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## **FRONTIER SERVICES GROUP LIMITED**

**(先豐服務集團有限公司\*)**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00500)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN MALETH AERO AND TERMINATION OF PUT-CALL AGREEMENT**

On 15 December 2020 (after trading hours), the Seller (a wholly owned subsidiary of the Company) and the Purchaser entered into the Stock Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire approximately 51% equity interest in Maleth Aero for an aggregate cash consideration of US\$1,050,000. Maleth Group is principally engaged in the provision of (i) aircraft management services; and (ii) insurance, maintenance, charter and regulatory-related services to owners and operators of private and commercial aircraft registered in Malta and elsewhere.

Upon Completion, Maleth Group will cease to be a subsidiary of the Company and the Group will cease to have any interests in Maleth Group.

In view of the Disposal, on 15 December 2020, the Seller and MOB Holdings Limited has mutually agreed to terminate the Put-Call Agreement without payment of any amounts by way of penalty, damages or other compensation with effect from 15 December 2020.

Based on all applicable percentage ratios, the transactions contemplated under the Stock Purchase Agreement and the termination of the Put-Call Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The termination of the Put-Call Agreement constitutes a connected transaction of the Company. The Board has approved the termination of the Put-Call Agreement and the independent non-executive Directors have confirmed that the terms of the termination of the Put-Call Agreement are fair and reasonable and the termination of the Put-Call Agreement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. The termination of the Put-Call Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Board announces that on 15 December 2020 (after trading hours), the Seller (a wholly owned subsidiary of the Company) and the Purchaser entered into the Stock Purchase Agreement in respect of the Disposal.

## **STOCK PURCHASE AGREEMENT**

Date: 15 December 2020 (after trading hours)

Parties: (1) The Seller  
(2) The Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

### **Asset to be disposed**

The Purchaser has conditionally agreed to acquire and the Seller has conditionally agreed to sell the Sale Shares comprising approximately 51% of the issued share capital of Maleth Aero.

### **Consideration**

The total consideration for the Disposal is US\$1,050,000, which shall be satisfied by the Purchaser in cash on or before the Closing Date.

The consideration was determined after arm's length negotiations between the parties to the Stock Purchase Agreement with reference to, among others, the financial performance of Maleth Group in recent years, the business prospect of Maleth Group and the net asset value of Maleth Group attributable to the Group as at 30 June 2020. The Directors consider the consideration of the Disposal to be fair and reasonable.

### **Conditions precedent**

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

- (a) The transactions contemplated under the Stock Purchase Agreement shall only be implemented by the Seller and the Purchaser subject to and conditional upon that the representations and warranties set out in the Stock Purchase Agreement remaining true and accurate and not misleading in all material respects as of the Closing Date by reference to the facts, events and circumstances then existing;

- (b) No proceedings or actions having been commenced or threatened by any person against Maleth Aero and its subsidiaries which may challenge, impair or restrict the ability of the Purchaser to acquire shares in Maleth Aero or consummate the transactions contemplated under the Stock Purchase Agreement;
- (c) The Purchaser may waive any of the above conditions in its sole discretion, provided such waiver is in compliance with all laws, regulations, directives, corporate actions, and listing requirements to which it is subject;
- (d) If at any time a party to the Stock Purchase Agreement becomes aware of a fact or circumstance that might prevent a condition precedent being satisfied, it shall immediately inform the other party of this fact by notice in writing setting out full details of the relevant facts and circumstances of which it is aware;
- (e) The parties to the Stock Purchase Agreement shall cooperate with each other in taking all actions necessary to procure the satisfaction of this clause including, but not limited to, the provision by all parties of all information reasonably necessary to make any notification or filing as requested by any relevant authority, keeping all parties informed of the progress of any notification or filing and providing such assistance as may reasonably be required; and
- (f) The Company and the Seller having received all necessary consents and approvals to the transactions contemplated under the Stock Purchase Agreement, if required.

## **Completion**

Completion is expected to take place on the Closing Date. Upon Completion, Maleth Group will cease to be a subsidiary of the Company and the Group will cease to have any interests in the Maleth Group.

## **Termination of Put-Call Agreement**

Reference is made to the announcement of the Company dated 3 February 2016 and the circular of the Company dated 18 March 2016 in respect of, among others, the Put-Call Agreement.

On 3 February 2016, the Seller, MOB Holdings Limited (an investment holding company wholly owned and controlled by Mr. Michael O' Brien), Maleth Aero and Maleth AOC entered into the Investment Agreement to subscribe for approximately 51% equity interest in Maleth Aero. On the same date, the Seller, MOB Holdings Limited, Mr. Michael O' Brien, Maleth Aero and Maleth AOC entered into the Put-Call Agreement for the right to purchase the remaining approximately 49% equity interest in Maleth Aero and the remaining approximately 7.4% equity interest in Maleth AOC, both were held by MOB Holdings Limited. Mr. Michael O' Brien is an aviation executive professional with over 34 years of industry experience covering the carriage of cargo, passengers and very important persons (VIPs) across the world, in countries across Asia, Africa and Europe.

The subscription of approximately 51% equity interest in Maleth Aero was completed on 6 July 2016. Neither the Put Option and the Call Option have been exercised as at the date of this announcement.

In view of the Disposal, on 15 December 2020, the Seller and MOB Holdings Limited has mutually agreed to terminate the Put-Call Agreement without payment of any amounts by way of penalty, damages or other compensation with effect from 15 December 2020.

## INFORMATION ON MALETH GROUP

Maleth Group is based in Malta, a member of the EU situated in the Mediterranean Sea between Europe, North Africa and the Middle East. Maleth Group provides aircraft management services including aircraft flight operations, staffing of qualified pilots and crew, and provides insurance, maintenance, charter and regulatory-related services to owners and operators of private and commercial aircraft registered in Malta and elsewhere. At present, Maleth Group manages at least fifteen aircrafts for at least six different owner-customers. Maleth Group manages a range of small- and medium-sized business jets, such as the Cessna Bravo and Bombardier Global Express and Challenger series planes, and larger commercial airliners, including Boeing 737 aircraft, and its customers include the Group, private individuals and aircraft investors. The Group has placed three of its aircraft under the management of Maleth Group. Maleth Group also provides aircraft chartering services by deploying the fleet of aircraft under its management for short- and longer-term charter missions in Europe, the Middle East, Africa and Asia.

As at the date of this announcement, Maleth Aero owns approximately 92.6% equity interest and 100% equity interest in Maleth AOC and Maleth Gibraltar, respectively.

Set out below is the unaudited financial information of Maleth Group:

	<b>For the year ended 31 December 2018 HK\$'000</b>	<b>For the year ended 31 December 2019 HK\$'000</b>	<b>For the six months ended 30 June 2020 HK\$'000</b>
Profit/(loss) before taxation	6,130	(6,607)	(166)
Profit/(loss) after taxation	3,839	(4,392)	60

The unaudited net asset value of Maleth Group as at 30 June 2020 was approximately HK\$10.8 million.

Based on the unaudited management accounts of Maleth Group as at 30 June 2020, it is estimated that the Group will record a loss arising from the Disposal of approximately HK\$1 million in its consolidated income statement. The estimated loss is calculated based on the consideration for the Disposal, the unaudited net asset value of Maleth Group attributable to the Group and those intangibles related to Maleth Group recorded by the Group. The actual financial impact of the Disposal to be recorded by the Group on the date of Completion will be subject to review by the auditors of the Company and any audit adjustments to be made.

## **INFORMATION ON THE GROUP, THE SELLER AND THE PURCHASER**

The Group is principally engaged in the provision of logistics services in the Belt and Road region; the provision of online financial market information; and the provision of integrated security, logistics, insurance and infrastructure services for clients operating in frontier markets, with a focus on the Belt and Road region.

The Seller is an investment holding company and is a wholly owned subsidiary of the Company.

Aircraft Engine Lease Finance Inc. is a commercial aircraft and engine leasing company and provides liquidity and financial solutions to airlines around the world.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

Owing to the outbreak of the COVID-19, there are a lot of uncertainties surrounding the future global economy, in particular, the aviation industry. The Company considers that the Disposal is an opportunity for the Company to divest in Maleth Group and to enable the Group to reorganise its resources over its aviation and logistics business segment. The Group plans to apply the proceeds received from the Disposal to provide additional funds to support the Group's other existing businesses which are in line with the Group's Belt and Road focuses.

The Directors consider that the terms of the Stock Purchase Agreement are fair and reasonable and the Stock Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Based on all applicable percentage ratios, the transactions contemplated under the Stock Purchase Agreement and the termination of the Put-Call Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

MOB Holdings Limited is a substantial shareholder of Maleth Aero and is a connected person of the Company at the subsidiary level. The termination of the Put-Call Agreement constitutes a connected transaction of the Company. The Board has approved the termination of the Put-Call Agreement and the independent non-executive Directors have confirmed that the terms of the termination of the Put-Call Agreement are fair and reasonable and the termination of the Put-Call Agreement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. None of the Directors has any interest in the termination of the Put-Call Agreement. The termination of the Put-Call Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Closing Date”	a date, not later than 18 December 2020, when the Purchaser will transfer the consideration of US\$1,050,000 to the designated account of the Seller
“Company”	Frontier Services Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 500)
“Completion”	completion of the Disposal in accordance with the Stock Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal by the Seller of the Sale Shares subject to and upon the terms and conditions of the Stock Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Investment Agreement”	the investment agreement dated 3 February 2016 entered into among the Seller, MOB Holdings Limited, Maleth Aero and Maleth AOC in relation to the subscription of approximately 51% equity interest in Maleth Aero
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maleth Aero”	Maleth Aero Limited, a private limited liability company incorporated in Malta
“Maleth AOC”	Maleth Aero AOC Limited, a private limited liability company incorporated in Malta
“Maleth Gibraltar”	Maleth Aero Gibraltar Limited, a private limited liability company incorporated in Gibraltar

“Maleth Group”	Maleth Aero and its subsidiaries
“PRC”	the Peoples’ Republic of China
“Purchaser”	Aircraft Engine Lease Finance Inc.
“Put-Call Agreement”	the put and call option agreement dated 3 February 2016 entered into among the Seller, MOB Holdings Limited, Mr. Michael O’ Brien, Maleth Aero and Maleth AOC in respect of the rights to purchase the shares of Maleth Aero and Maleth AOC held by MOB Holdings Limited
“Sale Shares”	525,613 shares of Maleth Aero, representing approximately 51% issued share capital of Maleth Aero
“Seller”	Frontier Services Limited
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Purchase Agreement”	the stock purchase agreement dated 15 December 2020 entered into between the Seller and the Purchaser for the sale and purchase of the Sale Shares
“US\$”	United States dollar, the lawful currency of United States
“%”	per cent.

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

Hong Kong, 15 December 2020

*As at the date of this announcement, the non-executive Directors are Mr. Chang Zhenming (Chairman), Mr. Zhang Yichen and Mr. Fei Yiping; the executive Directors are Mr. Erik D. Prince (Deputy Chairman), Mr. Ko Chun Shun, Johnson (Deputy Chairman), Mr. Luo Ning (Deputy Chairman) and Dr. Hua Dongyi (Chief Executive Officer); and the independent non-executive Directors are Mr. Yap Fat Suan, Henry, Mr. Hooi Hing Lee, Dr. Harold O. Demuren and Mr. Cui Ligu.*

\* *for identification purposes only*