) the period from the date of Acquisition Completion to 31 December 2022 (the "**First Relevant Period**"); (2) the year ending 31 December 2023 (the "**Second Relevant Period**"); and (3) the year ending 31 December 2024 (the "**Third Relevant Period**") (collectively, the "**Relevant Periods**").

The number of Consideration Shares to be issued for each Relevant Period is determined based on the Target Group's consolidated net profits after tax under the HKFRSs adopted by the Group and audited by the auditors appointed by the Company, being HK\$50,000,000 for the First Relevant Period, HK\$57,500,000 for the Second Relevant Period and HK\$66,125,000 for the Third Relevant Period (the "**DC Calculation Basis**"). The number of Consideration Shares to be issued for each Relevant Period is calculated as follows (if the number is not an integer, the decimal places will be ignored):

$$\frac{\text{Target Group's consolidated net profit after tax under the HKFRSs for the Relevant Period}}{\text{DC Calculation Basis for that Relevant Period}} \times \frac{\text{HK\$100,000,000}}{\text{HK\$1.30 (Consideration Share issue price)}}$$

For the avoidance of doubt, if the Target Group's net profit equals to or exceeds the DC Calculation Basis for any Relevant Periods, the maximum number of Consideration Shares to be issued for that Relevant Period shall be 76,923,076 (i.e. HK\$100,000,000 divided by HK\$1.30).

If the Target Group's net profit is less than HK\$20,000,000 for any Relevant Period, the Vendors are not entitled to any Consideration Share for that Relevant Period.

The consideration for the Acquisition was determined after arm's length negotiations with reference to (i) the past financial and operating performance of the Target Group and the latest financial position of the Target Group as shown in the combined financial statements of the Target Group as at 31 December 2020; (ii) the business and development prospects of the Target Group; and (iii) the factors set out in the section headed "Reasons for and benefits of the Acquisition" below.

Consideration Shares

The maximum 230,769,228 Consideration Shares represent: (i) approximately 9.84% of the issued Shares as at the date of this announcement; and (ii) approximately 8.96% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares, assuming that there are no other changes to the issued share capital of the Company.

The issue price of the Consideration Shares of HK\$1.30 per Share, which was determined after arm's length negotiations with reference to the prevailing market prices and the recent trading performance of the Shares, represents:

- (i) a premium of approximately 51.2% over the closing price of HK\$0.860 per Share as quoted on the Stock Exchange on 23 September 2021, being the date of the Acquisition Agreement; and
- (ii) a premium of approximately 50.5% over the average closing price of approximately HK\$0.864 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Acquisition Agreement.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the respective date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The maximum 230,769,228 Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares on the date of passing such resolution on 8 June 2021 (i.e. up to 468,963,732 Shares). Up to the date of this announcement, no Share has been allotted or issued under the General Mandate. Accordingly, the allotment and issue of the maximum 230,769,228 Consideration Shares are not subject to any further approval of the Shareholders.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

Undertakings by the Vendors

The Vendors have undertaken, among others, the following:

Target Group's net assets — If the net assets (as defined in the Acquisition Agreement) of the Target Group (not including goodwill) at Acquisition Completion after auditing by the auditors appointed by the Company is less than HK\$30,000,000, the Vendors shall pay the difference to the Purchaser within 5 Business Days after the Purchaser issues the written notice to the Vendors.

If any receivables reflected in the Target Group's balance sheet verified by the Company as at the Acquisition Completion date cannot be recovered on or before 31 December 2022, the Vendors must pay to the Target Group to settle such receivables before 31 January 2023.

Lock-up undertakings — The Vendors will not, offer to sell, sell, lend, transfer, pledge and charge the Consideration Shares or dispose of the Consideration Shares or any interest or rights therein in any other ways (together as the “**Disposing Actions**”) within twelve months (the “**Lock-up Period**”) of the allotment and issue of the Consideration Shares or any interest or rights therein without the prior written consent of the Purchaser and the Company. Nevertheless, within the Lock-up Period, the Vendors will be allowed to make the Disposing Actions of up to 50% of the Consideration Shares to an independent third party provided that the Vendors shall undertake and procure such independent third party to undertake not to make any Disposing Actions before the expiry of the Lock-up Period. The Vendors shall indemnify the Purchaser and the Company for any losses caused by breach of the lock-up undertakings by such independent third party.

Non-competition undertakings — the Company, the Purchaser and the Vendors shall enter into the deeds of non-competition (the “**Deeds of Non-Competition**”) in favour of the Company and the Purchaser, under which the Vendors shall jointly and severally, and irrevocably undertake and guarantee to the Company and the Purchaser that, without their prior written consent, the Vendors shall not, and shall procure their immediate family members and/or companies controlled by them (excluding any member of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person (in each case whether as a shareholder, director, partner, agent or otherwise) and whether directly or indirectly operate, engage in, and participate in any businesses which competes or is likely to compete directly or indirectly with the Group's businesses upon Acquisition Completion, including but not limited to security (including static and dynamic security services), logistics (including aviation logistics, air rescue and medical emergency rescue), insurance and infrastructure business in the areas set out in the Deeds of Non-Competition, save for certain existing businesses which are permitted to continue as set out in the Deeds of Non-Competition.

Mr. Li, as the guarantor, had undertaken to the Purchaser that if other Vendors fail to settle any due consideration under the Acquisition Agreement, Mr. Li shall pay the relevant amount to the Purchaser immediately upon request.

Post-completion obligations

If any members of the Target Group has funding needs within one year following Acquisition Completion, the Purchaser or the Target Group has the right to notify the Vendors such funding needs. The Vendors undertake (or procure a third party) to provide a reasonable amount of working capital required by the Target Group in form of borrowings (with reasonable interest) or other means acceptable to the Purchaser.

Conditions to Acquisition Completion

Acquisition Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

1. completion of fund raising activities to raise approximately HK\$200 million by the Company;
2. the Listing Committee having granted the listing of and permission to deal in the Consideration Shares which may be allotted and issued by the Company;
3. the Purchaser being reasonably satisfied with the due diligence results on the Target Group;
4. the Vendors having provided with the Purchaser the board resolutions of the board of directors of DeWe (HK) and South Pacific approving the signing, delivery and performance of the transaction documents and Acquisition Completion;
5. the Vendors having provided with the Purchaser the audited financial statements of the Target Company's subsidiaries;
6. the representations and warranties given by the parties in the Acquisition Agreement remaining true, accurate and not misleading in all material aspects upon Acquisition Completion;
7. the Vendors having properly fulfilled their obligations under the Acquisition Agreement and all the covenants and commitments that they are required to perform under the Acquisition Agreement before Acquisition Completion in all material aspects;
8. there being no Material Adverse Change since the date of the Acquisition Agreement;
9. there being no rulings of any government authorities prohibiting or restricting the signing, execution and completion of the Acquisition Agreement;
10. all necessary consent, approval, authorisation and permission (if required) from the relevant government or regulatory authorities which are necessary in connection with the Acquisition having been obtained;
11. all necessary consents and approvals (including any government or regulatory authority) from other third parties in connection with the Vendors disposing the Sale Shares and the transactions contemplated under the Acquisition Agreement having been obtained; and
12. the Target Group having renewed its security license from the Security and Guarding Services Industry Authority in Hong Kong or other relevant government and regulatory authorities.

The Purchaser may decide to waive any conditions precedent in whole or in part at any time by notice in writing to the Vendors and such waiver may be made subject to such terms and conditions as determined by the Purchaser (except for conditions 1 and 2 which cannot be waived).

The Vendors undertake to use their best endeavours to fulfill all conditions precedent (except for conditions 1, 2 and 3) as soon as reasonably practicable, and in any case on or before 30 November 2021 (or such other date as agreed between the parties) to the satisfaction of the Purchaser. The Purchaser undertakes to use its best endeavours to fulfill or waive conditions 1, 2 and 3 as soon as reasonably practicable, and in any case on or before 30 November 2021 (or such other date as agreed between the parties). The Purchaser shall notify the Vendors in writing within 5 Business Days after all such conditions have been satisfactorily fulfilled or waived.

If any of the conditions is not satisfied (or, if applicable, waived) on or before 30 November 2021 (or such other date as agreed between the parties), neither party shall be obliged to proceed with the sale and purchase of the Sale Shares and the Acquisition Agreement shall cease to have any effect, save for the rights of any parties in respect of the continuing provisions or any claim arising out of any antecedent breach of the Acquisition Agreement.

Acquisition Completion

Acquisition Completion shall take place within 3 Business Days after all the conditions set out in the Acquisition Agreement are satisfied (or, if applicable, waived), or such other date as the Purchaser and the Vendors may agree in writing.

Upon Acquisition Completion, the Target Company will be owned as to 100% by the Purchaser. As such, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

INFORMATION ON THE GROUP AND THE PURCHASER

The Company is incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange. The Group is principally engaged in the provision of integrated security, logistics, insurance and infrastructure services for clients operating in frontier markets, with a focus on the Belt and Road region.

Frontier Security Services (Asia) Limited, the Purchaser, is a wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION ON THE TARGET GROUP AND THE VENDORS

The Target Company is an investment holding company and is owned as to 61% and 39% by DeWe (HK) and South Pacific, respectively. Each of DeWe (HK) and South Pacific is an investment holding company and is wholly and beneficially owned by Mr. Li.

The Target Group is principally engaged in two main business lines, (i) security and guarding services; and (ii) healthcare and rescue services.

The Target Group's security and guarding services segment involves provision of comprehensive security solutions for corporate and private clients in Hong Kong. The Target Group possesses all three types of security licenses governed by the Security Bureau in Hong Kong namely, Type I, II & III security licenses covering provision of security guarding services; provision of armoured transportation services; and installation, maintenance, and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device respectively. This segment also provides comprehensive security solutions to overseas Chinese-funded enterprises, including public safety consultation, public safety training, overseas on-site public safety management and public safety technology protection. The management team of this segment has extensive experience and credentials in rendering the required security services to government and commercial sectors and overseas Chinese-funded enterprises with security risks.

The Target Group's healthcare and rescue services segment involves the provision of innovative intelligent medical solutions, which includes the rendering of general and specialist services on oncology, rendering of vaccination, telemedical and emergency rescue services to its patients in Hong Kong and overseas. It is led by a group of experienced medical practitioners.

Based on the unaudited combined financial statements of the Target Group under the HKFRSs, the financial information of the Target Group is set out below:

	For the years ended	
	31 December 2020	31 December 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	17,758,000	24,579,000
Profit after tax	16,522,000	20,050,000

As at 31 December 2020, the Target Group had unaudited consolidated net assets of approximately HK\$82.3 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As set out in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), security business is the core business of the Group. In 2020, the Group continued the in-depth expansion in the countries where it has established presence as planned, and provided static and dynamic security services for major projects and key assets and personnel of international enterprises in countries and regions with high security risks. During 2020, the Group had rendered security services to Chinese entities and multinational companies in Hong Kong, Myanmar, Cambodia, Nigeria and the Democratic Republic of Congo. The Group’s revenue from security, insurance and infrastructure business segment reported a year-on-year growth of approximately 192% from approximately HK\$27.5 million for the year ended 31 December 2019 to approximately HK\$80.1 million for the year ended 31 December 2020 mainly resulting from the revenue generated from the provision of security services to entities for their projects in the above-mentioned countries. The Group always seeks for new investment opportunities to broaden its revenue base, improve its profitability and enhance shareholders’ value in the long run.

Mr. Li will be responsible for the overall development and operation of the Group’s relevant business upon Acquisition Completion. Mr. Li has nearly 30 years of security, management, legal and investment related experience, which covers many industries including security, culture, investment and trade, and is the founder of DeWe Security Service Group. He has worked in the Beijing Municipal Public Security Bureau, Ministry of Public Security, Organising Committee for the Olympic Games, Liaison Office of the Central People’s Government in Hong Kong and Macau. He graduated from the School of Law of the People’s Public Security University of China and the Party School of the Central Committee of CPC with a bachelor degree in law and an MBA degree respectively, and has attended senior management courses at the University of Illinois at Urbana-Champaign. The Board believes that the Acquisition will make the Group and Mr. Li a strong alliance, and will allow the Group and Mr. Li to complement each other to stand out in market competition and increase market share. The Acquisition not only will increase the Group’s market share of the security and guarding segment, but also add the innovative intelligent medical solutions segment which can comprehensively meet the security and medical needs of clients, providing a comprehensive security, medical and rescue solutions for overseas Chinese-funded enterprises and Chinese abroad.

The Group’s existing security business in Hong Kong is still in the infant stage as it only obtained its Type I security license in February 2020 and its Type III security license in September 2020. The Board believes that the Acquisition will significantly improve the Group’s security business in Hong Kong. In addition, the Acquisition will provide the Group with a steady source of income and cash inflow. The Target Group’s security and guarding services segment has a relatively stable portfolio of security contracts and strong credentials, enabling the Group to bid for government or private security contracts which require proof of track records.

In addition, as set out in the 2020 Annual Report, other than VIP chartering, the provision of air ambulance and medevac services have become one of the key businesses of the Group. The Board believes that the Acquisition represents a unique opportunity for the Group to expand its foothold in the medical and healthcare sector and broaden the revenue source of the Group. The Target Group's medical and healthcare services segment will become a new line of business of the Group. Furthermore, synergies will result from the Acquisition by further optimising the air ambulance and medevac service capacities of the Group with instant medical consultation services that can be rendered to those patients when they are on board of the Group's air ambulance.

Under the Acquisition Agreement, the actual amount of the deferred consideration (maximum HK\$300,000,000, representing 60% of the total consideration) is subject to the Target Group's net profit. In order for the Vendors to receive the deferred consideration in full after Acquisition Completion, the Target Group needs to achieve net profit equals to or above the DC Calculation Basis in each of the respective Relevant Periods. The deferred consideration will be proportionately reduced if the Target Group's net profit is less than the DC Calculation Basis in each of the Relevant Periods. In addition, should the Target Group fail to achieve net profits of HK\$20,000,000 or above in any of the Relevant Periods, no deferred consideration will be payable to the Vendors for that Relevant Period. The intention of the above mechanisms is to provide financial incentive to the Vendors by encouraging them to achieve higher net profits for the Target Group after Acquisition Completion. There is a positive correlative relationship between the deferred consideration payable by the Group and the Target Group's net profits. In other words, the Target Group's net profits achieved by the Vendors contributes to the financial results of the Group. At the same time, the deferred consideration in form of Consideration Shares aligns the interests of the Vendors with the longer-term interests of the Company.

Having considered the above reasons and factors, the Directors consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on all the applicable percentage ratios, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that, on 23 September 2021 (after trading hours), the Company entered into the Subscription Agreements with each of the Subscribers, under which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$210 million.

SUBSCRIPTION AGREEMENTS

The Company has entered into a Subscription Agreement with each of the Subscribers. The principal terms of the Subscription Agreements are set out below:

Date: 23 September 2021

- Parties:
- (i) the Company (as the issuer)
 - (ii) CC GL Limited (“**CC GL**”) (as one of the Subscribers)
 - (iii) Asiatech Energy Service Limited (“**Asiatech**”) (as one of the Subscribers)
 - (iv) Ms. Lin Liqin (“**Ms. Lin**”) (as one of the Subscribers)
 - (v) Mr. Ang Keng Lam (“**Mr. Ang**”) (as one of the Subscribers)
 - (vi) Mr. Kam Yuen (“**Mr. Kam**”) (as one of the Subscribers)

The Company has conditionally agreed to issue, and each of the Subscribers has conditionally agreed to subscribe for, the Convertible Bonds in the following principal amount. Such amounts shall be payable by the respective Subscriber to the Company at Subscriptions Completion.

	Principal amount <i>HK\$ million</i>
CC GL	100
Asiatech	50
Ms. Lin	30
Mr. Ang	20
Mr. Kam	10
	<hr/>
Total	210

Conditions to Subscriptions Completion

Subscriptions Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares and such approval not being subsequently revoked or withdrawn prior to Subscriptions Completion;
- (b) all necessary consents from the relevant government or regulatory authorities required to be obtained by the Company to enter into and perform the Subscription Agreements and the transactions contemplated thereunder;
- (c) all necessary consents from any third parties (other than the relevant government or regulatory authorities stated in item (b) above) required to be obtained by the Company to execute and perform the Subscription Agreements and the transactions contemplated thereunder;

- (d) the Company having duly performed and observed in all material aspects all the obligations, undertakings, covenants and commitments required to be performed and observed by it prior to Subscriptions Completion under the Subscription Agreements; and
- (e) the Subscribers having completed the due diligence on the Company and being satisfied with the due diligence results.

Save for conditions (c) and (d) above which can be waived by the Subscribers, none of the above conditions can be waived by any parties to the Subscription Agreements.

The parties shall use their reasonable endeavours to fulfil, or procure the fulfilment of, the conditions precedent on or before 30 November 2021 (or such other date as may be agreed by the parties in writing) (the “**Long Stop Date**”). In the event that one or more of the conditions have not been fulfilled by the Long Stop Date, the Subscription Agreements will be terminated and ceased to be effective, neither parties have obligations to issue and subscribe for the Convertible Bonds thereafter save for any antecedent breach of the Subscription Agreements.

Subscriptions Completion

Subscriptions Completion shall take place in Hong Kong within 5 Business Days following the date on which the Subscribers are notified by the Company that the last condition set out in the Subscription Agreements is satisfied (or, if applicable, waived), or such other place and date as the parties may agree.

Subscriptions Completion under each Subscription Agreement is not inter-conditional with each other.

Principal terms of the Convertible Bonds

Issuer:	The Company
Principal amount:	HK\$210 million
Maturity date:	The date falling on the second anniversary of the issue date of the Convertible Bonds.
Interest rate:	2.5% per annum payable on the maturity date of the Convertible Bonds. In the event that the conversion rights have been exercised in respect of any Convertible Bonds before the maturity date, the interest accrued from the issue date (inclusive) until the conversion date (exclusive) shall be converted into Conversion Shares based on the Conversion Price.
Conversion Price:	The initial Conversion Price is HK\$1.00 per Conversion Share, subject to adjustments set out below.

Conversion period: The period commencing from the issue date of the Convertible Bonds up to the date immediately prior to the maturity date (both days inclusive).

Conversion rights and restrictions: The conversion rights attaching to any Convertible Bonds may be exercised, at the option of the Bondholder, to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, provided that the exercise of the conversion rights will not result in:

- (i) the Company has breached the rules governing the exercise of convertible securities under the Listing Rules; or
- (ii) the total issued Shares held by the public (as defined under the Listing Rules) will be less than 25% (or the minimum public holdings for companies listed on the Stock Exchange as prescribed by the Listing Rules from time to time).

If the issue of the Conversion Shares upon exercise of the conversion rights will trigger any general offer obligation of the Bondholder under Rule 26 of the Takeovers Code, the Bondholder shall not exercise the conversion rights until the Bondholder complies with the general offer obligation under the Takeovers Code or has obtained the whitewash waiver from the SFC for the general offer obligation under the Takeovers Code.

Subject to the conversion restrictions set out above, conversion rights shall be automatically exercised on one Business Day after occurrence of the following events:

- (i) before the maturity date, the Company issue Shares to raise funds of not less than HK\$100,000,000 at a subscription price of not lower than the Conversion Price; or
- (ii) the average closing price of the Shares over the past 30 trading days represents 120% of the Conversion Price.

Redemption: Unless previously redeemed, converted or purchased and cancelled under the terms and conditions of the Convertible Bonds, the Company shall redeem the Convertible Bonds on the maturity date at the principal amount together with any interest payable. The Company has the right to extend the maturity date up to one year by giving a written notice to the Bondholder one month before the original maturity date.

Transferability: The Convertible Bonds are transferrable in whole or in part to any other persons subject to the terms and conditions of the Convertible Bonds, and (where applicable) compliance with the requirements under the Listing Rules, the Takeovers Code and all applicable laws and regulations.

Adjustments to the Conversion Price: The Conversion Price shall from time to time be adjusted under the following events:

Consolidation, Subdivision or Reclassification: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

- A — nominal value of one Share immediately after such alteration; and
- B — nominal value of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

Voting rights: A Bondholder shall not be entitled to attend or vote at any general meeting of the Company by reason only as a Bondholder.

Ranking: The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

Conversion Shares

Based on the initial Conversion Price of HK\$1.00 per Conversion Share, a maximum number of 210,000,000 Conversion Shares will be allotted and issued upon full conversion of the Convertible Bonds, which represent: (i) approximately 8.96% of the issued Shares as at the date of this announcement; and (ii) approximately 8.22% of the issued Shares as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares will be allotted and issued under the General Mandate. As set out under the sub-section headed “Consideration Shares” in this announcement, the General Mandate will be utilised as to 230,769,228 Shares for the allotment and issue of the Consideration Shares. The unutilised balance of the General Mandate is 238,194,504 Shares. Accordingly, the allotment and issue of the Conversion Shares are not subject to any further approval of the Shareholders.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.

Conversion Price

The initial Conversion Price of HK\$1.00 per Conversion Share (subject to adjustments set out above), which was determined after arm’s length negotiations with reference to the prevailing market prices and the recent trading performance of the Shares, represents:

- (i) a premium of approximately 16.3% over the closing price of HK\$0.860 per Share as quoted on the Stock Exchange on 23 September 2021, being the date of the Subscription Agreements; and
- (ii) a premium of approximately 15.7% to the average closing price of approximately HK\$0.864 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

INFORMATION ON THE SUBSCRIBERS

CC GL Limited (“**CC GL**”), a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CITIC Capital Holdings Limited (“**CITIC Capital**”), is principally engaged in investment holding. As at the date of this announcement, CITIC Capital is a Shareholder holding 94,920,000 Shares, representing approximately 4.05% of the issued share capital of the Company. CITIC Capital, a global alternative investment management and advisory company, is effectively owned by institutional shareholders as to, among others, (i) approximately 19.9% indirectly by CITIC Limited (stock code: 267.HK); (ii) 20.7% indirectly by Tencent Holdings Limited (stock code: 700.HK); (iii) 18.00% indirectly by Fubon Financial Holding Co., Ltd. (stock code: 2881.TW); (iv) 18.73% by Qatar Holding LLC (a wholly-owned direct investment arm of Qatar Investment Authority, formed under the State of Qatar); and CITIC Capital’s management (managing director and above) (the “**Management**”). Through direct

ownership and restricted share scheme of CITIC Capital, the Management holds approximately 20.75% of CITIC Capital. In this group of management shareholders, the top 5 individuals collectively hold approximately 11.02% in CITIC Capital. As at the date of this announcement, CITIC Limited (stock code: 267.HK) is indirectly interested in 100% of the issued share capital of Easy Flow Investments Limited, which in turn is interested in approximately 25.91% of the issued share capital of the Company.

Asiatech is a company incorporated in the British Virgin Islands and 100% owned by Mdm. Long Qiongzen and family. Asiatech is principally engaged in oil, offshore and marine industries. Mdm. Long Qiongzen is an entrepreneur experienced in providing a full spectrum of project logistics services for the offshore and marine sectors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Asiatech and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Ms. Lin is an experienced investor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Lin is a third party independent of the Company and its connected persons.

Mr. Ang is the Founding Chairman of Metropoly Holdings Limited. He has over 30 years of real estate investment, management and corporate advisory experience in Asia, especially in high-end logistics and real estate in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Ang is a third party independent of the Company and its connected persons.

Mr. Kam is an experienced investor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Kam is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND USE OF PROCEEDS

As set out in the section headed "Acquisition" above, the initial cash consideration for the Acquisition is HK\$200,000,000 of which HK\$50,000,000 will be satisfied on the date of signing of the Acquisition Agreement, and HK\$150,000,000 will be satisfied upon Acquisition Completion.

As set out in the 2020 Annual Report, the Group has recorded net cash used in operating activities of HK\$159,107,000 for the year ended 31 December 2020, and the Group only has cash and cash equivalents of HK\$318,681,000 as at 31 December 2020. The Group's cash and cash equivalents decreased to HK\$245,694,000 as at 30 June 2021. As such, the Group's available working capital may not be sufficient to satisfy the payment of the initial consideration of the Acquisition and to support the Group's existing business operations at the same time. To maintain sufficient working

capital for the Group's existing business operations, the Board considers that the financing by way of issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to finance the initial consideration of the Acquisition as well as not to bring additional burden to the Group's working capital requirements. The Board considers that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the recent market prices as set out above, which was arrived at after arm's length negotiations between the Company and the Subscribers.

In addition, the Subscriptions demonstrate the confidence the Subscribers place in the Company and their support to the Company's future development, which are conducive to boosting the confidence of the Shareholders and potential investors in the Company.

The gross proceeds and the net proceeds of the Subscriptions will be HK\$210 million. The net price per Conversion Share will be HK\$1.00. The Company intends to apply the net proceeds of the Subscriptions as to HK\$150 million to satisfy the initial consideration of the Acquisition and as to HK\$60 million as general working capital of the Group.

The Directors consider that the terms of the Subscription Agreements, including the Conversion Price, are fair and reasonable, and the Subscription Agreements are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) as at the date of this announcement; (b) immediately upon issue of the maximum 230,769,228 Consideration Shares; (c) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price; and (d) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price and issue of the maximum 230,769,228 Consideration Shares, assuming there are no other changes in the issued share capital and shareholding structure of the Company from the date of this announcement:

Shareholders	As at the date of this announcement		Immediately upon issue of the maximum 230,769,228 Consideration Shares		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price		Immediately upon issue of the maximum 230,769,228 Consideration Shares and full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>
Easy Flow Investments Limited	607,592,607	25.91%	607,592,607	23.59%	607,592,607	23.78%	607,592,607	21.81%
CITIC Capital	94,920,000	4.05%	94,920,000	3.69%	94,920,000	3.72%	94,920,000	3.41%
CC GL	—	—	—	—	100,000,000	3.91%	100,000,000	3.59%
Sub-total of CITIC Capital and CC GL	94,920,000	4.05%	94,920,000	3.69%	194,920,000	7.63%	194,920,000	7.00%
Director								
Mr. Ko Chun Shun, Johnson and his associates	270,817,535	11.55%	270,817,535	10.51%	270,817,535	10.60%	270,817,535	9.72%
Vendors	—	—	230,769,228	8.96%	—	—	230,769,228	8.28%
Subscribers (other than CC GL)								
Asiatech	—	—	—	—	50,000,000	1.96%	50,000,000	1.79%
Ms. Lin	—	—	—	—	30,000,000	1.17%	30,000,000	1.08%
Mr. Ang	—	—	—	—	20,000,000	0.78%	20,000,000	0.72%
Mr. Kam	—	—	—	—	10,000,000	0.39%	10,000,000	0.36%
Other shareholders	1,371,488,518	58.49%	1,371,488,518	53.25%	1,371,488,518	53.69%	1,371,488,518	49.24%
Total	2,344,818,660	100.00%	2,575,587,888	100.00%	2,554,818,660	100.00%	2,785,587,888	100.00%

The Acquisition and the Subscriptions are subject to all the conditions under the Acquisition Agreement and the Subscription Agreements, respectively, being satisfied (or, if applicable, waived) and therefore may or may not become unconditional. If any of the conditions is not satisfied (or, if applicable, waived), the Acquisition and/or the Subscriptions (as the case may be) will not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares from the Vendors under the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 23 September 2021 entered into among the Company, the Purchaser and the Vendors
“Acquisition Completion”	completion of the transactions contemplated under the Acquisition Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“Company”	Frontier Services Group Limited, the Shares are listed on the Main Board of the Stock Exchange (Stock code: 00500)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	an aggregate of up to 230,769,228 new Shares to be issued by the Company to the Vendors for the purpose of satisfying the maximum deferred consideration of HK\$300,000,000 under the Acquisition Agreement
“Conversion Price”	HK\$1.00 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	new Shares to be issued upon conversion of the Convertible Bonds
“Convertible Bond(s)”	the 2.5% unsecured redeemable convertible bonds in the aggregate principal amount of HK\$210,000,000 to be issued by the Company under the Subscription Agreements
“DeWe (HK)”	DeWe Security Limited, a company incorporated in Hong Kong with limited liability, one of the Vendors
“Director(s)”	the director(s) of the Company

“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 8 June 2021 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	the Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Adverse Change”	<p>any changes, events, circumstances or other matters that have, or are reasonably expected to have (individually or jointly), a material adverse effect on any of the following:</p> <ul style="list-style-type: none"> (a) the ability of the Vendors or any members of the Target Group to perform their respective obligations under the Acquisition Agreement; or (b) the overall business, assets and liabilities, position (financial or other), business performance or prospects of any members of the Target Group
“Mr. Li”	Mr. Li Xiao Peng, one of the Vendors and a guarantor
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Frontier Security Services (Asia) Limited
“Sale Shares”	50,000 shares in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“SFC”	the Securities and Futures Commission
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the issued Shares
“South Pacific”	South Pacific Resources Investment Limited, one of the Vendors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, CC GL Limited, Asiatech Energy Service Limited, Ms. Lin Liqin, Mr. Ang Keng Lam and Mr. Kam Yuen
“Subscriptions”	the subscriptions of the Convertible Bonds under the Subscription Agreements
“Subscription Agreement(s)”	the conditional subscription agreements dated 23 September 2021 entered into between the Company and each of the Subscribers in respect of the Subscriptions
“Subscriptions Completion”	completion of the transactions contemplated under the Subscription Agreements
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Target Company”	DeWe Security Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 61% by DeWe (HK) and 39% by South Pacific as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendor(s)”	Mr. Li, DeWe (HK) and South Pacific
“%”	per cent.

By order of the Board
FRONTIER SERVICES GROUP LIMITED
Chan Kam Kwan Jason
Company Secretary

Hong Kong, 23 September 2021

As at the date of this announcement, the non-executive Directors are Mr. Chang Zhenming (Chairman), Mr. Fei Yiping, Mr. Chan Kai Kong, Mr. Dorian Barak; the executive Directors are Mr. Ko Chun Shun, Johnson (Deputy Chairman) and Mr. Luo Ning (Deputy Chairman); and the independent non-executive Directors are Mr. Yap Fat Suan, Henry, Mr. Cui Liguang and Mr. Hooi Hing Lee.

** for identification purpose only*