

*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 2024**

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 2024, together with the comparative figure for the year ended 31 December 2023. 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 2024

		2024	2023
	Note	HK\$'000	HK\$'000
Revenue from contracts with customers	3	753,555	812,918
Cost of direct materials and job expenses		(257,150)	(214,119)
Data costs		(2,177)	(4,651)
Employee benefit expenses		(312,368)	(336,024)
Sub-contracting charges		(74,296)	(114,080)
Rental expenses	6	(5,010)	(7,213)
Repair and maintenance costs		(6,655)	(11,378)
Depreciation and amortisation	6	(36,942)	(32,296)
Other expenses	6	(71,720)	(47,127)
Other income and other (losses)/gains, net	6	(4,243)	53,375
Decrease in fair value of contingent consideration payable	11	6,016	40,745
Provision for impairment of property, plant and equipment		(3,015)	—
Provision for impairment of goodwill and other intangibles	8	(52,248)	(40,544)
Provision for impairment of financial and contract assets		(8,194)	(23,288)
Operating (loss)/profit		(74,447)	76,318
Interest income		4,553	4,161
Finance costs	4	(21,171)	(23,265)
Share of profits of associates, net		58	4,290
Provision for impairment of interests in associates		—	(1,657)
(Loss)/profit before income tax		(91,007)	59,847
Income tax expense	5	(8,989)	(6,359)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(99,996)</b>	<b>53,488</b>
Attributable to:			
Equity holders of the Company		(103,882)	51,175
Non-controlling interests		3,886	2,313
		<b>(99,996)</b>	<b>53,488</b>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted (loss)/earnings per share	7	<b>(4.32) cents</b>	2.14 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
Note	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<u><b>(99,996)</b></u>	<u>53,488</u>
<b>Other comprehensive loss</b>		
Item that may be reclassified to profit or loss		
– Foreign exchange differences	<b>(2,615)</b>	(30,806)
– Release of exchange reserve upon deconsolidation of a subsidiary	—	(8,208)
– Release of exchange reserve upon disposal of subsidiaries	<b>(908)</b>	—
Item that will not be reclassified to profit or loss		
– Foreign exchange differences	<u><b>(336)</b></u>	<u>(1,100)</u>
Other comprehensive loss for the year, net of tax	<u><b>(3,859)</b></u>	<u>(40,114)</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<u><b>(103,855)</b></u>	<u>13,374</u>
Attributable to:		
Equity holders of the Company	<b>(107,405)</b>	12,161
Non-controlling interests	<u><b>3,550</b></u>	<u>1,213</u>
Total comprehensive (loss)/income for the year	<u><b>(103,855)</b></u>	<u>13,374</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		114,453	90,984
Right-of-use assets		40,536	41,600
Goodwill and other intangibles	8	195,757	256,627
Interests in associates		11,224	49,554
Deferred income tax assets		—	125
Non-current prepayments		34,290	49,337
Financial assets at fair value through other comprehensive income		4	5
Total non-current assets		396,264	488,232
<b>CURRENT ASSETS</b>			
Inventories		5,614	5,004
Trade receivables	9	245,632	211,020
Prepayments, deposits and other receivables		55,806	61,313
Contract assets		—	91,620
Tax receivables		3,001	1,157
Pledged bank deposits		2,907	—
Cash and cash equivalents		163,857	198,111
Assets held-for-sale		476,817	568,225
		37,942	—
Total current assets		514,759	568,225
Total assets		911,023	1,056,457
<b>CURRENT LIABILITIES</b>			
Trade payables	10	95,122	141,017
Other payables and accruals		222,610	137,618
Contract liabilities		—	3,931
Contingent consideration payable	11	—	6,016
Borrowings	12	140,000	209,049
Lease liabilities		7,753	6,697
Tax payables		16,443	15,578
Total current liabilities		481,928	519,906
Net current assets		32,831	48,319
Total assets less current liabilities		429,095	536,551

	<i>Note</i>	<b>2024</b> <b><i>HK\$'000</i></b>	2023 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>752</b>	2,399
Deferred income tax liabilities		<b>31,092</b>	31,180
		<hr/>	<hr/>
Total non-current liabilities		<b>31,844</b>	33,579
		<hr/>	<hr/>
Total liabilities		<b>513,772</b>	553,485
		<hr/>	<hr/>
Net assets		<b>397,251</b>	502,972
		<hr/>	<hr/>
<b>EQUITY</b>			
Equity attributable to the Company's equity holders			
Share capital	<i>13</i>	<b>240,339</b>	240,339
Reserves		<b>33,312</b>	142,583
		<hr/>	<hr/>
		<b>273,651</b>	382,922
Non-controlling interests		<b>123,600</b>	120,050
		<hr/>	<hr/>
Total equity		<b>397,251</b>	502,972
		<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 2024 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 2024 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 2024:

Amendments to HKAS1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
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 Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

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 2024.

In September 2023, HKICPA amended HKAS21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The Group does not expect these amendments to have a material impact on its operations or financial statements.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2024 and have not been adopted early:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
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 (“**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 only include corporate income and expenses, direct investments and others after the disposal of the provision of online financial market information and airport management services businesses during 2024.

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 2024 by operating segments is as follows:

	<b>SII Business</b> <i>HK\$'000</i>	<b>AL Business</b> <i>HK\$'000</i>	<b>HC Business</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue from contracts with customers	<b>500,018</b>	<b>225,587</b>	<b>16,423</b>	<b>11,527</b>	<b>753,555</b>
Depreciation	<b>5,954</b>	<b>18,356</b>	<b>340</b>	<b>1,345</b>	<b>25,995</b>
Amortisation	<b>10,599</b>	<b>80</b>	<b>268</b>	<b>—</b>	<b>10,947</b>
Gain on disposal of subsidiaries	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,582</b>	<b>3,582</b>
Decrease in fair value on contingent consideration payable	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,016</b>	<b>6,016</b>
Provision for impairment of goodwill and other intangibles	<b>35,018</b>	<b>—</b>	<b>17,230</b>	<b>—</b>	<b>52,248</b>
Provision for impairment of property, plant and equipment	<b>—</b>	<b>—</b>	<b>759</b>	<b>2,256</b>	<b>3,015</b>
Provision for/(reversal) of impairment of financial assets	<b>7,363</b>	<b>4,103</b>	<b>(1,800)</b>	<b>(1,472)</b>	<b>8,194</b>
Net (gain)/loss on disposal of property, plant and equipment	<b>(1,157)</b>	<b>10,792</b>	<b>—</b>	<b>—</b>	<b>9,635</b>
Operating profit/(loss)	<b>9,944</b>	<b>(7,087)</b>	<b>(24,799)</b>	<b>(52,505)</b>	<b>(74,447)</b>
Interest income					<b>4,553</b>
Finance costs					<b>(21,171)</b>
Share of profit of associates, net					<b>58</b>
Loss before income tax					<b>(91,007)</b>
Income tax expense					<b>(8,989)</b>
Loss for the year					<b>(99,996)</b>
Total assets	<b>631,384</b>	<b>234,329</b>	<b>5,521</b>	<b>39,789</b>	<b>911,023</b>
Total assets include:					
Interests in associates	<b>9,486</b>	<b>1,738</b>	<b>—</b>	<b>—</b>	<b>11,224</b>
Total liabilities	<b>213,216</b>	<b>67,240</b>	<b>6,700</b>	<b>226,616</b>	<b>513,772</b>
Capital expenditure	<b>8,952</b>	<b>67,039</b>	<b>—</b>	<b>130</b>	<b>76,121</b>



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 HK\$'000	AL Business HK\$'000	HC Business HK\$'000	Others HK\$'000	Total HK\$'000
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)
Provision for impairment of goodwill and other intangibles	19,490	—	21,054	—	40,544
Provision for impairment of financial and contract assets	12,446	2,211	8,600	31	23,288
Decrease in fair value on contingent consideration payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>(40,745)</u>	<u>(40,745)</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>

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

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Africa	<b>393,223</b>	401,378
The People's Republic of China ("PRC")		
Mainland China	<b>107,736</b>	87,201
Hong Kong	<b>200,582</b>	213,926
South-East Asia and Middle-East	<b>52,014</b>	110,413
	<b>753,555</b>	812,918

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

	Operating segment	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Customer A	SII business	<b>99,974</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 2023.

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

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Africa	<b>147,087</b>	133,620
Europe	<b>5,641</b>	6,700
The PRC		
— Mainland China	<b>4,583</b>	1,618
— Hong Kong	<b>200,153</b>	310,170
South-East Asia and Middle-East	<b>38,796</b>	35,994
	<b>396,260</b>	488,102

### 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from provision of security, insurance and infrastructure services	500,018	572,533
Revenue from provision of aviation and logistics services	225,587	200,299
Revenue from provision of healthcare services and sales of healthcare products	16,423	18,628
Others	11,527	21,458
	<u>753,555</u>	<u>812,918</u>

Disaggregation of revenue from contracts with customers:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	157,239	223,382
Over time	596,316	589,536
	<u>753,555</u>	<u>812,918</u>
Revenue from external customers	<u>753,555</u>	<u>812,918</u>

### 4 FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interests on:		
Other loans	1,850	—
Lease liabilities	668	1,095
Convertible bonds ( <i>Note 12</i> )	16,701	18,965
Financing components of a contract with a supplier	1,952	3,079
Net exchange loss	—	126
	<u>21,171</u>	<u>23,265</u>

## 5 INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current income tax		
Hong Kong		
— Provision for the year	2,685	2,097
— Over-provision in prior years	(150)	(84)
Outside Hong Kong		
— Provision for the year	6,266	10,667
	8,801	12,680
Deferred income tax	188	(6,321)
	8,989	6,359

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)/PROFIT FOR THE YEAR

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

	2024 HK\$'000	2023 HK\$'000
(a) <b>Rental expenses</b>		
Rentals on land and buildings	5,010	7,213
(b) <b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	20,355	16,155
Depreciation of right-of-use assets	5,640	7,425
Amortisation of other intangibles	10,947	8,716
	36,942	32,296

	2024 HK\$'000	2023 HK\$'000
<b>(c) Other expenses</b>		
Professional and compliance related expenses	14,941	13,000
Travelling expenses	12,490	11,793
Insurance expenses	4,978	3,778
Net exchange gains	(2,432)	(27,928)
Bank charges	2,444	2,450
Auditor's remuneration		
Audit services	4,190	4,090
Non-audit services	52	170
Provision for impairment of inventories	1,444	18
Provision for claims from a litigation	3,356	1,600
Others	30,257	38,156
	<u>71,720</u>	<u>47,127</u>
<b>(d) Other income and other losses/(gains), net</b>		
Net loss on disposal of property, plant and equipment	9,635	81
Gain on disposal of subsidiaries (Note 14)	(3,582)	—
Gain on deconsolidation of a subsidiary (Note 15)	—	(52,860)
Others	(1,810)	(596)
	<u>4,243</u>	<u>(53,375)</u>

## 7 (LOSS)/EARNINGS PER SHARE

### (a) Basic

The calculation of the basic (loss)/earnings per share for both years is based on the Group's (loss)/profit 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 prior year was adjusted to reflect the contingent consideration shares issued 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 scheme adopted by the Company on 28 June 2023; (ii) no other contingent consideration share issued to the vendors 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 convertible bonds.

**(b) Diluted**

The basic and diluted (loss)/earnings per share for the years ended 31 December 2024 and 2023 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 and the exercise of the outstanding share options, during both years was anti-dilutive.

	2024	2023
Weighted average number of ordinary shares in issue	<b><u>2,403,385,881</u></b>	<u>2,386,698,234</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to the equity holders of the Company	<b><u>(103,882)</u></b>	<u>51,175</u>

**8 GOODWILL AND OTHER INTANGIBLES**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 January	256,627	305,887
Additions	765	—
Transfers	1,560	—
Amortisation of other intangibles	(10,947)	(8,716)
Provision for impairment of goodwill	(51,691)	(26,174)
Provision for impairment of other intangibles	<u>(557)</u>	<u>(14,370)</u>
At 31 December	<b><u>195,757</u></b>	<u>256,627</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 2024. The recoverable amounts of the CGUs were determined based on a value-in-use approach (2023: 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.

Owing to the non-performance of two CGUs, management of the Group decided to close down two of the CGUs and to consolidate some of their existing business into the other CGUs of the Group. In this connection, the corresponding goodwill attached to these two CGUs was fully impaired for the year ended 31 December 2024.

Also, the business development of one of the CGUs under the security segment was not performed as initially expected. As a result, impairment provision was set aside for the year ended 31 December 2024.

## 9 TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables from contracts with customers	279,286	241,843
Less: loss allowance	<u>(33,654)</u>	<u>(30,823)</u>
	<u><b>245,632</b></u>	<u><b>211,020</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	154,609	118,408
1-2 months	36,287	26,861
2-3 months	21,982	16,272
Over 3 months	<u>66,408</u>	<u>80,302</u>
	<u><b>279,286</b></u>	<u><b>241,843</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:

	2024 HK\$'000	2023 HK\$'000
Within 1 month	82,788	130,080
1-2 months	588	1,138
2-3 months	831	38
Over 3 months	10,915	9,761
	<u>95,122</u>	<u>141,017</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, 58,567,221 Consideration Shares in relation to the First Relevant Period were issued to the vendors of the Acquisition.

For the year ended 31 December 2023, a decrease 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 were 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\$40,745,000.

For the year ended 31 December 2024, a further change in fair value of contingent consideration payable of HK\$6,016,000 was credited to the consolidated income statement. For the Third Relevant Period, the DeWe Group reported a consolidated net loss after tax of approximately HK\$364,000. Therefore, the DeWe Group's performance could not meet the Third Target Profit and the Minimum Target Profit and no Consideration Shares needed to be issued to the vendors of the Acquisition.

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 2024 and 2023 are affected by the business performance of DeWe Group and the change in the Company's share price, which is analysed below:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
At 1 January	<b>6,016</b>	63,160
Issue of Consideration Shares	—	(16,399)
Decrease in fair value recognised in profit or loss	<b>(6,016)</b>	(40,745)
At 31 December	<b>—</b>	<b>6,016</b>

## 12 BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Convertible bonds	—	209,049
Other loans	140,000	—
At 31 December	140,000	209,049

The fair value of the borrowings approximates its carrying amount.

### Convertible bonds

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 to 31 October 2024 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.

On 21 October 2024, the Company partially settled the outstanding principal and interest attached to the convertible bonds and an amount of HK\$140,000,000 was re-arranged as other loans of the Company on the same date.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 January	209,049	190,084
Interest expense* ( <i>Note 4</i> )	16,701	18,965
Interest paid	(15,750)	—
Repaid during the year	(70,000)	—
Transferred to other loans	(140,000)	—
	<hr/>	<hr/>
At 31 December	<hr/> <hr/> —	<hr/> <hr/> 209,049

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

### Other loans

On 21 October 2024 (the drawdown date), the Company entered into an unsecured term loan facility with the existing shareholder of the Company (the “**Lender**”). Pursuant to the term loan facility agreement (the “**Loan Facility Agreement**”), the Lender agreed to grant HK\$100 million term loan (the “**Loan**”) to the Company. The Loan will be repayable on the third anniversary date from the drawdown date, and it bears interests at a rate of the higher of HIBOR plus 2.10% per annum and 5.10% per annum. The Loan does not require the Company to provide any asset pledge or guarantee.

Pursuant to the Loan Facility Agreement, the Lender reserved the unfettered right of terminating the Loan Facility Agreement and/or requiring the Company to repay in full the Loan to the Lender at any time by notice in writing to the Company (the “**Unfettered Right**”). In this connection, the Loan was classified as a current liability as at 31 December 2024.

On 13 February 2025, a deed of amendment was entered into between the Lender and the Company to remove the Unfettered Right clause included in the Loan Facility Agreement. With this amendment, the Loan will only be repayable by the Company to the Lender on the third anniversary date from the drawdown date.

On 21 October 2024, the Company also obtained unsecured short term loans of HK\$40 million from two independent third parties for settlement of convertible bonds. These loans are repayable on 21 May 2025. These loans bear interests at a rate of 6.00% per annum.

### 13. SHARE CAPITAL

There was no movement in the number of issued shares during the period between 1 January 2024 and 31 December 2024. 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 required conditions on the issue of Consideration Shares were set out in Note 11 of this announcement.

### 14. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2024, the Group disposed of two non-performing business segments namely online financial services and airport management services to independent third parties, which were detailed as follows:

Assets and liabilities of subsidiaries at the respective dates of disposals were set out as below:

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	509
Right-of-use assets	47
Prepayments, deposits and other receivables	651
Cash and cash equivalents	<u>1,528</u>
Total assets	<u>2,735</u>
Liabilities	
Trade payables	(281)
Other payables and accruals	(3,010)
Lease liabilities	<u>(544)</u>
Total liabilities	<u>(3,835)</u>
Net liabilities	(1,100)
Release of exchange reserve upon disposal of subsidiaries	<u>(908)</u>
	(2,008)
Gain on disposal of subsidiaries ( <i>Note 6(d)</i> )	<u>3,582</u>
Satisfied by:	
Cash	<u><u>1,574</u></u>

## 15. 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	2,738
Total assets	2,738
Liabilities	
Trade payables	(25,422)
Other payables and accruals	(10,533)
Lease liabilities	(11,435)
Total liabilities	(47,390)
Net liabilities	(44,652)
Release of exchange reserve upon deconsolidation of a subsidiary	(8,208)
Gain on deconsolidation of a subsidiary ( <i>Note 6(d)</i> )	(52,860)

## 16. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to the transactions and balances disclosed elsewhere in this announcement, the Group entered into the following material transactions with related parties during the year:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Provision of security services to subsidiaries of a shareholder of the Company ( <i>Note c (i)</i> )	1,401	1,203
Provision of security services to a company beneficially owned by a director of the Company ( <i>Note c (i)</i> )	432	433

All the transactions were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

**(b) Other year-end balances**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Trade receivables</b>		
Subsidiaries of a shareholder of the Company	—	257
A company beneficially owned by a director of the Company	409	409
<b>Prepayments, deposits and other receivables<sup>#</sup></b>		
Associates	5,728	5,728
<b>Other payables and accruals<sup>#</sup></b>		
Associates	—	51,938
A shareholder and a director of the Company ( <i>Note c (ii)</i> )	40,000	—
A director of the Company	—	604
<b>Other loan<sup>*</sup></b>		
A shareholder of the Company ( <i>Note 12</i> )	100,000	—

<sup>#</sup> Balances with associates, a shareholder and a director of the Company and a director of the Company classified under prepayments, deposits and other receivables, and other payables and accruals were unsecured, interest-free and repayable on demand as at 31 December 2023 and 2024.

<sup>\*</sup> Balance with a shareholder of the Company classified as other loan was unsecured, bore interest and had an agreed term of repayment as at 31 December 2024, further details of which are set out in Note 12 of this announcement.

**(c) Applicability of the listing rules relating to connected transactions**

- (i) The related party transactions in (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1)
- (ii) The related party transaction in (b) above constitute a connected transaction under Rule 14A.90. The financial assistance received by the Company from connected person is also fully exempt as it is conducted on normal commercial terms or better and it is not secured by any assets of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

#### Overall Performance

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers	753,555	812,918
Cost of direct materials and job expenses	(257,150)	(214,119)
Data costs	(2,177)	(4,651)
Employee benefit expenses	(312,368)	(336,024)
Sub-contracting charges	(74,296)	(114,080)
Rental expenses	(5,010)	(7,213)
Repair and maintenance costs	(6,655)	(11,378)
Depreciation and amortization	(36,942)	(32,296)
Other expenses	(71,720)	(47,127)
Other income and other (losses)/gains, net	(4,243)	53,375
Decrease in fair value of contingent consideration payable	6,016	40,745
Provision for impairment of property, plant and equipment	(3,015)	—
Provision for impairment of goodwill and other intangibles	(52,248)	(40,544)
Provision for impairment of financial and contract assets	(8,194)	(23,288)
Operating (loss)/profit	(74,447)	76,318
Interest income	4,553	4,161
Finance costs	(21,171)	(23,265)
Share of profits of associates, net	58	4,290
Provision for impairment of interests in associates	—	(1,657)
(Loss)/profit before income tax	(91,007)	59,847
Income tax expense	(8,989)	(6,359)
(Loss)/profit for the year	<u>(99,996)</u>	<u>53,488</u>

## Financial Key Performance Indicators

	Year ended 31 December	
	2024	2023
Basic (loss)/earnings per share	<b><u>(4.32) cents</u></b>	<b><u>2.14 cents</u></b>
	As at 31 December	
	2024	2023
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Total assets	<b>911,023</b>	1,056,457
Shareholders' funds	<b>273,651</b>	382,922
Net asset value per share (excluding non-controlling interests)	<b>11.39 cents</b>	15.93 cents
Cash and cash equivalents	<b>163,857</b>	198,111
Current ratio	<b>1.06</b>	1.10
Total liabilities-to-total assets ratio	<b>0.56</b>	0.52
Price to book ratio	<b><u>0.85</u></b>	<b><u>2.14</u></b>

The decrease in cash and cash equivalents by HK\$34,254,000 represented by the net cash generated from operating activities of HK\$103,637,000, net off of net cash outflows from investing and financing activities of HK\$137,891,000.

During 2024, the global economy has resumed to normal. 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 2024, 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Security, infrastructure and insurance business	500,018	572,533
Aviation and logistics business	225,587	200,299
Healthcare business	16,423	18,628
Others	11,527	21,458
	<u>753,555</u>	<u>812,918</u>

For the year ended 31 December 2024 the Group's revenue reduced from HK\$812,918,000 in 2023 to HK\$753,555,000 in 2024, representing a decrease of 7%. The decrease in the Group's revenue was mainly due to (i) the completion of the Group's only infrastructure project in 2023 of which it contributed a total revenue of HK\$55,840,000 to the Group; and (ii) the disposal of two subsidiaries grouped under other segment causing further reduction in revenue.

In 2024, the Group turned from profit making to loss making, which was mainly due to additional impairment provisions against goodwill and other intangible assets of HK\$52,248,000 (2023: HK\$40,544,000) in relation to the Dewe Group were set aside. Also, during 2024, the Group disposed of certain property, plant and equipment so as to generate funds to support the repayment of convertible bonds and the disposals resulted in a net loss on disposal of property, plant and equipment of HK\$9,635,000 (2023: HK\$81,000).

In 2023, the Group's reported two non-cash gains, which included a gain on deconsolidation of a subsidiary of HK\$52,860,000 and a change in fair value of contingent consideration payable of HK\$40,745,000 in 2023. In 2024, a gain on disposal of subsidiaries of HK\$3,582,000 and a change in fair value of contingent consideration payable of HK\$6,016,000 were recorded.

In general, the overall profitability of the Group dropped in 2024 as compared to 2023. Key factors caused the reduction in profitability of the security segment are the intense competition and reduction in demand for security services in certain regions. Also, that completed infrastructure project in 2023 had a profit contribution of HK\$8,467,000.

## 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 2024, in particular, the security segment.

## Security

During 2024, certain of the performance of the Group's security division managed to have a steady growth, while some of them have scaled down compared to 2023. Total revenue generated from this segment dropped by 4% from HK\$515,503,000 in 2023 to HK\$493,704,000 in 2024. However, this segment remained profitable, which was mainly contributed by those security subsidiaries based in Hong Kong and Africa. This segment's revenue represented approximately 66% of the Group's revenue and had become the Group's core business and primary focus. Although this segment remained profit-making in 2024, its profitability level dropped significantly as compared to the prior year.

During the year ended 31 December 2024, impairment provision of goodwill and other intangibles of HK\$35,018,000 (2023: HK\$19,490,000) was made 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 loss of HK\$818,000 (2023: profit of HK\$4,209,000). In April 2024, the Group entered into an agreement with an independent third party in relation to the disposal of its 40% interests in that associated company at a consideration of HK\$51,480,000 (equivalent to US\$6,600,000) (the “**Disposal**”). As at 31 December 2024, the Disposal has not yet completed because the local insurance authority has not granted approval on the transaction until in January 2025. Hence, the carrying value of that 40% interests in the associated company was classified as assets held for sale as at 31 December 2024. The Disposal is expected to be resulted in a gain on disposal of approximately HK\$13,538,000. After the completion of the Disposal, the Group still held 10% interests in that associated company and it will be classified as a long-term investment.

## Infrastructure

On infrastructure segment, the Group did not have any new infrastructure project on hand during 2024. All the construction works of the Group's only infrastructure project in Lao People's Democratic Republic (“**Laos**”) were completed during 2023. A total revenue of HK\$55,840,000 and a profit of HK\$8,467,000 were recognised for the year ended 31 December 2023.

For the year ended 31 December 2024, the Group reported a revenue of HK\$500,018,000 (2023: HK\$572,533,000) and an operating profit of HK\$9,944,000 (2023: HK\$84,243,000) of this segment after netting off impairment provisions of HK\$42,381,000 (2023: HK\$31,936,000).

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

After the cessation of the logistics and warehousing operation in South Africa, the Group had successfully scaled down the operation of this segment by focusing on conducting project logistics and aviation businesses.

### **Aviation**

The Kenyan aviation arm remained profitable during 2024. Its profit improved from HK\$9,653,000 in 2023 to HK\$12,436,000 in 2024 because the utilisation rate of its aircraft had been improved due to the increase in demand for chartered flights together with the reduction in operational costs caused by strong US dollar against Kenyan Shillings

During 2024, the Group disposed of certain of its aged aircraft with relatively low utilisation rate among those remaining in services so as to generate additional funds and avoid additional maintenance burden to the Group. The disposals during the year resulted in an aggregate loss on disposals of HK\$10,792,000 and further details of which are set in the Company's announcements dated 21 May and 3 June 2024.

### **Logistics**

The overall performance of the Group's logistics segment was slightly affected by the repositioning towards targeting specific customers leading to an increase in revenue during the year. Nevertheless, this segment operated at a loss because of a provision set aside for claims from a customer.

For the year ended 31 December 2024, this segment reported a revenue of HK\$225,587,000 (2023: HK\$200,299,000) and an operating loss of HK\$7,087,000 (2023: an operating profit of HK\$47,297,000, which included the one-off non-cash gain arising from the deconsolidation of its South Africa base as a result of putting it into liquidation) of this segment after netting off impairment provisions of HK\$4,103,000 (2023: HK\$2,211,000) as well as a provision for potential claims of HK\$3,356,000 (2023: HK\$1,600,000).

## ***Healthcare Segment***

During 2024, this segment through several medical-related subsidiaries offered a wide range of healthcare and medical consultation services in Hong Kong. These services encompassed medical consultation services and sales of medical equipment and healthcare products with an aim of promoting a comprehensive healthcare concept. Owing to the intense competition, this segment was still performing far below par because the total number of patients from China to demand for medical consultation services from its subsidiaries in Hong Kong and the contributions from its telemed application remained lower than initially expected. In this connection, only a total revenue of HK\$16,423,000 (2023: HK\$18,628,000) and an operating loss of HK\$24,799,000 (2023: HK\$28,304,000) were brought to the Group for the year ended 31 December 2024. The non-performance of this segment came up with a decision made by management of the Group to terminate its operation in late December 2024 and resulted in impairment against the purchased goodwill relating to this segment amounting to HK\$17,230,000 (2023: HK\$21,054,000), which was determined by further reduction in 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, Property, Plant and Equipment Interests in Associates, Financial and Contract Assets**

In addition to those impairment provisions set aside against the goodwill and other intangibles 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\$8,194,000 (2023: HK\$23,288,000) for the year ended 31 December 2024.

For the year ended 31 December 2023, impairment provisions against interests in associates of HK\$1,657,000 were set aside because two associated companies went into liquidation in 2023.

## **PROSPECTS**

2024 was a challenging year to the Group, not because of the continued downturn of both the global and Hong Kong economy. The global macroeconomic landscape remains uncertain, with challenges such as major elections worldwide, geopolitical tensions, and economic instability affecting business operations and increasing costs. The inclusion on the export control list has occupied some of our resources initially applied to our daily operations but with the full support of the Board, management team and our shareholders, we manage to overcome this challenge during 2024.

The security segment continues to firmly establish itself as the Group's core business and primary revenue driver. Leveraging our global expertise, we will continue to secure large-scale, high-value security contracts across multiple regions. With the growing demand for comprehensive security solutions to safeguard international enterprises and personnel, particularly the Chinese businesses, in complex international environments, we anticipate sustained and substantial returns from our expanding global security operations in the foreseeable future.

Our two security companies in Hong Kong have further strengthened our presence in the local security sector in 2024. With the security licenses held by these wholly-owned subsidiaries, we are strategically positioned to expand our portfolio by securing high-value security projects and serving a more prominent clientele.

Given the continued success of our security segment both locally and internationally, we remain committed to prioritizing and enhancing this business.

In the aviation sector, our aviation division continues to actively streamline its existing fleet capabilities and expand its offerings to include fleets with greater carriage capacities in 2025. Collaborations and associations with global organisations are continuing, which can further bolster our aviation operations with a target to fight for continuous operational improvement in 2025.

Although the Group reported a loss in 2024, we anticipate entering a new era in 2025 and beyond. The losses incurred in 2024 were the result of the termination of some non-performing segments and some restructurings undergone in certain segments. We remain committed to reinforcing our security capabilities in overseas but also locally, with a focus on driving sustained operational improvements through 2025.

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 certain segments 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.

## **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 recognise individual achievements with the provision of discretionary year-end bonus, rewarding merit and dedication to excellence.

On 28 June 2023, the Company passed an ordinary resolution in the Annual General Meeting to approve the adoption of a new share scheme of the Company (the “**Share Scheme**”) with a term of 10 years from its adoption date and shall expire on 27 June 2033. The adoption aligns with the updated requirements of Chapter 17 of the Listing Rules pertaining to share schemes, which took effect on 1 January 2023.

The purpose of the Share Scheme is to enable the Company to grant share options and/or share awards to the 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 2024 and up to the date of this announcement, no share options nor share awards have been granted under the new Share Scheme since its adoption.

The Company operated a share option scheme, which was expired on 28 March 2022. The number of outstanding share options under the share option scheme as at 31 December 2024 was Nil (31 December 2023: 23,400,000) as they were cancelled following the resignation of an executive director on 25 April 2024.

The Company also operated a share award scheme (the “**Share Award Scheme**”) since 10 December 2015. The Share Award Scheme was terminated and replaced by the new Share Scheme on 28 June 2023. As at 31 December 2024, there was no unvested shares remained under the Share Award Scheme (31 December 2023: Nil).

The total number of employees of the Group as at 31 December 2024 was 2,176 (2023: 1,939).

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 December 2024, the Group recorded total assets of HK\$911,023,000 (2023: HK\$1,056,457,000) which were financed by liabilities of HK\$513,772,000 (2023: HK\$553,485,000), non-controlling interests of HK\$123,600,000 (2023: HK\$120,050,000) and shareholders' equity of HK\$273,651,000 (2023: HK\$382,922,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2024 amounted to HK\$0.11 (2023: HK\$0.16) per share.

As at 31 December 2024, the Group's available cash and bank balances were HK\$163,857,000 (2023: HK\$198,111,000) with total borrowings of HK\$140,000,000 (2023: HK\$209,049,000). The Group's total borrowings as at 31 December 2024 were those other loans amounting to HK\$140,000,000, while as at 31 December 2023, the Group's total borrowings were those outstanding convertible bonds amounting to HK\$209,049,000, which were partially settled during 2024. As at 31 December 2023 and 2024, the Group's borrowings are repayable in accordance with the respective terms of the convertible bonds and other loans.

As at 31 December 2024, the gearing ratio (ratio of the sum of total borrowings excluding lease liabilities to the total assets) was approximately 15.4% (2023: 19.8%).

## **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 increased by 20% and decreased by 42% respectively during the year ended 31 December 2024. 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 2024 except for those mentioned under the Management Discussion and Analysis section of this announcement.



## Charges on Assets

As at 31 December 2024 and 2023, the Group did not have any assets pledged to banks as securities for banking facilities.

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

As at 31 December 2024, 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 further update or progress since the first hearing and no conclusion has been drawn up yet as at 31 December 2024.

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 ended 31 December 2023, it was noted that a customer (the “**SH Claimant**”) 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. During the year, the first and the second hearing of the SH Claims was conducted on 22 February (the “**First Hearing**”) and 10 April 2024 (the “**Second Hearing**”), respectively, while the judge at the Maritime Court has not yet formed any judgement or reached any settlement as at 31 December 2024.

During the year ended 31 December 2023, SH Logistics engaged a legal counsel to handle both claims. The legal advisor of SH Logistics was 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 was 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 based on the First Hearing. As a result, only a provision of HK\$1,600,000 for SH Claims was set aside.

On 20 November 2024, SH Logistics engaged another legal adviser (the “**Second Legal Advisor**”) to review both claims based on further information and evidence exchanged at the Second Hearing. The Second Legal Advisor considered that the initial settlement plan proposed by the judge at the Maritime Court were unfair and suggested a counter mutual settlement to SH Logistics. The settlement amount proposed by the Second Legal Advisor to SH Logistics should be limited to RMB4,500,000 (equivalent to HK\$4,956,000) because SH Logistics should have sufficient and reasonable ground to defend against those claims from the SH Claimant. As at the date of approval of these financial statements, the judge at the Maritime Court has not yet formed any formal judgment or conclusion toward these claims. As at 31 December 2024, a further provision of HK\$3,356,000 was made by SH Logistics to reflect the maximum exposure that SH Logistics should be held responsible for based on the latest assessment made the Second Legal Advisor.

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 31 December 2024 and 2023.

### **Subsequent Events**

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2024 and up to the date of this announcement.

On 14 January 2025, Ms. Ye Ying was appointed as a non-executive director of the Company. On the same date, Mr. Zhang Yukuan was resigned as a non-executive director of the Company.

Except for as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2024 and up to the date of this announcement.

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

For the Third Relevant Period, the Dewe Group reported a consolidated net loss after tax of approximately HK\$364,000. Therefore, the Dewe Group’s result did not meet the Third Target Profit and the Minimum Target Profit. Hence, no Consideration Shares needed to be issued to the vendors of the Acquisition for the Third Relevant Period.

Since there was no option for the Company to sell the Dewe Group or its businesses back to the vendors in relation to the Acquisition even the target profits for the Relevant Periods could not be achieved, the Company’s directors do not need to opine on anything other than confirming that no Consideration Shares need to be issued to the vendors.

## **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 utilising Western and NATO resources, an action purportedly contrary to the United States’ national security and foreign policy objectives. In response, on the same date, the Board published a clarification announcement firmly denying any involvement in the alleged activities. The Board emphasised that the Company has neither engaged in such activities nor been approached by the Bureau regarding these allegations.

The Group’s principal operations are entirely unrelated to the accused activities, and its business is geographically confined to Africa, China (including Hong Kong), South-East Asia and the Middle-East, with no commercial presence in the United States.

A lawyer and a professional advisor have been engaged by the Company to address the matter with the Bureau since the occurrence of these accusations. On September 16, 2024, the lawyer submitted a petition for removal (the “**Petition**”) following the examination conducted by the professional advisor. The Company found no basis for the stated allegations and reported the same to the Bureau as part of the Petition. The Company is now awaiting for a response from the Bureau regarding the Petition and the request to remove the Company from the Entity List.

As at 31 December 2024, the Company continues to retain legal and the professional advisors for the resolution of the matter and has appointed an in-house compliance officer to further strengthen its compliance framework.

## **DIVIDENDS**

The Board does not recommend any dividend payment for the year ended 31 December 2024 (2023: Nil).

## **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 2024. 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 2024. The Company did not hold any treasury shares during the year ended 31 December 2024.

## CORPORATE GOVERNANCE

Throughout the year ended 31 December 2024, 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**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation from Code Provision C.2.1 regarding the separation of the roles of Chairman and Chief Executive Officer (CEO).

Following the resignation of the CEO on 25 April 2024, no successor has been appointed, and the Chairman has not assumed the responsibilities of the CEO. The Company has been operating without a CEO during the period under review. Despite this deviation, the Board believes that the Company has an effective corporate governance structure, as day-to-day operations are overseen by a team of experienced senior executives under the supervision of the Board and its committees. The Board is actively considering the appointment of a new CEO in due course.

Save for the above, the Company has complied with all applicable provisions of the CG Code throughout the year ended 31 December 2024.

## 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 C3 to the Listing Rules to regulate the directors' securities transactions. Having made specific enquiry of all the Directors of the Company, the Company confirms that all Directors have complied with the Model Code regarding directors' securities transactions throughout their tenure during the year ended 31 December 2024.

## 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 2024 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 audited 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 2024 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 Liguao 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 2024 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 2025

*At the date of this announcement, the Board of the Company comprises the non-executive director of Mr. Chang Zhenming (Chairman), Mr. Yang Feng, Mr. Chan Kai Kong, and Ms. Ye Ying; the executive directors of Mr. Ko Chun Shun, Johnson (Deputy Chairman) and Mr. Luo Ning (Deputy Chairman); and the independent non-executive directors of Mr. Yap Fat Suan, Henry, Mr. Hooi Hing Lee and Mr. Cui Liguao.*