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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](http://www.fsgroup.com)

[www.irasia.com/listco/hk/frontier](http://www.irasia.com/listco/hk/frontier)

**(Stock Code: 00500)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of Frontier Services Group Limited (the “**Company**”) announces the final results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with the comparative figure for the year ended 31 December 2022. The final consolidated results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

*\* For identification purposes only*

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	3	812,918	964,246
Cost of direct materials and job expenses		(214,119)	(313,701)
Data costs		(4,651)	(5,229)
Employee benefit expenses		(336,024)	(347,152)
Sub-contracting charges		(114,080)	(203,173)
Rental expenses	6	(7,213)	(11,220)
Repair and maintenance costs		(11,378)	(10,941)
Depreciation and amortisation	6	(32,296)	(46,928)
Other operating expenses	6	(47,127)	(66,701)
Other income and other gains, net	6	53,375	13,102
Decrease in fair value of contingent consideration payable	11	40,745	71,895
Provision for impairment of goodwill and other intangibles	8	(40,544)	—
Provision for impairment of property, plant and equipment and right-of-use assets		—	(1,238)
Provision for impairment of financial and contract assets		(23,288)	(38,750)
Operating profit		76,318	4,210
Interest income		4,161	9,123
Finance costs	4	(23,265)	(29,879)
Share of profits of associates, net		4,290	3,462
Provision for impairment of interests in associates		(1,657)	—
Profit/(loss) before income tax		59,847	(13,084)
Income tax expense	5	(6,359)	(13,166)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>53,488</b>	<b>(26,250)</b>
Attributable to:			
Equity holders of the Company		51,175	(28,966)
Non- controlling interests		2,313	2,716
		<b>53,488</b>	<b>(26,250)</b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted earnings/(loss) per share	7	<b>2.14 cents</b>	<b>(1.24) cents</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b>	2022
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>53,488</u></b>	<u>(26,250)</u>
<b>Other comprehensive loss</b>		
Item that may be reclassified to profit or loss		
– Foreign exchange differences	<b>(30,806)</b>	(8,972)
– Release of exchange reserve upon deconsolidation of a subsidiary	<b>(8,208)</b>	—
Item that will not be reclassified to profit or loss		
– Foreign exchange differences	<b><u>(1,100)</u></b>	<u>(783)</u>
Other comprehensive loss for the year, net of tax	<b><u>(40,114)</u></b>	<u>(9,755)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u><u>13,374</u></u></b>	<u><u>(36,005)</u></u>
Attributable to:		
Equity holders of the Company	<b>12,161</b>	(37,938)
Non-controlling interests	<b><u>1,213</u></b>	<u>1,933</u>
Total comprehensive income/(loss) for the year	<b><u><u>13,374</u></u></b>	<u><u>(36,005)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		90,984	55,300
Right-of-use assets		41,600	88,618
Goodwill and other intangibles	8	256,627	305,887
Interests in associates		49,554	46,884
Deferred income tax assets		125	66
Non-current prepayments		49,337	49,397
Financial assets at fair value through other comprehensive income		5	5
Total non-current assets		488,232	546,157
<b>CURRENT ASSETS</b>			
Inventories		5,004	5,316
Trade receivables	9	211,020	209,050
Prepayments, deposits and other receivables		61,313	50,484
Contract assets		91,620	84,628
Tax receivables		1,157	5,158
Restricted bank balances and pledged bank deposits		—	3,857
Cash and cash equivalents		198,111	186,790
Total current assets		568,225	545,283
Total assets		1,056,457	1,091,440
<b>CURRENT LIABILITIES</b>			
Trade payables	10	141,017	154,056
Other payables and accruals		137,618	122,663
Contract liabilities		3,931	9,093
Contingent consideration payable	11	6,016	20,760
Borrowings	12	209,049	—
Lease liabilities		6,697	24,415
Tax payables		15,578	13,895
Total current liabilities		519,906	344,882
Net current assets		48,319	200,401
Total assets less current liabilities		536,551	746,558

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>2,399</b>	5,108
Deferred income tax liabilities		<b>31,180</b>	38,391
Contingent consideration payable	<i>11</i>	—	42,400
Borrowings	<i>12</i>	—	190,084
		<hr/>	<hr/>
Total non-current liabilities		<b>33,579</b>	275,983
		<hr/>	<hr/>
Total liabilities		<b>553,485</b>	620,865
		<hr/>	<hr/>
Net assets		<b>502,972</b>	470,575
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to the Company's equity holders			
Share capital	<i>13</i>	<b>240,339</b>	234,482
Reserves		<b>142,583</b>	117,256
		<hr/>	<hr/>
Non-controlling interests		<b>382,922</b>	351,738
		<b>120,050</b>	118,837
		<hr/>	<hr/>
Total equity		<b>502,972</b>	407,575
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group for the year ended 31 December 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), a collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The consolidated financial statements for the year ended 31 December 2023 have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are carried at fair value.

### 1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSS

In the current year, the Group has adopted all the following new standards and amendments to standards for the first time for the accounting period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
HKFRS 17	Insurance Contracts

The adoption of these amended HKFRSs does not have any material impact on the Group’s consolidated financial statements for the year ended 31 December 2023.

The following new and amended HKFRSs have been issued, but are not effective for the Group’s accounting period beginning on 1 January 2023 and have not been adopted early:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new or revised standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group’s financial position and results of operations upon adopting these standards.

## 2 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board of Directors of the Company. Management has determined the operating segments based on the internal reports reviewed by the Board of the Company that are used to assess performance and allocate resources. The Group’s operating segments are structured and managed separately according to the services provided by different strategic business units, and the services offered are subject to risks and returns that are different from those of the other operating segments.

The performance and the financial position under each operating segment are recognised as follows:

- (i) Security, Insurance and Infrastructure Business (“**SIIB** Business”) - Provision of security, insurance and infrastructure related services;
- (ii) Aviation and Logistics Business (“**AL** Business”) - Provision of aviation and logistics related services; and

- (iii) Healthcare Business (“**HC Business**”) - Provision of healthcare services and sales of healthcare products.

Others include provision of online financial market information and airport management services as well as corporate income and expenses, direct investments and others.

The Board of Directors of the Company assesses segment performance based on reportable operating result.

An analysis of the Group’s revenue, results, assets, liabilities and expenditure for the year ended 31 December 2023 by operating segments is as follows:

	SII Business <i>HK\$'000</i>	AL Business <i>HK\$'000</i>	HC Business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers	<u>572,533</u>	<u>200,299</u>	<u>18,628</u>	<u>21,458</u>	<u>812,918</u>
Depreciation	3,618	18,013	303	1,646	23,580
Amortisation	8,274	121	321	—	8,716
Gain on deconsolidation of a subsidiary	—	52,860	—	—	52,860
Decrease in fair value on contingent consideration payable	—	—	—	40,745	40,745
Provision for impairment of goodwill and other intangibles	19,490	—	21,054	—	40,544
Provision for impairment of financial and contract assets	<u>12,446</u>	<u>2,211</u>	<u>8,600</u>	<u>31</u>	<u>23,288</u>
Operating profit/(loss)	<u>84,243</u>	<u>47,297</u>	<u>(28,304)</u>	<u>(26,918)</u>	76,318
Interest income					4,161
Finance costs					(23,265)
Share of profits of associates, net					4,290
Provision for impairment of interests in associates					<u>(1,657)</u>
Profit before income tax					59,847
Income tax expense					<u>(6,359)</u>
Profit for the year					<u>53,488</u>
Total assets	<u>702,010</u>	<u>279,820</u>	<u>29,117</u>	<u>45,510</u>	<u>1,056,457</u>
Total assets include:					
Interests in associates	<u>48,474</u>	<u>900</u>	<u>180</u>	<u>—</u>	<u>49,554</u>
Total liabilities	<u>247,654</u>	<u>71,140</u>	<u>1,940</u>	<u>232,751</u>	<u>553,485</u>
Capital expenditure	<u>20,661</u>	<u>6,888</u>	<u>—</u>	<u>512</u>	<u>28,061</u>

An analysis of the Group's revenue, results, assets, liabilities and expenditure for the year ended 31 December 2022 by operating segments is as follows:

	SII Business HK\$'000	AL Business HK\$'000	HC Business HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from contracts with customers	<u>527,518</u>	<u>371,316</u>	<u>42,831</u>	<u>22,581</u>	<u>964,246</u>
Depreciation	7,002	24,159	67	1,602	32,830
Amortisation	13,657	120	321	—	14,098
Decrease in fair value of contingent consideration payable	—	—	—	71,895	71,895
Provision for impairment of property, plant and equipment	—	290	—	—	290
Provision for impairment of right-of-use assets	—	948	—	—	948
Provision for impairment of financial assets	<u>22,873</u>	<u>15,033</u>	<u>—</u>	<u>844</u>	<u>38,750</u>
Operating profit/(loss)	<u>27,164</u>	<u>(51,858)</u>	<u>7,511</u>	<u>21,393</u>	4,210
Interest income					9,123
Finance costs					(29,879)
Share of profits of associates					<u>3,462</u>
Loss before income tax					(13,084)
Income tax expense					<u>(13,166)</u>
Loss for the year					<u>(26,250)</u>
Total assets	<u>651,763</u>	<u>325,554</u>	<u>54,821</u>	<u>59,302</u>	<u>1,091,440</u>
Total assets include:					
Interests in associates	<u>44,240</u>	<u>803</u>	<u>195</u>	<u>1,646</u>	<u>46,884</u>
Total liabilities	<u>197,454</u>	<u>113,349</u>	<u>4,657</u>	<u>305,405</u>	<u>620,865</u>
Capital expenditure	<u>3,465</u>	<u>7,656</u>	<u>18</u>	<u>1,427</u>	<u>12,566</u>

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Africa	<b>401,378</b>	405,913
The People's Republic of China ("PRC")		
Mainland China	<b>87,201</b>	146,344
Hong Kong	<b>213,926</b>	240,182
South-East Asia and Middle-East	<b>110,413</b>	171,807
	<b>812,918</b>	964,246

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

	Operating segment	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	SII business	<b>N/A*</b>	103,760

\* The revenue from customer A did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2023.

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Africa	<b>133,620</b>	189,101
Europe	<b>6,700</b>	5,005
The PRC		
— Mainland China	<b>1,618</b>	5,356
— Hong Kong	<b>310,170</b>	311,911
South-East Asia and Middle-East	<b>35,994</b>	34,713
	<b>488,102</b>	546,086

### 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from provision of security, insurance and infrastructure services	572,533	527,518
Revenue from provision of aviation and logistics services	200,299	371,316
Revenue from provision of healthcare services and sales of healthcare products	18,628	42,831
Others	21,458	22,581
	<u>812,918</u>	<u>964,246</u>

Disaggregation of revenue from contracts with customers:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	223,382	422,170
Over time	589,536	542,076
	<u>812,918</u>	<u>964,246</u>

### 4 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on:		
Bank and other loans	—	1,887
Lease liabilities	1,095	6,534
Convertible bonds ( <i>Note 12</i> )	18,965	17,244
Financing components of a contract with a supplier	3,079	3,937
Net exchange loss on borrowings	126	277
	<u>23,265</u>	<u>29,879</u>

## 5 INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
Hong Kong		
— Provision for the year	2,097	3,419
— Over-provision in prior years	(84)	(503)
Outside Hong Kong		
— Provision for the year	<u>10,667</u>	<u>7,823</u>
	12,680	10,739
Deferred income tax (credit)/expense	<u>(6,321)</u>	<u>2,427</u>
	<u><u>6,359</u></u>	<u><u>13,166</u></u>

Taxation on profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries/places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 6 PROFIT/(LOSS) FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>(a) Rental expenses</b>		
Rentals on land and buildings	7,213	10,460
Rentals on equipment	<u>—</u>	<u>760</u>
	<u><u>7,213</u></u>	<u><u>11,220</u></u>
<b>(b) Depreciation and amortisation</b>		
Depreciation of right-of-use assets	7,425	20,172
Depreciation of property, plant and equipment	16,155	12,658
Amortisation of other intangibles	<u>8,716</u>	<u>14,098</u>
	<u><u>32,296</u></u>	<u><u>46,928</u></u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>(c) Other operating expenses</b>		
Professional and compliance related expenses	13,000	15,193
Travelling expenses	11,793	9,432
Insurance expenses	3,778	4,484
Net exchange gains	(27,928)	(2,509)
Bank charges	2,450	1,923
Auditor's remuneration		
Audit services	4,090	3,970
Non-audit services	170	204
Provision for/(reversal of) impairment of inventories	18	(2,566)
Others	39,756	36,570
	<u>47,127</u>	<u>66,701</u>
<b>(d) Other income and other gains, net</b>		
Net losses/(gains) on disposal of property, plant and equipment	81	(4,925)
Government subsidy	—	(4,810)
Dividend income received from associates	—	(619)
Gain on deconsolidation of a subsidiary ( <i>Note 14</i> )	(52,860)	—
Others	(596)	(2,748)
	<u>(53,375)</u>	<u>(13,102)</u>

## 7 EARNINGS/(LOSS) PER SHARE

### (a) Basic

The calculation of the basic earnings/(loss) per share for both years is based on the Group's profit/(loss) attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during both years.

The weighted average number of ordinary shares in issue during the year was adjusted to reflect the issue of contingent consideration shares during the year to the vendors in relation to the acquisition of 100% interests in Dewe Security Limited and its subsidiaries in 2021 (the "**Dewe Group**") (together, the "**Acquisition**") after confirming the Dewe Group's net profit after tax for the First Relevant Period (as defined in Note 11 below). During the year, there were (i) no other new ordinary shares issued under the share option scheme, the share award scheme, and the share scheme; (ii) no other contingent consideration share issued in relation to the Acquisition on the Second and the Third Relevant Periods (as defined in Note 11 below); and (iii) no new ordinary shares were issued as a result of the conversion of the outstanding convertible bonds.

### (b) Diluted

The basic and diluted profit and loss per share for the years ended 31 December 2023 and 2022 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding, including the conversion of the exchangeable preference shares and convertible bonds, the contingently issuable shares arising from the Acquisition (Note 11) and the exercise of the outstanding share options, during the year was anti-dilutive.

	2023	2022
Weighted average number of ordinary shares in issue	<u><b>2,386,698,234</b></u>	<u>2,344,818,660</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to the equity holders of the Company	<u><b>51,175</b></u>	<u>(28,966)</u>

## 8 GOODWILL AND OTHER INTANGIBLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	<b>305,887</b>	319,985
Amortisation of other intangibles	<b>(8,716)</b>	(14,098)
Provision for impairment of goodwill	<b>(26,174)</b>	—
Provision for impairment of other intangibles	<u><b>(14,370)</b></u>	<u>—</u>
At 31 December	<u><b>256,627</b></u>	<u>305,887</u>

### Impairment assessment for each cash-generating unit (“CGU”) containing goodwill

Goodwill is regularly monitored by the management of each CGU within the relevant operating segments with reference to the business performance based on geography and nature of business activities.

A goodwill impairment assessment was conducted by the management at each CGU or operating segment as of 31 December 2023. The recoverable amounts of the CGUs were determined based on a value-in-use approach (2022: same methodology applied). This calculation was made with the use of discounted cash flow model, based on financial budgets endorsed by the management of each CGU, covering a 5-year period. Cash flow beyond the 5-year period was extrapolated using the terminal growth rate.

Management determined estimated annual revenue growth rates based on past performance and its expectation of market development, taking into account business activities as well as new contracts signed to date. The terminal growth rate is determined with reference to the industry of respective CGU and country in which the CGU operates. The discount rates were determined with reference to specific risks relating to the relevant segments and countries in which they operated.

## 9 TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	241,843	243,008
Less: loss allowance	<u>(30,823)</u>	<u>(33,958)</u>
	<u><b>211,020</b></u>	<u><b>209,050</b></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	118,408	102,354
1-2 months	26,861	38,722
2-3 months	16,272	13,987
Over 3 months	<u>80,302</u>	<u>87,945</u>
	<u><b>241,843</b></u>	<u><b>243,008</b></u>

The fair value of trade receivables approximates its carrying amount.

Credit terms of one to three months from invoice date are generally granted to major customers. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers, if necessary.

## 10 TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	130,080	110,197
1-2 months	1,138	2,061
2-3 months	38	1,095
Over 3 months	9,761	40,703
	<u>141,017</u>	<u>154,056</u>

The fair value of trade payables approximates its carrying amount.

## 11 CONTINGENT CONSIDERATION PAYABLE

On 22 October 2021, the Group, through its wholly-owned subsidiary, acquired 100% of the issued share capital of DeWe Group, a group of entities which principally engaged in the provision of security and guarding services and healthcare services. Details of the Acquisition were set out in the Company's announcement dated 23 September 2021.

Other than the cash consideration of HK\$200,000,000 already paid by the Group to the vendors of the Acquisition, the Group shall satisfy the contingent consideration by the issue of maximum 230,769,228 shares of the Company ("**Consideration Shares**") to the vendors of the Acquisition.

The Consideration Shares are to be issued to the vendors of the Acquisition in three instalments within 14 Business Days after confirming the DeWe Group's net profit after tax for (1) the period from the date of Acquisition completion to 31 December 2022 (the "**First Relevant Period**"); (2) the year ended 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 DeWe 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 (the "**First Target Profit**"), HK\$57,500,000 for the Second Relevant Period (the "**Second Target Profit**") and HK\$66,125,000 for the Third Relevant Period in proportion to the DeWe Group's consolidated net profit after tax achieved in each of the Relevant Period. If the DeWe Group's consolidated net profit after tax is less than HK\$20,000,000 for any Relevant Period (the "**Minimum Target Profit**"), the vendors of the Acquisition are not entitled to any Consideration Share for that Relevant Period.

The fair value of contingent consideration payable at the completion date of the Acquisition amounted to HK\$135,055,000 was calculated with reference to the expected value of DeWe Group's consolidated net profits after tax during the Relevant Periods and the probability of various scenarios of achievement of the targeted net profits. It is expected that a total number of 192,935,000 Consideration Shares would be issued at the prevailing share price as at the date of completion of the Acquisition date. During the year ended 31 December 2023,, a total number of 58,567,221 Consideration Shares in relation to the First Relevant Period were issued to the vendors of the Acquisition. For the First Relevant Period, the consolidated net profit after tax reported by the DeWe Group was HK\$38,069,000, which was lower than the First Target Profit.

For the year ended 31 December 2023, a change in fair value of contingent consideration payable of HK\$4,361,000 was recognised to reflect the impact of the drop in the Company's share price between 31 December 2022 and 14 April 2023 (the date of issue of the Consideration Shares in relation to the First Relevant Period). For the Second Relevant Period, the consolidated net profit after tax reported by the Dewe Group was HK\$1,759,000, which was lower than the Second Target Profit and the Minimum Target Profit and no Consideration Shares to be issued to the vendors of the Acquisition for the Second Relevant Period. The relevant portion of the contingent consideration payable was derecognised to the consolidated income statement amounting to HK\$36,384,000.

The contingent consideration payable is classified as a financial instrument (financial liability at fair value through profit or loss) and recognised in the consolidated statement of financial position at fair value. The fair value of the contingent consideration at the date of initial recognition and as at 31 December 2023 and 2022 are affected by the business performance of DeWe Group and the change in the Company's share price, which is analysed below:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
At 1 January	<b>63,160</b>	135,055
Issue of Consideration Shares	<b>(16,399)</b>	—
Change in fair value recognised in profit or loss	<b>(40,745)</b>	(71,895)
	<u><b>6,016</b></u>	<u>63,160</u>
At 31 December	<b>6,016</b>	63,160
— Current	<b>6,016</b>	20,760
— Non-current	—	42,400

## 12 BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Convertible bonds	<u>209,049</u>	<u>190,084</u>

The fair value of the borrowings approximates its carrying amount.

On 22 October 2021, the Company completed the issuance of convertible bonds with an aggregate principal amount of HK\$210,000,000 to five different subscribers (the “**Bond Holders**”), which are convertible into 210,000,000 shares of the Company at a conversion price of HK\$1.00 per share upon full conversion (the “**Convertible Bonds**”). Pursuant to the terms of the Convertible Bonds, they bear interest at a coupon rate of 2.5% per annum and are due for repayment on 21 October 2023 (the “**Maturity Date**”). Interest attached to the Convertible Bonds are payable to the Bond Holders on the Maturity Date. The Company has the rights to extend the Maturity Date of the Convertible Bonds for an additional one year pursuant to the terms of the Convertible Bonds and the Company has exercised the extension right during the year ended 31 December 2023. The conversion rights attaching to any Convertible Bonds may be exercised at the option of the Bond Holders 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 breaching 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) being 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). Assuming the exercise in full of the conversion rights (the “**Conversion Rights**”) attached to the Convertible Bonds at the initial conversion price of HK\$1.00 per Conversion Share, an aggregate of 210,000,000 Shares (with an aggregate nominal value of HK\$210,000,000) will be issued.

The fair value of the liability component of the Convertible Bonds was calculated by discounting future repayments at an estimated rate of 9.98% per annum. The residual amount of approximately HK\$40,283,000 (being the difference between the fair value of the Convertible Bonds at issuance date and the fair value of the liability component on initial recognition) is assigned as the equity component and is included in equity heading convertible bond equity reserve. The liability component is subsequently measured at amortised cost.

The liability component of convertible bonds is presented in the consolidated statement of financial position as follows:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	<b>190,084</b>	172,840
Interest expense* ( <i>Note 4</i> )	<b>18,965</b>	17,244
At 31 December	<b><u>209,049</u></b>	<b><u>190,084</u></b>

\* Interest expense is calculated by applying the effective interest rate of 9.98% to the liability component.

### 13. SHARE CAPITAL

There was no movement in the number of issued shares during the period between 1 January 2022 and 31 December 2022. During the year ended 31 December 2023, 58,567,221 new ordinary shares were issued at a fair value of HK\$0.28 per share to the vendors of the Acquisition as settlement of the first instalment of the Consideration Shares after confirming the amount of DeWe Group's consolidated net profit after tax for the First Relevant Period, further details in relation to the issue of Consideration Shares were set out in Note 11 of this announcement.

### 14. DECONSOLIDATION OF A SUBSIDIARY

On 23 January 2023, the high court in South Africa (the "**Court**") approved the application for liquidation of Transit Freight Forwarding Pty Limited ("**TFF**"). Accordingly, the Group has deconsolidated the state of affairs of TFF during the year. A one-time non-cash gain on deconsolidation of a subsidiary of HK\$52,860,000 was recognised for the year ended 31 December 2023.

Assets and liabilities of TFF at the date of deconsolidation were set out as below:

	<i>HK\$'000</i>
Assets	
Other receivables	<u>2,738</u>
Total assets	<u>2,738</u>
Liabilities	
Trade payables	(25,422)
Other payables and accruals	(10,533)
Lease liabilities	<u>(11,435)</u>
Total liabilities	<u>(47,390)</u>
Net liabilities	(44,652)
Release of exchange reserve upon deconsolidation of a subsidiary	<u>(8,208)</u>
Gain on deconsolidation of a subsidiary ( <i>Note 6(d)</i> )	<u><u>(52,860)</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

#### Overall Performance

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers	<b>812,918</b>	964,246
Cost of direct materials and job expenses	<b>(214,119)</b>	(313,701)
Data costs	<b>(4,651)</b>	(5,229)
Employee benefit expenses	<b>(336,024)</b>	(347,152)
Sub-contracting charges	<b>(114,080)</b>	(203,173)
Rental expenses	<b>(7,213)</b>	(11,220)
Repair and maintenance costs	<b>(11,378)</b>	(10,941)
Depreciation and amortisation	<b>(32,296)</b>	(46,928)
Other operating expenses	<b>(47,127)</b>	(66,701)
Other income and other gains, net	<b>53,375</b>	13,102
Change in fair value of contingent consideration payable	<b>40,745</b>	71,895
Provision for impairment of goodwill and other intangibles	<b>(40,544)</b>	—
Provision for impairment of property, plant and equipment and right-of-use assets	—	(1,238)
Provision for impairment of financial and contract assets	<b>(23,288)</b>	(38,750)
Operating profit	<b>76,318</b>	4,210
Interest income	<b>4,161</b>	9,123
Finance costs	<b>(23,265)</b>	(29,879)
Share of profits of associates, net	<b>4,290</b>	3,462
Provision for impairment of interests in associates	<b>(1,657)</b>	—
Profit/(loss) before income tax	<b>59,847</b>	(13,084)
Income tax expense	<b>(6,359)</b>	(13,166)
Profit/(loss) for the year	<b><u>53,488</u></b>	<b><u>(26,250)</u></b>

## Financial Key Performance Indicators

	Year ended 31 December	
	2023	2022
Basic earnings/(loss) per share	<b>2.14 cents</b>	(1.24) cents
	<b>As at 31 December</b>	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<b>1,056,457</b>	1,091,440
Shareholders' funds	<b>382,922</b>	351,738
Net asset value per share (excluding non-controlling interests)	<b>16 cents</b>	15 cents
Cash and bank balances	<b>198,111</b>	186,790
Current ratio	<b>1.10</b>	1.58
Total liabilities-to-total assets ratio	<b>0.52</b>	0.57
Price to book ratio	<b>2.14</b>	2.06

The increase in cash and bank balances by HK\$11,321,000 was mainly due to the net cash generated from operating activities of HK\$51,218,000, the repayment of principal elements of lease liabilities of HK\$12,658,000, the increase in prepayment for purchase of property, plant and equipment of HK\$12,668,000 and the purchases of property, plant and equipment of HK\$15,393,000.

This is the first year of the post-COVID-19 era. The global economy has resumed to normal during 2023. Business activities around the world started catching up but they have still not yet reached the level prior to its outbreak. During the year ended 31 December 2023, Frontier Services Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) still faced a lot of challenges and difficulties in its business development. However, the Group still managed to make good use of its existing available resources to improve its operational performance.

### Revenue from contracts with customers

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Security, infrastructure and insurance business	<b>572,533</b>	527,518
Aviation and logistics business	<b>200,299</b>	371,316
Healthcare business	<b>18,628</b>	42,831
Others	<b>21,458</b>	22,581
	<b>812,918</b>	964,246

For the year ended 31 December 2023, the Group reported a consolidated revenue of HK\$812,918,000 (2022: HK\$964,246,000), representing a decrease of 16%. The decrease in the Group's revenue was mainly attributable to the significant decrease in revenue for the Group's logistics segment, which was further explained below.

In 2023, the Group turned from making a loss of HK\$26,250,000 in 2022 to marking a profit of HK\$53,488,000, a turnaround mainly attributed to the improvement of the operating performance in the security, infrastructure and aviation sectors. Further cost cutting measures were implemented in 2023 by the management of the Group, which significantly lowered overall operating costs. However, the total amount of impairment provisions of goodwill and other intangibles, interests in associates, financial and contract assets being set aside by the Group as a whole for the year ended 31 December 2023 was HK\$65,489,000 (2022: HK\$38,750,000), further details of which are explained under the heading "Provision for Impairment of Goodwill and Other Intangibles, Interests in Associates, Financial and Contract Assets" below. For the year ended 31 December 2023, the Group also recorded two non-cash gains, which included a gain on deconsolidation of a subsidiary of HK\$52,860,000 (2022: HK\$Nil) and a change in fair value of contingent consideration payable of HK\$40,745,000 (2022: HK\$71,895,000).

## **Overall Performance**

### ***Security, Insurance and Infrastructure Segment***

This segment reported a significant improvement in both revenue and operating results during the year ended 31 December 2023, in particular, the security segment.

#### **Security**

After years of effort in investing and participating in overseas security businesses plus the positive contributions brought in from those newly acquired subsidiaries in October 2021, the Group's security segment reported profits in both overseas and Hong Kong for 2023. Total revenue generated from this segment increased by 21% from HK\$423,657,000 in 2022 to HK\$515,503,000 in 2023. This segment reported a significant improvement in both revenue and operating results, which was mainly contributed by those security subsidiaries based in Hong Kong, Africa and South East Asia. This segment's revenue represented approximately 63% of the Group's revenue and had become the Group's core business and primary focus. Since 2022, this segment started operating at an operating profit of HK\$19,746,000 and it was also profit-making in 2023 amounting to HK\$66,764,000.

During the year ended 31 December 2023, impairment provision of goodwill and other intangibles of HK\$19,490,000 (2022: HK\$Nil) was made against one of the CGUs of this segment, further details of which are set out in Note 8 of this announcement.

#### **Insurance**

On insurance segment, the Group through an associated company recorded a share of profit of HK\$4,209,000 (2022: HK\$3,012,000).

## **Infrastructure**

On infrastructure segment, the Group, through its infrastructure project in Lao People's Democratic Republic ("**Laos**") recognised a total revenue of HK\$55,840,000 (2022: HK\$103,761,000). The project in Laos itself contributed a total profit of HK\$8,467,000 (2022: a profit of HK\$14,476,000). The project commenced in the second half of 2021, and was related to the construction of an office building. As at 31 December 2023, all construction works were completed.

For the year ended 31 December 2023, the Group reported a revenue of HK\$572,533,000 (2022: HK\$527,518,000) and an operating profit of HK\$84,243,000 (2022: HK\$27,164,000) of this segment after netting off impairment provisions of HK\$31,936,000 (2022: HK\$22,873,000).

## ***Aviation and Logistics Segment***

The Group's aviation and logistics business segment reported a decrease in revenue by approximately HK\$171,017,000 because the logistics and warehousing operation in South Africa ceased operation in 2022, which resulted in a decrease in revenue of HK\$79,405,000 as it did not contribute any revenue to the Group in 2023. During 2023, the Group had repositioned towards targeting specific logistic customers, which resulted in further decrease in logistics revenue. Also, there was a decrease in revenue reported by our Kenya based aviation arm. All resulted in a decrease in overall revenue but this segment still managed to report an operating profit of HK\$47,297,000 (2022: loss of HK\$51,858,000).

## **Aviation**

The Kenyan aviation arm remained profitable during 2023. Its profit decreased from HK\$12,788,000 in 2022 to HK\$9,653,000 in 2023 as the demand for air ambulance services decreased with the pandemic being under control, and a fixed and guaranteed income contract with a major customer was terminated at the beginning of 2023. However, the overall number of flying hours increased from 1,936 hours in 2022 to 2,090 hours in 2023, due to the increase in demand for chartered flights.

## **Logistics**

The overall performance of the Group's logistics subsidiaries was slightly affected by the repositioning towards targeting specific customers leading to a decrease in revenue. Nevertheless, this segment managed to operate near breakeven.

During the year, the Group's logistic base located in South Africa remained under the liquidation process. It was placed under business rescue proceedings on 4 July 2022. After months of business rescue proceedings, on 24 October 2022, the business rescue practitioner decided to apply to the high court in South Africa (the "**Court**") to place it into liquidation in view of the fact that there is no reasonable prospect for it to be rescued. On 23 January 2023, the Court issued an order confirming that the business rescue proceedings were discontinued and the application for liquidation was approved. Joint liquidators were then appointed by the Court to handle the liquidation process on 17 February 2023. During the year, the Group deconsolidated the state of affairs of the South Africa incorporated subsidiary from the date of appointment of the joint

liquidators while its business operations were ceased when the business rescue practitioner decided to put it into liquidation. A one-time non-cash gain on deconsolidation of a subsidiary of HK\$52,860,000 was recognised for the year ended 31 December 2023. Further details in relation to its business rescue proceedings and its liquidation were set out in the Company's announcement dated 4 July 2022, 24 October 2022 and 20 February 2023.

For the year ended 31 December 2022, the Group set aside impairment provisions against its non-performing non-current assets of HK\$1,238,000 and financial assets of HK\$14,239,000 in relation to that South Africa incorporated subsidiary.

For the year ended 31 December 2023, the Group of this segment reported a revenue of HK\$200,299,000 (2022: HK\$371,316,000) and an operating profit of HK\$47,297,000 (2022: an operating loss of HK\$51,858,000) of this segment after netting off impairment provisions of HK\$2,211,000 (2022: HK\$15,033,000).

### *Healthcare Segment*

Throughout 2023, the Group through several medical-related subsidiaries offered a wide range of healthcare and medical consultation services in both Hong Kong and China. These services encompassed medical consultation services and sales of medical equipment and healthcare products with an aim of promoting a comprehensive healthcare concept. The resumption of cross-border operation did not bring in those expected contribution to this segment's operation. Also, the total number of patients from China to get medical consultation from its subsidiaries and the contributions from its telemed application were lower than expected in 2023. In this connection, only a total revenue of HK\$18,628,000 (2022: HK\$42,831,000) and an operating loss of HK\$28,304,000 (2022: an operating profit HK\$7,511,000) were generated to the Group for the year ended 31 December 2023. Loss incurred in 2023 was due to non-performance of this segment and impairment provisions of financial assets made amounting to HK\$8,600,000 (2022: HK\$Nil). For the year ended 31 December 2023, an impairment provision against the purchased goodwill attributable to this segment of HK\$21,054,000 (2022: HK\$ Nil) was recognised to reduce the carrying amount of this cash generating units to its recoverable amount, further details of which are set out in Note 8 of this announcement.

### **Provision for Impairment of Goodwill and Other Intangibles, Interests in Associates, Financial and Contract Assets**

In addition to those impairment provisions set aside against the purchased goodwill against the healthcare segment and one of the CGU of the security segment as mentioned in the preceding paragraph, further impairment provisions were made against financial and contract assets by the Group amounting to HK\$23,288,000 (2022: HK\$38,750,000) for the year ended 31 December 2023.

For the year ended 31 December 2023, impairment provisions against interests in associates of HK\$1,657,000 (2022: HK\$ Nil) were set aside because two associated companies were liquidated during the year.

## PROSPECTS

After nearly three years under the shadow of COVID, by end of 2022, we began transitioning into the post-COVID era. By the dawn of 2023, several countries had relaxed or even abolished their travel restrictions and social distancing measures. Cross-border business activities resurged, while international infrastructure projects regained momentum. Although some sectors are benefiting from the post-COVID recovery, demand and profitability have not fully rebounded to pre-pandemic levels. Still, the global macroeconomic landscape remains uncertain, with challenges like geopolitical tensions, economic instability, rising inflation and increasing interest rate influencing business operations and adding to costs.

Since 2022, the security segment has emerged as the Group's core business and primary revenue driver. Our international security initiatives have gained significant recognition, enabling us to secure large, profitable contracts in multiple regions. Consequently, we anticipate continued significant returns from our global security endeavours in the foreseeable future because the need to protect Chinese operations and personnel in the dangerous environments abroad has become more inherent as a result of global expansion of Chinese companies over the past two decades.

The addition of two security arms in Hong Kong via the Acquisition has further solidified our presence in the security sector. Leveraging the licenses held by these two wholly-owned subsidiaries, we are well-positioned to strengthen our security portfolio in Hong Kong, targeting more prominent and lucrative security projects.

GMC is active pursuing opportunities in Hong Kong, China, and worldwide, with a strategic focus on promoting comprehensive healthcare concepts. While facing challenges with cross-border activities and slower growth in cross-border customer bases, GMC swiftly adjusted its strategies in the final quarter of 2023 by bringing in potential new income streams. GMC's management is optimistic that the segment's performance will rebound in 2024.

In the aviation sector, our aviation division continues to actively enhance its fleet capabilities and expand its offerings to include a wider range of air charter and air ambulance services in 2024. Collaborations with global organisations are expected to bolster our aviation operations further.

In 2023, the Group reported a profit, which is mainly attributable to those two non-cash gains and improved performance in the security sector. We remain committed to reinforcing our security capabilities in overseas, with a focus on driving sustained operational improvements through 2024.

The current global business environment presents various challenges, with most sectors still striving for stability. Uncertainties in the global economic outlook persist, particularly with emerging geopolitical shifts and upcoming elections in certain African and Southeast Asian nations. Yet, we remain vigilant and optimistic, identifying opportunities amidst the challenges. Our recent successes in specific countries bolster our global ambitions. We are steadfast in enhancing our market competitiveness, and are confident that with the unwavering support from our shareholders and our deep-rooted commitment to our mission, the Group will navigate these turbulent times successfully. The positive performance in 2023 serves as a promising sign of our trajectory towards enduring success.

## EMPLOYEES

The Group has crafted its human resources policies and procedures based on performance and meritocracy. 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 also places a strong emphasis on professional development, offering comprehensive on-the-job training, retirement benefit plans and medical insurance to support our employees' long-term well-being. Furthermore, we recognize individual achievements with the provision of discretionary year-end bonus, rewarding merit and dedication to excellence. The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company has not granted any share options under its share option scheme during the year ended 31 December 2023 (2022: 23,400,000 share options).

The Company operated a share option scheme, which was adopted on 28 March 2012, (the “**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 Share Option Scheme was valid and effective for a period of 10 years commencing from 28 March 2012, which was expired on 28 March 2022. The outstanding share options under the Share Option Scheme as at 31 December 2023 was 23,400,000 share options (2022: 23,400,000).

The Company has also operated a share award scheme (the “**Share Award Scheme**”) since 10 December 2015 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. As at 31 December 2023, there was no unvested shares granted under the Share Award Scheme (31 December 2022: Nil).

On 28 June 2023, the Company passed an ordinary resolution in the Annual General Meeting to approve the adoption of a fresh share scheme of the Company (the “**Share Scheme**”). This was aligned with the updated requirements of Chapter 17 of the Listing Rules pertaining to share schemes, effective from 1 January 2023.

The newly adopted Share Scheme supersedes the Share Option Scheme and the Share Award Scheme. The purpose of the Share Scheme is to enable the Company to grant share options and share awards to those participants who have contributed or may contribute to the Group, as well as to provide incentives and help the Group in recruiting or retaining its valued employees, and to provide them with a direct interest in attaining the long-term business objectives of the Group. Further details in relation to the adoption of the Share Scheme and its principal terms are set out in the Company's circular dated 5 June 2023.

As at 31 December 2023 and up to the date of this announcement, no share options nor share awards were granted under the new Share Scheme.

The total number of employees of the Group as at 31 December 2023 was 1,939 (2022: 2,102).

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 December 2023, the Group recorded total assets of HK\$1,056,457,000 (2022: HK\$1,091,440,000) which were financed by liabilities of HK\$553,485,000 (2022: HK\$620,865,000), non-controlling interests of HK\$120,050,000 (2022: HK\$118,837,000) and shareholders' equity of HK\$382,922,000 (2022: HK\$351,738,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2023 amounted to HK\$0.16 (2022: HK\$0.15) per share.

As at 31 December 2023, the Group's available cash and bank balances were HK\$198,111,000 (2022: HK\$186,790,000) and restricted bank balances and pledged bank deposits of HK\$Nil (2022: HK\$3,857,000) with a total borrowings of HK\$209,049,000 (2022: HK\$190,084,000). The Group's total borrowings are those outstanding convertible bonds amounting to HK\$209,049,000 (2022: HK\$190,084,000). As at 31 December 2022 and 2023, the Group's borrowings are repayable in accordance with the terms of the convertible bonds (see Note 12 of this announcement).

As at 31 December 2023, the gearing ratio (ratio of the sum of total borrowings excluding lease liabilities to the total assets) was approximately 19.8% (2022: 17.5%).

### **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, United States dollars ("US\$") and Kenyan Shillings ("KES"). Other than the bank deposits pledged for the Group's bank borrowings, surplus cash is generally placed on term deposits and investments depending on the Group's funding requirements.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group currently operates mainly in Africa, South East Asia and Mainland China including Hong Kong.

For operations in Africa, most of the transactions are denominated in US\$, KES and ZAR. Nigerian Naira (“NN”). The exchange rates of KES and NN against HK\$ have decreased by 21% and decreased by 50% respectively during the year ended 31 December 2023. 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 NN and will consider the use of financial instrument for hedging purposes, if necessary.

For 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”), Cambodian Riel (“KHR”), Bangladeshi Taka (“BDT”) and Lao Kip (“LAK”). The Group manages its currency exchange risk of the above currencies by close monitoring the fluctuation in exchange rates on MMK, KHR, BDT and LAK.

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 year. The Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate the currency exchange risk of RMB.

For operations in 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 investments held nor there were any other material acquisitions or disposals of subsidiaries, associates or joint venture during the year ended 31 December 2023 except for a deconsolidation of a subsidiary as set out in Note 14 of this announcement.

## **Charges on Assets**

As at 31 December 2023 and 2022, the Group did not have any trade receivables pledged to banks as securities for banking facilities.

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

As at 31 December 2023, 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**

- (i) The Group and Aircraft Engine Leasing Finance Inc. (the "**Claimant**") entered into a stock purchase agreement dated 15 December 2020 (the "**Purchase Agreement**") pursuant to which the Claimant acquired the entire interests in Maleth Aero Limited and its subsidiaries ("**Maleth**"), a former subsidiary of the Group, from Frontier Services Limited, a wholly-owned subsidiary of the Company. On the same date, the Group and the Claimant entered into a settlement agreement (the "**Settlement Agreement**") regulating the repayment of certain sums advanced by the Group to Maleth in those years prior to the signing of the Purchase Agreement. As of the date of this announcement, no sums have been repaid under the Settlement Agreement by Maleth.

On 4 November 2021, counsel for the Claimant wrote to the Group with a demand for indemnification, followed by several more indemnification demands notified on 2 December 2021, arising from the Purchase Agreement between the Claimant and the Group (the "**Indemnification Demands**"). The Indemnification Demands totaled approximately US\$5,800,000 (equivalent to HK\$45,500,000).

The Group has taken the view that the Indemnification Demands are untrue, unfounded and/or unsustainable; no payments are due to the Claimant; and that the Indemnification Demands were made in order to forestall the payment of sums owed to the Group under the Settlement Agreement. The Claimant refused to comply with the Claimant's obligations to deregister the aircraft which belonged to the Group, so that the Group could not take back possession of the aircraft.

On 30 December 2022, the Group filed a civil lawsuit and arbitration claim with the Civil Court of Malta and, following that, files a separate notice of claim with the Malta Arbitration Centre, making contractual, tortious and equitable claims against the Claimant in an amount exceeding €10,000,000 (equivalent to HK\$83,300,000) (the "**FSG Claims**"). The FSG Claims are based on specific and documented breaches of the Claimant's obligations under the Purchase Agreement, the Settlement Agreement and at law.

The first hearing of the Malta Arbitration Centre was held on 31 January 2023, at which administrative and scheduling matters were discussed between the parties and the Malta Arbitration Centre. No conclusion has been drawn up yet as at 31 December 2023.

The Board of the Company, with the aid of legal advisor, are of the opinion that the Group has reasonable grounds to its defense against the Indemnification Demands from the Claimant and it is not probable, despite there would still be possibility, that the Group will incur damage resulting from the Indemnification Demands as at the date of these consolidated financial statements. Also, the Group has a reasonable and legally supported claim for specific performance and the payment of substantial damages for a series of related contractual breaches, tortious actions, and potentially fraud.

- (ii) During the year, it is noted that a customer of Frontier Logistics (Shanghai) Company Limited (“**SH Logistics**”), an indirectly wholly-owned subsidiary of the Company, filed a claim against it for an amount of RMB28,700,000 (equivalent to HK\$31,800,000) in relation to a logistic service contract conducted in 2021 (the “**SH Claims**”). At the same time, SH Logistics also filed a counterclaim against that customer for the outstanding amount due by that customer to the Group of RMB11,400,000 (equivalent to HK\$12,700,000) (the “**SH Counterclaims**”) on services rendered. Both claims are now handled by Shanghai Maritime Affairs Court (the “**Maritime Court**”).

On 25 January 2024, the Maritime Court decided to combine the two claims together for consideration on that date. On 22 February 2024, the first hearing of the SH Claims was conducted and the second hearing of the SH Claims is scheduled to be held on 10 April 2024. SH Logistics has engaged a legal counsel to handle both claims.

The legal advisor of SH Logistics is of the opinion that SH Logistics, as the carrier, its liability for any loss or damage should be limited to RMB1,440,000 (equivalent to HK\$1,600,000) (the “**Possible Claimed Amount**”) pursuant to the calculation basis as stated in Maritime Law Article 56 instead of the amount of SH Claims. On the other hand, the legal advisor also opined that the evidence provided by SH Logistics should be sufficient to prove that SH Logistics had properly discharged its obligations according to those logistic service contracts rendered to this customer. It is highly likely that SH Logistics could recover the SH Counterclaims from that customer and SH Logistics can use the SH Counterclaims to offset the Possible Claimed Amount to that customer. As a result, the Board considers it is appropriate to set aside a provision of HK\$1,600,000 for SH Claims and that the expected credit loss of the receivable under SH Counterclaims to be immaterial.

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 31 December 2023 and 2022.

### **Subsequent Events**

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2023 and up to the date of this announcement.

### **Non-achievement of target profit in relation to the acquisition of the Dewe Group**

For the Second Relevant Period, the consolidated net profit after tax reported by the Dewe Group was HK\$1,759,000, which was lower than the Second Target Profit and the Minimum Target Profit and the number of the Consideration Shares to be issued to the vendors of the Acquisition for the Second Relevant Period is Nil.

## Supplementary Information

On 12 June 2023, the Bureau of Industry and Security of the United States Department of Commerce (“**Bureau**”) added the Company to the export control list (the “**Entity List**”) for allegedly providing training to Chinese military pilots utilizing Western and NATO resources, an action claimed to be in opposition to the United States’ national security and foreign policy objectives. On 13 June 2023, the very next day, the Board published a clarification announcement firmly denying any involvement in these purported activities, emphasising that the Company has not engaged with nor been approached by the Bureau regarding these claims. Furthermore, the Board highlighted the absence of any justifiable reasons from the Bureau for our inclusion on the Entity List.

The Group sought advice from several legal experts. Recent evaluations have led us to understand the Bureau’s allegations are unfounded and without merit. The Group’s core operations are unrelated to the accused activities, and our business ventures are strictly confined to Africa, China (including Hong Kong), South-East Asia and the Middle-East, with no commercial presence in the United States.

As at 31 December 2023, the Group has retained a specialised legal advisor to navigate and resolve this issue.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

The Company has not redeemed any of its listed securities during the year ended 31 December 2023. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year ended 31 December 2023.

## **CORPORATE GOVERNANCE**

Throughout the year ended 31 December 2023, 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 (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 BY DIRECTORS**

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 of the Company have confirmed that they have complied with the Model Code regarding directors’ securities transactions throughout their tenure during the year ended 31 December 2023.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the Hong Kong Exchanges and Clearing Limited’s website (“**HKExnews website**”) at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.fsgroup.com](http://www.fsgroup.com). The 2023 annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the HKExnews website and the Company’s website in due course.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely Mr. Yap Fat Suan, Henry, Mr. Cui Liguu and Mr Hooi Hing Lee. Mr. Yap Fat Suan, Henry is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Group’s consolidated financial statements for the year ended 31 December 2023 have been reviewed by the Audit Committee.

By Order of the Board  
**Frontier Services Group Limited**  
**Chan Kam Kwan, Jason**  
*Company Secretary*

Hong Kong, 27 March 2024

*At the date of this announcement, the Board of the Company comprises the non-executive director of Mr. Chang Zhenming (Chairman), Mr. Fei Yiping, Mr. Chan Kai Kong, Mr. Dorian Barak and Mr. Zhang Yukuan; the executive directors of Mr. Ko Chun Shun, Johnson (Deputy Chairman), Mr. Luo Ning (Deputy Chairman) and Mr. Li Xiaopeng (Chief Executive Officer); and the independent non-executive directors of Mr. Yap Fat Suan, Henry, Mr. Hooi Hing Lee, Mr. Cui Liguu and Dr. Chan Wing Mui Helen.*