

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



**FRONTIER SERVICES GROUP LIMITED**

**先豐服務集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

Website: [www.fsgroup.com](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 2022**

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 2022, together with the comparative figure for the year ended 31 December 2021. 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 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	3	964,246	756,123
Cost of direct materials and job expenses		(313,701)	(248,400)
Data costs		(5,229)	(6,073)
Employee benefit expenses		(347,152)	(242,431)
Sub-contracting charges		(203,173)	(197,948)
Rental expenses	6	(11,220)	(12,562)
Repair and maintenance costs		(10,941)	(14,223)
Depreciation and amortisation	6	(46,928)	(49,684)
Other operating expenses	6	(66,701)	(67,048)
Other income and other gains, net	6	13,102	8,335
Change in fair value of contingent consideration payable	11	71,895	—
Provision for impairment of property, plant and equipment and right-of-use assets		(1,238)	(15,731)
Provision for impairment of other intangibles		—	(2,029)
Provision for impairment of financial assets		(21,739)	(30,866)
Provision for impairment of deposits		(17,011)	—
Operating profit/(loss)		4,210	(122,537)
Interest income		9,123	2,033
Finance costs	4	(29,879)	(15,231)
Share of profits of associates and a joint venture, net		3,462	3,344
Provision for impairment of assets held-for-sale		—	(10,396)
Loss before income tax		(13,084)	(142,787)
Income tax expense	5	(13,166)	(14,392)
<b>LOSS FOR THE YEAR</b>		<b>(26,250)</b>	<b>(157,179)</b>
Attributable to:			
Equity holders of the Company		(28,966)	(159,699)
Non-controlling interests		2,716	2,520
		<b>(26,250)</b>	<b>(157,179)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted loss per share	7	<b>(1.24) cents</b>	<b>(6.81) cents</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<u>(26,250)</u>	<u>(157,179)</u>
<b>Other comprehensive loss</b>		
Item that may be reclassified to profit or loss		
— Foreign exchange differences	(8,972)	(4,598)
Item that will not be reclassified to profit or loss		
— Foreign exchange differences	<u>(783)</u>	<u>—</u>
Other comprehensive loss for the year, net of tax	<u>(9,755)</u>	<u>(4,598)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u><b>(36,005)</b></u>	<u><b>(161,777)</b></u>
Attributable to:		
Equity holders of the Company	(37,938)	(164,310)
Non-controlling interests	<u>1,933</u>	<u>2,533</u>
	<u><b>(36,005)</b></u>	<u><b>(161,777)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		55,300	54,032
Right-of-use assets		88,618	139,674
Goodwill and other intangibles		305,887	319,985
Interests in associates		46,884	44,373
Deferred income tax assets		66	6,245
Non-current prepayments		49,397	45,760
Financial assets at fair value through other comprehensive income		5	5
Total non-current assets		<u>546,157</u>	<u>610,074</u>
<b>CURRENT ASSETS</b>			
Inventories		5,316	4,724
Trade and bills receivables	9	209,050	195,586
Prepayments, deposits and other receivables		50,484	75,466
Contract assets		84,628	11,957
Tax receivables		5,158	1,102
Restricted bank balances and pledged bank deposits		3,857	—
Cash and cash equivalents		186,790	267,431
Assets held-for-sale		<u>—</u>	<u>7,133</u>
Total current assets		<u>545,283</u>	<u>563,399</u>
Total assets		<u>1,091,440</u>	<u>1,173,473</u>

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>10</i>	<b>154,056</b>	69,646
Other payables and accruals		<b>122,663</b>	119,316
Contract liabilities		<b>9,093</b>	34,158
Contingent consideration payable	<i>11</i>	<b>20,760</b>	—
Borrowings	<i>12</i>	—	21,439
Lease liabilities		<b>24,415</b>	30,821
Tax payables		<b>13,895</b>	6,875
		<hr/>	<hr/>
Total current liabilities		<b>344,882</b>	282,255
		<hr/>	<hr/>
Net current assets		<b>200,401</b>	281,144
		<hr/>	<hr/>
Total assets less current liabilities		<b>746,558</b>	891,218
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>5,108</b>	34,407
Deferred income tax liabilities		<b>38,391</b>	43,766
Contingent consideration payable	<i>11</i>	<b>42,400</b>	135,055
Borrowings	<i>12</i>	<b>190,084</b>	172,840
		<hr/>	<hr/>
Total non-current liabilities		<b>275,983</b>	386,068
		<hr/>	<hr/>
Total liabilities		<b>620,865</b>	668,323
		<hr/>	<hr/>
Net assets		<b>470,575</b>	505,150
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to the Company's equity holders			
Share capital		<b>234,482</b>	234,482
Reserves		<b>117,256</b>	150,157
		<hr/>	<hr/>
		<b>351,738</b>	384,639
Non-controlling interests		<b>118,837</b>	120,511
		<hr/>	<hr/>
Total equity		<b>470,575</b>	505,150
		<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 2022 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 2022 have been prepared on a historical cost basis, except for (i) certain financial assets and liabilities, which are carried at fair value and (ii) the assets held-for-sale which are measured at fair value less costs to sell.

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

In the current year, the Group has adopted all the following new standard, amendments to standards and interpretation for the first time for the accounting period beginning on 1 January 2022:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs 2018- 2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of these amendments does not have any material impact on the Group’s consolidated financial statements for the year ended 31 December 2022.

The following new and amended standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2022 and have not been adopted early:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
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
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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.

Management has changed its internal performance review to align more closely with the Group's strategic decision and development, by reallocating some of the resources between Security, Insurance and Infrastructure Business, Aviation and Logistics Business and Others and separately reported Healthcare Business as a reporting segment, to reflect the latest business development of the Group. The comparative amounts of the segment information in 2021 has been reclassified to reflect such change.

The performance and the financial position under each operating segments are summarised as follows:

- (i) Security, Insurance and Infrastructure Business (“**SII 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, other 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 and certain assets, liabilities and expenditure information 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 (from external customers)	<b>527,518</b>	<b>371,316</b>	<b>42,831</b>	<b>22,581</b>	<b>964,246</b>
Depreciation	7,002	24,159	67	1,602	32,830
Amortisation	13,657	120	321	—	14,098
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	5,862	15,033	—	844	21,739
Provision for impairment of deposits	17,011	—	—	—	17,011
Change in fair value of contingent consideration payable	—	—	—	71,895	71,895
Operating profit/(loss)	<b>27,164</b>	<b>(51,858)</b>	<b>7,511</b>	<b>21,393</b>	<b>4,210</b>
Interest income					9,123
Finance costs					(29,879)
Share of profits of associates					3,462
Loss before income tax					(13,084)
Income tax expense					(13,166)
Loss for the year					<b>(26,250)</b>
Total assets	<b>651,763</b>	<b>325,554</b>	<b>54,821</b>	<b>59,302</b>	<b>1,091,440</b>
Total assets include: Interests in associates	<b>44,240</b>	<b>803</b>	<b>195</b>	<b>1,646</b>	<b>46,884</b>
Total liabilities	<b>197,454</b>	<b>113,349</b>	<b>4,657</b>	<b>305,405</b>	<b>620,865</b>
Capital expenditure	<b>3,465</b>	<b>7,656</b>	<b>18</b>	<b>1,427</b>	<b>12,566</b>

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2021 by operating segments is as follows:

	SII Business HK\$'000	AL Business HK\$'000	HC Business HK\$'000 (Restated)	Others HK\$'000 (Restated)	Total HK\$'000
Revenue from contracts with customers (from external customers)	236,148	494,241	3,891	21,843	756,123
Depreciation	7,019	37,378	47	1,603	46,047
Amortisation	2,666	918	8	45	3,637
Provision for impairment of property, plant and equipment	—	5,389	—	—	5,389
Provision for impairment of right-of-use assets	—	10,342	—	—	10,342
Provision for impairment of other intangibles	—	2,029	—	—	2,029
Provision for impairment of financial assets	933	29,919	—	14	30,866
Operating (loss)/profit	(22,553)	(46,704)	138	(53,418)	(122,537)
Interest income					2,033
Finance costs					(15,231)
Provision for impairment of assets held-for-sale					(10,396)
Share of profits of associates and a joint venture, net					3,344
Loss before income tax					(142,787)
Income tax expense					(14,392)
Loss for the year					(157,179)
Total assets	552,078	420,609	13,042	187,744	1,173,473
Total assets include: Interests in associates	41,496	635	218	2,024	44,373
Total liabilities	137,918	149,313	3,381	377,711	668,323
Capital expenditure	241,222	27,533	—	91,679	360,434

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Africa	<b>405,913</b>	444,519
The People's Republic of China ("PRC")		
Mainland China	<b>146,344</b>	154,009
Hong Kong	<b>240,182</b>	50,574
South-East Asia and Middle-East	<b>171,807</b>	107,021
	<b>964,246</b>	756,123

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	<b>103,760</b>	N/A*

- The revenue from customer A did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Africa	<b>189,101</b>	206,989
Europe	<b>5,005</b>	21,548
The PRC		
— Mainland China	<b>5,356</b>	10,966
— Hong Kong	<b>311,911</b>	321,403
South-East Asia and Middle-East	<b>34,713</b>	42,918
	<b>546,086</b>	603,824

### 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> <i>(Restated)</i>
Revenue from provision of security, insurance and infrastructure services	527,518	236,148
Revenue from provision of aviation and logistics services	371,316	494,241
Revenue from provision of healthcare services and sales of healthcare products	42,831	3,891
Others	22,581	21,843
	<u>964,246</u>	<u>756,123</u>

Disaggregation of revenue from contracts with customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	422,170	503,901
Over time	542,076	252,222
	<u>964,246</u>	<u>756,123</u>
Revenue from contracts with customers	<u>964,246</u>	<u>756,123</u>

### 4 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on:		
Bank and other loans	1,887	2,144
Lease liabilities	6,534	8,342
Convertible bonds ( <i>Note 12</i> )	17,244	3,123
Financing components of a contract with supplier	3,937	—
Net exchange loss on borrowings	277	1,622
	<u>29,879</u>	<u>15,231</u>

## 5 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
Hong Kong		
— Provision for the year	3,419	1,110
— Over provision in prior years	(503)	—
Outside Hong Kong		
— Provision for the year	7,823	5,213
	<u>10,739</u>	<u>6,323</u>
Deferred income tax	2,427	8,069
	<u>13,166</u>	<u>14,392</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 LOSS FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(a) Rental expenses</b>		
Rentals on land and buildings	10,460	9,041
Rentals on equipment	760	3,403
Rentals on motor vehicle	—	118
	<u>11,220</u>	<u>12,562</u>
<b>(b) Depreciation and amortisation</b>		
Depreciation of right-of-use assets	20,172	28,735
Depreciation of property, plant and equipment	12,658	17,312
Amortisation of other intangibles	14,098	3,637
	<u>46,928</u>	<u>49,684</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(c) Other operating expenses</b>		
Professional and compliance related expenses	15,193	19,859
Travelling expenses	9,432	7,908
Insurance expenses	4,484	3,388
Net exchange gains	(2,509)	(9,465)
Bank charges	1,923	1,017
Auditor's remuneration		
Audit services	3,970	3,037
Non-audit services	204	1,163
(Reversal of)/provision for impairment of inventories	(2,566)	480
Others	36,570	39,661
	<u>66,701</u>	<u>67,048</u>
<b>(d) Other income and other gains, net</b>		
Warehouse income	—	(2,478)
Net gains on disposal of property, plant and equipment	(4,925)	(2,371)
Government subsidy	(4,810)	—
Dividend income received from associates	(619)	—
Others	(2,748)	(3,486)
	<u>(13,102)</u>	<u>(8,335)</u>

## 7 LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the Group's loss attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The basic and diluted loss per share for the year ended 31 December 2022 and 2021 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 in 2021 and the exercise of the outstanding share options, during the year was anti-dilutive.

The weighted average number of ordinary shares in issue during the both years were the number of ordinary shares in issue, there were no new ordinary shares issued under the share option schemes and contingent consideration schemes of the acquisition, and there was no conversion of convertible bonds.

	2022	2021
Weighted average number of ordinary shares in issue	<u>2,344,818,660</u>	<u>2,344,818,660</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to the equity holders of the Company	<u>(28,966)</u>	<u>(159,699)</u>

## 8 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## 9 TRADE AND BILLS RECEIVABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from contracts with customers	243,008	189,233
Bills receivable	—	23,052
Less: loss allowance	<u>(33,958)</u>	<u>(16,699)</u>
	<u>209,050</u>	<u>195,586</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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	102,354	81,402
1-2 months	38,722	30,597
2-3 months	13,987	14,527
Over 3 months	<u>87,945</u>	<u>62,707</u>
	<u>243,008</u>	<u>189,233</u>

As at 31 December 2022 and 2021, aging analysis of bills receivables based on the bills receiving date is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	—	1,407
Over 3 months	—	21,645
	<u>—</u>	<u>23,052</u>
	<b><u>—</u></b>	<b><u>23,052</u></b>

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

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

## 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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	<b>110,197</b>	46,557
1-2 months	<b>2,061</b>	9,406
2-3 months	<b>1,095</b>	3,906
Over 3 months	<b>40,703</b>	9,777
	<u>154,056</u>	<u>69,646</u>
	<b><u>154,056</u></b>	<b><u>69,646</u></b>

The fair values of trade payables approximate their carrying amounts.



## 11 CONTINGENT CONSIDERATION PAYABLE

On 22 October 2021, the Group, through its wholly-owned subsidiary, completed the acquisition of 100% of the issued share capital of DeWe Security Limited and its subsidiaries (“**DeWe Group**”), a group of entities, which principally engaged in the provision of security and guarding services and healthcare services (the “**Acquisition**”). The purchase consideration for the Acquisition included cash payment of HK\$200,000,000 and the issue of maximum 230,769,228 shares of the Company (“**Consideration Shares**”) to the vendors of the Acquisition (the “**Vendors**”).

The Consideration Shares are to be issued to the Vendors in three instalments within 14 Business Days after confirming the DeWe Group’s net profit for (1) the period from the date of Acquisition completion to 31 December 2022; (2) the year ending 31 December 2023; and (3) the year ending 31 December 2024 (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 for the Relevant Periods.

The fair value of contingent consideration at the completion date of Acquisition amounted to HK\$135,055,000 was calculated with reference to the expected value of DeWe Group’s 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 192,935,000 Consideration Shares would be issued at the prevailing share price as at the date of completion of the Acquisition date.

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 2022 are affected by the business performance of DeWe Group and the change in the Company’s share price, which is analysed below:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
At 1 January	135,055	—
Contingent consideration arising from the Acquisition	—	135,055
Change in fair value recognised in profit or loss	<u>(71,895)</u>	<u>—</u>
At 31 December	<u><u>63,160</u></u>	<u><u>135,055</u></u>
— Current	<u><u>20,760</u></u>	<u><u>—</u></u>
— Non-current	<u><u>42,400</u></u>	<u><u>135,055</u></u>

## 12 BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans and bank advances for discounted bills	—	21,439
Convertible bonds	<u>190,084</u>	<u>172,840</u>
	<u><u>190,084</u></u>	<u><u>194,279</u></u>

The fair values of the borrowings approximate their carrying amounts.

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. The conversion rights attaching to any Convertible Bonds restrictions: 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 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). 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 using future repayments discounted at an estimated discount 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 convertible bonds are presented in the consolidated statement of financial position as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liability component at 1 January	<b>172,840</b>	—
Face value of bonds issued	—	210,000
Other equity securities — value of Conversion Rights	—	(40,283)
	<hr/>	<hr/>
	<b>172,840</b>	169,717
Interest expense* ( <i>Note 4</i> )	<b>17,244</b>	3,123
	<hr/>	<hr/>
Non-current liability	<b>190,084</b>	172,840
	<hr/> <hr/>	<hr/> <hr/>

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

### 13 COMPARATIVE AMOUNTS

Owing to the change in the reporting segment as mentioned in Note 2 of this announcement, certain comparative amounts have been reclassified to conform with the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

#### Overall Performance

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	<b>964,246</b>	756,123
Cost of direct materials and job expenses	<b>(313,701)</b>	(248,400)
Data costs	<b>(5,229)</b>	(6,073)
Employee benefit expenses	<b>(347,152)</b>	(242,431)
Sub-contracting charges	<b>(203,173)</b>	(197,948)
Rental expenses	<b>(11,220)</b>	(12,562)
Repair and maintenance costs	<b>(10,941)</b>	(14,223)
Depreciation and amortisation	<b>(46,928)</b>	(49,684)
Other operating expenses	<b>(66,701)</b>	(67,048)
Other income and other gains, net	<b>13,102</b>	8,335
Change in fair value of contingent consideration payable	<b>71,895</b>	—
Provision for impairment of property, plant and equipment and right-of-use assets	<b>(1,238)</b>	(15,731)
Provision for impairment of other intangibles	—	(2,029)
Provision for impairment of financial assets	<b>(21,739)</b>	(30,866)
Provision for impairment of deposits	<b>(17,011)</b>	—
Operating profit/(loss)	<b>4,210</b>	(122,537)
Interest income	<b>9,123</b>	2,033
Finance costs	<b>(29,879)</b>	(15,231)
Share of profits of associates and a joint venture, net	<b>3,462</b>	3,344
Provision for impairment of assets held-for-sale	—	(10,396)
Loss before income tax	<b>(13,084)</b>	(142,787)
Income tax expense	<b>(13,166)</b>	(10,396)
Loss for the year	<b>(26,250)</b>	(157,179)

## Financial Key Performance Indicators

	Year ended 31 December	
	2022	2021
Basic loss per share	<u>(1.24) cents</u>	<u>(6.81) cents</u>
	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Total assets	1,091,440	1,173,473
Shareholders' funds	351,738	384,639
Net asset value per share (excluding non-controlling interests)	15 cents	16 cents
Cash and cash equivalents	186,790	267,431
Current ratio	1.58	2.00
Total liabilities-to-total assets ratio	0.57	0.57
Price to book ratio	<u>2.06</u>	<u>3.78</u>

The reduction in cash and cash equivalents by HK\$80,641,000 was mainly due to the net cash used in operating activities of HK\$20,460,000, the repayment of principal elements of lease liabilities of HK\$25,188,000, repayment of borrowings of HK\$21,246,000 and the purchases of property, plant and equipment of HK\$6,160,000.

This is the third consecutive financial year since the outbreak of COVID-19. The global economy has been gradually resumed to normal during 2022. More and more people have got vaccinated around the world and people started getting used to live with the pandemic. Business activities around the world started catching up but they have still not yet reached the level prior to its outbreak. During 2022, 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

	2022 <i>HK\$'000</i>	2021 HK\$'000
Security, insurance and infrastructure business	527,518	236,148
Aviation and logistics business	371,316	494,241
Healthcare business	42,831	3,891
Others	22,581	21,843
	<u>964,246</u>	<u>756,123</u>

For the year ended 31 December 2022, the Group reported a consolidated revenue of HK\$964,246,000 (2021: HK\$756,123,000), representing an increase of 28%. The increase in the Group's revenue was mainly attributable to the growth in the security, insurance and infrastructure business segment for the year ended 31 December 2022. It mainly resulted from revenue generated from the provision of security services for projects in Hong Kong, South-East Asia and Africa.

The Group's loss for the year was reduced substantially from HK\$157,179,000 in 2021 to HK\$26,250,000 in 2022, which was mainly due to the improvement in operating result in our security and infrastructure segments. Further cost cut measures were implemented in 2022 by management of the Group, which further reduce down the overall operating costs. Also, the amount of impairment provisions being set aside by the Group as a whole also reduced by HK\$19,034,000, further details of which are explained under the heading Provision for impairment of Non-Current Assets, Financial Assets, Deposits and Assets Held-For-Sale. For the year ended 31 December 2022, the Group recorded a change in fair value of contingent consideration payable of HK\$71,895,000 (2021: Nil), which was mainly due to the change in fair value of the consideration shares to be payable to the Vendors.

## Overall Performance

### *Security, Insurance and Infrastructure Segment ("SII Segment")*

This segment reported a significant improvement in both revenue and operating results, in particular, the security segment.

After years of effort in investing and participating in overseas security businesses and the synergies brought in from those newly acquired subsidiaries in October 2021, the Group's security segment reported profits for 2022. Total revenue generated from this segment increased by more than double (137%) from HK\$178,618,000 in 2021 to HK\$423,657,000 in 2022. 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 44% of the Group's revenue, which had replaced the logistics and aviation segment to become the Group's core business and primary focus in the years to come. The security segment within the SII segment had turned from a loss of HK\$19,087,000 in 2021 to profit of HK\$19,746,000 in 2022.

On infrastructure segment, the Group, through the infrastructure project in Lao People's Democratic Republic ("**Laos**"), recognised a total revenue of HK\$103,760,000 (2021: HK\$56,628,000). The project in Laos itself contributed a total profit of HK\$14,476,000 (2021: a profit of HK\$10,361,000). The project was commenced in the second half of 2021, which was related to the construction of headquarter office building for Air Force of the Ministry of National Defense of Laos. As at 31 December 2022, approximately 75% of the construction works were completed. On the other hand, there was another project domiciled in Africa which resulted in a loss of HK\$17,150,000 because of an impairment provision set aside against it, further details of which are set out under the heading Provision for Impairment of Non-Current Assets, Financial Assets, Deposits and Assets Held-For-Sale.

On insurance segment, the Group through an associated company recorded a share of profit of HK\$3,012,000 (2021: HK\$3,804,000).

For the year ended 31 December 2022, the Group reported a revenue of HK\$527,518,000 (2021: HK\$236,148,000) and an operating profit of HK\$27,164,000 (2021: an operating loss of HK\$22,553,000) of this segment.

### *Aviation and Logistics Segment*

The Group's aviation and logistics business segment reported a decrease in revenue by approximately HK\$122,925,000, because the Group decided to shut down the business operation of Transit Freight Forwarding (Pty) Ltd ("**TFF**") in South Africa, which resulted in a decrease in revenue of HK\$109,135,000 and there was also a decrease in revenue reported by Phoenix Aviation Limited ("**PAL**"), our Kenya based aviation arm. Such decrease was partially offset by the increase in revenue by Frontier Logistics (Shanghai) Company Limited ("**SH Logistics**") and other logistics related subsidiaries.

PAL remained profitable during 2022. Its profit reduced from HK\$20,594,000 in 2021 to HK\$12,788,000 in 2022 because the demand for air ambulance services reduced as the pandemic has been under control and a fixed and guaranteed income contract with a major customer was terminated at the beginning of 2022. However, the overall number of flying hours increased from 1,667 hours in 2021 to 1,936 hours in 2022 because of the increase in demand for chartered flights.

The overall performance of SH Logistics was slightly affected by the outbreak of the pandemic in Shanghai in May 2022 because of lockdowns and city-wide containment measures and testing. However, its business immediately caught up again during the second half of the year, which enabled it to have an increase in revenue as a result of the increase in the provision of logistic services to those infrastructural projects in countries in Africa and South East Asia. SH Logistics managed to report a turnaround of its operation from a loss of HK\$10,743,000 in 2021 to a profit of HK\$2,219,000 in 2022.

On the other hand, TFF, another of the Group's logistic base located in South Africa, did not perform well during the past three years. Its operating performance was greatly affected by lockdowns, restrictions on supply chains and the suspension of production as imposed by South Africa government during the pandemic. As a result, its warehousing capacities were under-utilised or even left idle. Together with high fuel and diesel costs driven by the war between Russia and Ukraine and the tense relationship between China and US, its operational costs were driven up and its competitiveness in the market was eroded. Management of the Group foresaw that TFF could not turnaround its operation in the foreseeable future. Hence, the Group decided not to provide further financial support to TFF starting from the second half of 2022. On 4 July 2022, the Group decided to place TFF under business rescue proceedings. 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 TFF into liquidation in view of the fact that there is no reasonable prospect for TFF 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 in February 2023. Further details in relation to its business rescue proceeding and its liquidation were set out in the Company's announcement dated 4 July 2022, 24 October 2022 and 20 February 2023. Its turnover further decreased from HK\$188,540,000 in 2021 to HK\$79,405,000 in 2022. For 2022, further impairment provisions were set aside against its non-performing non-current assets of HK\$1,238,000 and financial assets of HK\$14,239,000. For 2021, impairment provisions were made against non-current assets of HK\$10,342,000 and intangible assets of HK\$2,029,000.

Other than TFF and SH Logistics, the remaining logistics businesses were scaled down during 2022. Management of the Group had repositioned its logistics businesses in the market by focusing solely on serving those customers with long-term business relationships.

For the year ended 31 December 2022, the Group reported a revenue of HK\$371,316,000 (2021: HK\$494,241,000) and an operating loss of HK\$51,858,000 (2021: HK\$46,704,000) of this segment.

### ***Healthcare Segment***

During 2022, the Group through a number of medical-related subsidiaries acquired in 2021 provided a wide range of services to our customers, which included the provision of medical consultation services and sales of medical equipment and healthcare products. This segment aims at promoting the concept of comprehensive healthcare. It generated a total revenue of HK\$42,831,000 (2021: HK\$3,891,000) and an operating profit of HK\$7,511,000 (2021: HK\$138,000) to the Group for the year ended 31 December 2022.



## **Provision for Impairment of Non-Current Assets, Financial Assets, Deposits and Assets Held-For-Sale**

In addition to those impairment provisions set aside against TFF as mentioned in the preceding paragraph, further impairment provisions were made against financial assets of security, logistics and others segments amounting to HK\$7,500,000 (2021: HK\$10,411,000).

Other than those made against security, logistics and others segments, impairment provision of HK\$17,011,000 was made against deposits paid for an infrastructure project domiciled in Africa in 2022 because the project was ultimately terminated by the local government authority in Africa due to the abortion of concession right arrangement with the Group.

In 2021, the Group also set aside impairment provision against a non-performing aircraft amounting to HK\$5,389,000 under the aviation segment.

For the year ended 31 December 2021, the Group set aside an impairment provision of HK\$20,455,000 against an aircraft management company under the aviation segment owing to the deterioration of their creditability and businesses, which were affected by the pandemic in 2021, and an impairment provision of HK\$10,396,000 against assets held-for-sale because of the non-fulfillment of obligations and responsibilities of the buyer of an associated company.

## **PROSPECTS**

It has been more than three years since COVID-19 became endemic in most of the world. Many countries around the world have removed their restrictions on travelling and their business activities have been resumed to normal. During 2022, the Group encountered other new challenges in the face of the complex and severe market situation around the globe, such as the sharp rise in fuel prices which end up with high operational costs in our logistics and aviation segment; high inflation rate in certain overseas markets lead to high finance costs and increase in operational costs, and increase in foreign exchange risks which inevitably resulted in additional financial burden for every segment. In response to all these uncertainties, management of the Group has taken proactive measures to overcome all these challenges and remained focus on our annual goals and tasks to minimise the Group's loss and achieve the Group's target, which is close to breakeven as soon as possible.

The global macroeconomic landscape is expected to be highly uncertain for 2023. As a result of new geopolitical tensions and the entering into of the post-pandemic era, enterprises are still taking a relatively conservative approach towards its capital spendings. Although those previously delayed or suspended overseas projects have been resumed, their momentums have not yet been reaching their peak. Customers in the emerging countries also find themselves difficult in getting the required US dollar for its international businesses settlement because of strong US dollar. This indirectly enhances our costs of funding and ultimately erodes the profitability level of our services provided. Continued strong US dollar also costs the Group to face higher financial burden as those currencies in the emerging countries are subject to higher risks of depreciation. Fortunately, most of the service or project contracts are settled in US dollar, which indirectly minimise the Group's exposure to any foreign exchange risks.

The Group's security segment remains our core business stream in 2023 and onwards because this segment has become the major contributor to the Group's revenue. The Group has accumulated a lot of overseas security exposures through our presence in Africa, South East Asia, Middle East and in China (including Hong Kong). Together with our overseas security presences have received a lot of recognitions in their respective place of origin, the Group successfully secures much more sizeable overseas security contracts with attractive profitability level. Hence, it is expected that our overseas security companies can continuously deliver considerable returns to the Group in the near future.

Together with those synergies bringing in through the Acquisition in 2021, the Group's roadmap on the security segment has become more clear cut and solid. The Group will continuously build its security profile in Hong Kong by making good use of its existing two wholly-owned subsidiaries holding different kinds of security license in Hong Kong. Our target is to secure much more representative and sizable security projects in Hong Kong.

Demands for online medical support keeps on increasing. The Group's healthcare segment has successfully enhanced its recognition in the market during 2022 through its proactive response to the market needs. The Group believes that this segment can refocus on its strength and build up more medical and healthcare networks and opportunities in Hong Kong. The healthcare segment can also make use of our internal synergies through our insurance segment to broaden its networks with insurance companies and Chinese entities in Hong Kong. This can enable it to widen its sources of income and profitability level.

With respect to the aviation segment, the Group decided not to do too much significant capital investment in aircraft but the Group will continuously make use of dry lease arrangements to further improve its fleet capabilities and capacities to better serve its customers' needs. Co-operations with insurance companies are progressing well. Hope this will bring in additional catalyst to boost the business operation of the Group's aviation segment.

During 2022, the Group had undertaken a series of measures to improve the operational performance of the logistics segment. The Group had decided to liquidate its loss-making arm in South Africa. The Group aim at further minimise its loss on this segment. With further close down measures to be implemented in this segment, the Group believe that this segment can be operating at close to breakeven or even profit-making starting from 2023.

At present, most industries are still struggling and the outlook is still subject to considerable uncertainties, in particular, the new geopolitical tensions and the re-election of government to be carried out in certain countries in Africa and South East Asia. Hence, the Group will remain cautious on all these latest development. Nevertheless, the Group still believes that there are business opportunities for us to grasp. Our recent success in certain countries can enable us to further build our footprints there. At the same time, the Group will continue implement cost-saving measures to enhance our competitiveness in the market. The Group believes that with the continuous support from our shareholders together with our firm commitment towards our mission, the Group will become stronger and thrive for success during these challenging times. The operating performance of 2022 is an good indication or sign for the Group to back on the right track to success.

## EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay level of its employees is competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. Employees are offered discretionary year-end bonus based on individual merit.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. The Company has granted 23,400,000 share options under its share option scheme during the year ended 31 December 2022 (2021: Nil).

The Company also operates a share award scheme to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Company has not granted any share under its share award scheme during the year ended 31 December 2022. (2021: Nil).

The total number of employees of the Group as at 31 December 2022 was 2,102 (2021: 1,837), which reported a significant increase in headcount because of the continuous expansion of security businesses in both Hong Kong and overseas.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2022, the Group recorded total assets of HK\$1,091,440,000 (2021: HK\$1,173,473,000) which were financed by liabilities of HK\$620,865,000 (2021: HK\$668,323,000), non-controlling interests of HK\$118,837,000 (2021: HK\$120,511,000) and shareholders' equity of HK\$351,738,000 (2021: HK\$384,639,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2022 amounted to HK\$0.15 (2021: HK\$0.16) per share.

As at 31 December 2022, the Group's available cash and cash equivalents were HK\$186,790,000 (2021: HK\$267,431,000) and restricted bank balances and pledged bank deposits of HK\$3,857,000 (2021: HK\$Nil) with a total borrowings of HK\$190,084,000 (2021: HK\$194,279,000). The Group's total borrowings include convertible bonds amounting to HK\$190,084,000 (2021: outstanding bank loans of HK\$21,439,000 and convertible bonds of HK\$172,840,000). As at 31 December 2022, the Group's borrowings were mainly denominated in Hong Kong dollars ("HK\$"), while in 2021, they were denominated in HK\$, Renminbi ("RMB") and South Africa Rand ("ZAR"). The repayment terms of the Group's borrowings are ranging from 1 to 3 years (31 December 2021: 1 to 4 years). The Group, therefore, managed to maintain a surplus net cash and bank position as at 31 December 2022 and 2021.

As at 31 December 2022, the gearing ratio (ratio of the sum of total borrowings to the total assets) was approximately 17.5% (31 December 2021: 16.6%).

In May 2018, net proceeds of HK\$830,567,000 were raised through a subscription of shares under general mandate, as detailed in the Company’s circular date 2 May 2018 (the “**Circular**”). Subsequent to the subscription and the announcement made in relation to the change of intended use of proceeds from the subscription of the Company on 24 March 2020, the net proceeds from the above mentioned subscription were fully utilised during 2022 in accordance with its intended uses and its intended use of net proceeds and actual usage up to 31 December 2022 were set out below:

	<b>Intended use of net proceeds set out in the Circular HK\$’000</b>	<b>Intended use of net proceeds after the change as announced on 24 March 2020 HK\$’000</b>	<b>Actual use of net proceeds up to 31 December 2022 HK\$’000</b>
Setting up businesses in Myanmar, Laos and Cambodia	130,000	130,000	130,000
Setting up businesses in Pakistan and Xinjiang, China	120,800	20,800	20,800
Expansion of businesses in Africa and Middle East	70,767	170,767	170,767
General working capital for the Group’s existing business	288,000	288,000	288,000
Working capital for establishment of new offices along Belt and Road regions	41,000	41,000	41,000
Repayment of the Group’s indebtedness	180,000	180,000	180,000
<b>Total</b>	<b>830,567</b>	<b>830,567</b>	<b>830,567</b>

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, which are convertible into 210,000,000 shares of the Company at a conversion price of HK\$1.00 per share upon full conversion. 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. 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. Further details in relation to the terms of the Convertible Bonds are set out in note 12 of this announcement.

The aggregate amount of the net proceeds received from the convertible bonds of HK\$210,000,000 was fully utilised in accordance with the intended uses, which included HK\$150,000,000 for the settlement of the remaining consideration of the Acquisition in 2021 and HK\$60,000,000 to aid the Group's general working capital during 2022.

### **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 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 except for some of the operating expenses are denominated in the respective local currency such as Nigerian Naira ("NN"). The exchange rates of KES and ZAR against HK\$ have decreased by 9.6% and decreased by 5.2% respectively during the year ended 31 December 2022. No financial instrument was used for hedging purposes during the year ended 31 December 2022 due to the prohibitive cost of available hedging opportunities. The Group is closely monitoring the currency exchange risks on KES, ZAR 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\$ except for 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 risks 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 2022.

## **Charges on Assets**

As at 31 December 2022, the Group did not have any trade receivables pledged to banks as securities for banking facilities. As at 31 December 2021, the Group had certain trade receivables pledged to a bank as security for a banking facility used in South Africa amounting to HK\$27,526,000.

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

As at 31 December 2022, 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 Liability**

The Group and Aircraft Engine Leasing Finance Inc. (the "**Claimant**") entered into a Stock Purchase Agreement, dated 15 December 2020 (the "**Purchase Agreement**"), under 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 Indemnifications Demands totalling approximately US\$5.8 million (equivalent to HK\$45.5 million).

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, filed a separate notice of claim with the Malta Arbitration Centre, making contractual, tortious and equitable claims against the Claimant in an amount exceeding €10 million (equivalent to HK\$83.3 million) (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 directors 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 Claims 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.

Save as disclosed above, the Group does not have other contingent liability as at 31 December 2022 and 2021.

### **Subsequent Events**

On 23 January 2023, the Court confirmed that the business rescue proceedings of TFF were discontinued, and the application for liquidation by TFF was approved by the Court. In February 2023, joint liquidators were then appointed by the Court to handle the liquidation process of TFF. As of 31 December 2022, the Group has continuously consolidated the state of affairs of TFF based on its financial statements prepared on a liquidation basis.

Other than those mentioned above, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

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

The Company has not redeemed any of its listed securities during the year ended 31 December 2022. 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 2022.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2022, 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**"), except that the chairman of the Board did not attend the annual general meeting of the Company in accordance with code provision F.2.2 due to his other engagement.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout their tenure during the year ended 31 December 2022.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this 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 conclusion 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 2022 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 final results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

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

Hong Kong, 28 March 2023

*At the date of this announcement, the Board of the Company comprises the non-executive directors 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.*