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 www.irasia.com/listco/hk/frontier

(Stock Code: 00500)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, together with the comparative figure for the year ended 31 December 2016. The final results of the Group have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	3	**724,414**	576,889
Cost of direct materials and job expenses	6	**(131,705)**	(130,697)
Cost of aircraft management services		**(125,448)**	(48,134)
Data costs		**(6,950)**	(8,033)
Employee benefit expenses		**(178,612)**	(166,129)
Sub-contracting charges		**(295,382)**	(246,900)
Operating lease rentals	6	**(22,412)**	(18,014)
Repairs and maintenance		**(35,694)**	(42,948)
Depreciation and amortisation	6	**(35,375)**	(34,115)
Other income and other gains/(losses), net		**6,309**	20,911
Other operating expenses		**(88,552)**	(84,743)
Gain on disposal of available-for-sale financial assets		**592**	10,712
Provision for impairment of goodwill and other intangibles		**(9,000)**	(9,970)
Provision for impairment of property, plant and equipment and assets held for sale, net		**(23,633)**	(17,362)
Operating loss		**(221,448)**	(198,533)
Interest income		**9,463**	13,857
Finance costs	4	**(18,213)**	(23,339)
Share of loss of associates		**(2,859)**	(561)
Loss before income tax		**(233,057)**	(208,576)
Income tax credit/(expenses)	5	**9,955**	(910)
LOSS FOR THE YEAR	6	**(223,102)**	(209,486)
Attributable to:			
Equity holders of the Company		**(223,760)**	(209,816)
Non-controlling interests		**658**	330
		(223,102)	(209,486)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted loss per share		**(15.84) cents**	(17.06) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(223,102)**	(209,486)
Other comprehensive income/(loss)		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Foreign exchange differences	**14,653**	(21,350)
— Change in value of available-for-sale financial assets	**(125)**	(11,815)
— Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	**(604)**	(10,910)
Other comprehensive income/(loss) for the year, net of tax	**13,924**	(44,075)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(209,178)**	(253,561)
Attributable to:		
Equity holders of the Company	**(209,917)**	(253,879)
Non-controlling interests	**739**	318
	(209,178)	(253,561)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**272,752**	337,728
Goodwill and other intangibles		**28,121**	35,327
Interests in associates		**9,848**	7,185
Pledged bank deposits		**—**	66,070
Restricted cash		**—**	5,045
Deferred income tax assets		**7,249**	5,345
Non-current prepayments		**27,675**	28,348
Prepaid operating lease rentals		**1,351**	1,393
Available-for-sale financial assets		**42**	61
Total non-current assets		**347,038**	486,502
CURRENT ASSETS			
Inventories		**11,287**	6,183
Trade receivables	*9*	**120,434**	87,480
Prepayments, deposits and other receivables		**82,900**	77,414
Tax receivables		**905**	960
Available-for-sale financial assets		**—**	1,281
Restricted cash		**5,085**	9,991
Pledged bank deposits		**231,365**	150,138
Short-term bank deposits		**379**	—
Cash and cash equivalents		**65,228**	68,144
		517,583	401,591
Assets held for sale		**19,556**	24,374
Total current assets		**537,139**	425,965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CURRENT LIABILITIES			
Trade payables	10	**116,254**	79,134
Other payables and accruals		**65,969**	49,735
Borrowings		**194,654**	187,681
Tax payables		**133**	465
Total current liabilities		**377,010**	317,015
Net current assets		**160,129**	108,950
Total assets less current liabilities		**507,167**	595,452
NON-CURRENT LIABILITIES			
Borrowings		**58,905**	129,103
Deferred income tax liabilities		**52,775**	60,455
Other long-term liabilities		**7,546**	6,963
Total non-current liabilities		**119,226**	196,521
Net assets		**387,941**	398,931
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**144,970**	123,370
Reserves		**118,704**	152,033
		263,674	275,403
Non-controlling interests		**124,267**	123,528
Total equity		**387,941**	398,931

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 2017 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 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 2017 have been prepared under the historical cost convention, as modified by (i) the revaluation of available-for-sale financial assets and derivative financial instruments, which are carried at fair value and (ii) the assets held for sale which are measured at fair value less cost of disposal.

Going concern

For the year ended 31 December 2017, the Group reported a loss of HK$223,102,000 (2016: HK$209,486,000) and recorded net cash used in operating activities of HK$119,034,000 (2016: HK$165,501,000). As at 31 December 2017, the Group's cash and cash equivalents amounted to HK$65,228,000 (2016: HK$68,144,000).

The Group is developing its service offerings in security, logistics and insurance services in Africa, South East Asia and the Middle East. The steps undertaken by the Group to achieve the above objective includes, amongst others, setting up a global security center in Dubai, United Arab Emirates; investing in training facilities and purchasing security equipment and vehicles; and actively pursuing new opportunities in these service offerings with new customers. Whilst the continual expansion of the Group's service offerings is expected to generate income in the future, the Group would require considerable capital investments and working capital for these developments of which the required funding are yet to be secured.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and development of the Group's businesses and its available sources of financing to assess whether the Group will have sufficient funds to fulfill its financial obligations to continue as a going concern. The Group has taken the following measures to improve the Group's financial position, which include but not limited to the followings:

(i) On 9 January 2018, Mr. Erik D. Prince, the Chairman of the Board of Directors of the Company, has exercised 50,000,000 share options at an exercise price of HK$1.5 per share to subscribe for 50,000,000 new shares. Total proceeds for the exercise of options amounted to HK$75,000,000 were received.

(ii) On 2 March 2018, the Company announced that it has entered into three subscription agreements with three subscribers (the "Subscribers"), pursuant to which the Company has conditionally agreed to allot and issue to the Subscribers, and the Subscribers have agreed to subscribe for up to 640,000,000 ordinary shares of the Company at the price of HK$1.30 each (the "Share Subscription"). One of the Subscribers, a company that is ultimately controlled by a state-owned enterprise in the PRC, is a substantial shareholder of the Company; whilst another subscriber is a current shareholder of the Company. Total gross proceeds for this Share Subscription amounted to approximately HK$832,000,000 and the completion of the subscription is subject to the approval at the Company's upcoming special general meeting and the Listing Committee of the Stock Exchange of Hong Kong Limited having granted the dealing of and permission to deal in the subscribed shares;

(iii) As at 31 December 2017, the Group had unutilized banking facilities of approximately HK$31,000,000. The Group has communicated continuously with the principal banks on the Group's performance to ensure the existing banking facilities, which are fully secured by the Group's pledged bank deposits amounted to HK$184,816,000, to be continuously available to the Group. The directors of the Company are of the opinion that such banking facilities will be renewed upon expiry in 2018 and continue to be available to the Group for the next twelve months from 31 December 2017; and

(iv) Implementing measures to improve profitability and cost containment measures to reduce capital and operational expenditures.

The management has prepared cash flow projections covering a period of 12 months from 31 December 2017. The cash flow projections has taken into account the anticipated cash flows generated from the Group's operations, possible changes in its operating performance, the successful completion of the Share Subscription and the continuous availability of the Group's existing banking facilities. These assumptions about future events and conditions are subject to inherent estimation and uncertainties. The directors, after making due enquiries and considering the basis of management's projections described above, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming 12 months from 31 December 2017. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

In the current year, the Group has adopted all the following standards and amendments for the first time for the accounting period beginning on 1 January 2017:

HKAS 7 (Amendments)	Disclosure Initiatives
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

The adoption of these amendments does not have any material impact on the Group's financial statements for the year.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2017 and have not been adopted early:

HKAS 28 (Amendments)	Measuring an Associate or Joint Venture at Fair Value	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendments)	Deletion of Short-Term Exemptions for First-Time Adopters	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018

HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 (Amendments) and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) Int-23	Uncertainty Over Income Tax Treatments	1 January 2019

2 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board 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 business under each operating segments are summarised as follows:

(i) Aviation and Logistics Business ("AL Business") — Provision of aviation and logistics services;

(ii) Financial Market Information Business ("FMI Business") — Provision of online financial market information; and

(iii) Direct Investments — Other direct investments, including interests in associates and available-for-sale financial assets.

Others include corporate income and expenses and others.

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

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2017 by operating segments is as follows:

	AL Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue (from external customers)	**704,587**	**19,827**	—	—	**724,414**
Depreciation	**28,849**	**69**	—	**235**	**29,153**
Amortisation	**6,222**	—	—	—	**6,222**
Provision for impairment of goodwill and other intangibles	**9,000**	—	—	—	**9,000**
Provision for impairment of property, plant and equipment and assets held for sale, net	**23,633**	—	—	—	**23,633**
Operating loss	**(161,987)**	**(219)**	**(5,875)**	**(53,367)**	**(221,448)**
Interest income					**9,463**
Finance costs					**(18,213)**
Share of loss of associates					**(2,859)**
Loss before income tax					**(233,057)**
Income tax credit					**9,955**
Loss for the year					**(223,102)**
Total assets	**857,007**	**4,010**	**8,012**	**15,148**	**884,177**
Total assets include:					
Interests in associates	**7,759**	—	**2,089**	—	**9,848**
Total liabilities	**348,575**	**6,895**	**12,304**	**128,462**	**496,236**
Capital expenditure	**25,464**	**43**	—	**35**	**25,542**

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2016 by operating segments is as follows:

	AL Business *HK$'000*	FMI Business *HK$'000*	Direct Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue (from external customers)	555,462	21,427	—	—	576,889
Depreciation	30,707	210	—	304	31,221
Amortisation	2,894	—	—	—	2,894
Provision for impairment of goodwill and other intangibles	9,970	—	—	—	9,970
Provision for impairment of property, plant and equipment and assets held for sale, net	17,362	—	—	—	17,362
Operating profit/(loss)	(126,960)	(1,387)	10,712	(80,898)	(198,533)
Interest income					13,857
Finance costs					(23,339)
Share of loss of associates					(561)
Loss before income tax					(208,576)
Income tax expenses					(910)
Loss for the year					(209,486)
Total assets	875,051	5,561	13,312	18,543	912,467
Total assets include:					
Interests in associates	—	—	7,185	—	7,185
Total liabilities	483,974	7,890	8,813	12,859	513,536
Capital expenditure	22,093	51	—	29	22,173

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

	2017	2016
	HK$'000	*HK$'000*
Africa	**536,436**	456,505
Europe	**143,757**	98,958
The People's Republic of China ("PRC")		
— mainland China	**24,394**	—
— Hong Kong	**13,772**	15,225
Others	**6,055**	6,201
	724,414	576,889

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

	Operating segment	**2017**
		HK$'000
Customer A	AL business	**217,017**

		2016
		HK$'000
Customer A	AL business	179,891

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

	2017	2016
	HK$'000	*HK$'000*
Total assets for reportable segments	**869,029**	893,924
Corporate assets	**15,148**	18,543
Total assets of the Group	**884,177**	912,467

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

	2017	2016
	HK$'000	*HK$'000*
Africa	**242,151**	312,322
Europe	**81,604**	87,512
The PRC		
— mainland China	**11,393**	7,883
— Hong Kong	**1,732**	1,914
Others	**2,867**	350
	339,747	409,981

3 REVENUE

An analysis of revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue from provision of aviation and logistics services	**704,587**	555,462
Revenue from provision of online financial market information	**19,827**	21,427
	724,414	576,889

4 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**8,647**	11,410
Finance leases	**7,216**	7,806
Other loan	**61**	2
Financing arrangement fee	**1,831**	4,111
Net exchange losses on borrowings	**458**	10
	18,213	23,339

5 INCOME TAX CREDIT/(EXPENSES)

	2017 *HK$'000*	2016 *HK$'000*
Current income tax		
— Outside Hong Kong		
— Provision for the year	**(317)**	(15,251)
— Adjustment in respect of prior years	**(40)**	(401)
	(357)	(15,652)
Deferred income tax		
— Hong Kong	**—**	17
— Outside Hong Kong	**10,312**	14,725
	9,955	(910)

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):

	2017 *HK$'000*	2016 *HK$'000*
Cost of direct materials and job expenses *(Note (i))*	**131,705**	130,697
Depreciation	**29,153**	31,221
Amortisation of intangibles	**6,180**	2,850
Amortisation of prepaid operating lease rentals	**42**	44
Engine overhaul cost	**8,214**	11,570
Operating lease rentals on land and buildings	**17,619**	17,779
Operating lease rentals on equipment	**4,558**	—
Operating lease rentals on motor vehicle	**235**	235
Other operating expenses including, inter alia:		
Net exchange gains	**(5,846)**	(3,558)
Acquisition-related costs	**—**	4,779
Net loss on disposal of property, plant and equipment	**4,348**	3,631
Gain on disposal of subsidiaries, net of tax	**—**	(265)
Provision for impairment of trade receivables	**1,020**	638
Provision for impairment of prepayments, deposits and other receivables	**8,359**	215
Provision for inventories	**56**	1,597

Note:

(i) The cost of direct materials and job expenses includes, inter alia, parts for aircraft maintenance services, fuel cost, take-off, landing and depot charges, crew costs, toll costs and custom clearing costs.

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 less the weighted average number of ordinary shares held for share award scheme during the year.

The calculation of the diluted 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 less the weighted average number of ordinary shares held for share award scheme during the year assuming the conversion of the exchangeable preference shares and the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the year) based on the monetary values of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options.

The basic and diluted loss per share for the year ended 31 December 2017 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

The weighted average number of ordinary shares in issue during the year less the weighted average number of ordinary shares held for share award scheme during the year for the calculation of the basic and diluted loss per share is set out as follows:

	2017	2016
Weighted average number of ordinary shares in issue	**1,414,787,935**	1,233,125,352
Less: Weighted average number of ordinary shares held for share award scheme	**(1,891,150)**	(3,535,531)
	1,412,896,785	1,229,589,821
	HK$'000	*HK$'000*
Group's loss attributable to the equity holders of the Company	**(223,760)**	(209,816)

8 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9 TRADE RECEIVABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**77,821**	48,926
1-2 months	**16,616**	17,654
2-3 months	**16,785**	3,977
Over 3 months	**10,933**	17,624
	122,155	88,181
Less: Provision for impairment	**(1,721)**	(701)
	120,434	87,480

The fair value of trade receivables approximates its carrying amount.

Credit terms of one month 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 the invoice date, of the trade payables as at the financial position date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**57,621**	50,027
1-2 months	**28,106**	20,410
2-3 months	**9,936**	3,915
Over 3 months	**20,591**	4,782
	116,254	79,134

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	2017	2016
	HK$'000	*HK$'000*
Revenue	**724,414**	576,889
Cost of direct materials and job expenses	**(131,705)**	(130,697)
Cost of aircraft management services	**(125,448)**	(48,134)
Data costs	**(6,950)**	(8,033)
Employee benefit expenses	**(178,612)**	(166,129)
Sub-contracting charges	**(295,382)**	(246,900)
Operating lease rentals	**(22,412)**	(18,014)
Repairs and maintenance costs	**(35,694)**	(42,948)
Depreciation and amortisation	**(35,375)**	(34,115)
Other income and other gains/(losses), net	**6,309**	20,911
Other operating expenses	**(88,552)**	(84,743)
Gain on disposal of available-for-sale financial assets	**592**	10,712
Provision for impairment of goodwill and other intangibles	**(9,000)**	(9,970)
Provision for impairment of property, plant and equipment and assets held for sale, net	**(23,633)**	(17,362)
Operating loss	**(221,448)**	(198,533)
Interest income	**9,463**	13,857
Finance costs	**(18,213)**	(23,339)
Share of loss of associates	**(2,859)**	(561)
Loss before income tax	**(233,057)**	(208,576)
Income tax credit/(expenses)	**9,955**	(910)
Loss for the year	**(223,102)**	(209,486)

The Group reported a consolidated revenue of HK$724,414,000 for the year ended 31 December 2017. The financial effect of the Group's acquisitions of Maleth Aero Limited ("Maleth") was the fundamental driver of the 25.6% annual revenue growth. For 2017, the Group reported an operating loss of HK$221,448,000, an 11.5% increase over 2016's reported operating loss of HK$198,533,000. However, reported results for 2017 included non-recurring income and expenses/provisions, such as a significant gain on the disposal of available-for-sale financial assets and substantial impairment charges against goodwill, other intangibles, property, plant and equipment and assets held for sale, which had a combined negative effect on the reported operating loss by HK$43,726,000 on a net basis. As a result, the reported operating loss for 2017 would have decreased for 5.1% versus the same figure for 2016 if those extraordinary items had been excluded. While core operating expenses were reduced as a percentage of revenue and greater overhead leverage was achieved, the Group's net loss was HK$223,102,000 for the year ended 31 December 2017.

Financial Key Performance Indicators

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Basic loss per share	**(15.84) cents**	(17.06) cents

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Total assets	**884,177**	912,467
Shareholders' funds	**263,674**	275,403
Net asset value per share (excluding non-controlling interests)	**18 cents**	22 cents
Cash and bank balances	**302,057**	299,388
Current ratio	**1.42**	1.34
Total liabilities-to-total assets ratio	**0.56**	0.56
Price to book ratio	**9.11**	4.66

The basic loss per share was HK$0.1584 for 2017, relative to basic loss per share of HK$0.1706 for 2016. At 31 December 2017, the Group had total assets of HK$884,177,000, marking a 3.1% decline versus the same figure for 2016 due to minimal capital expenditures and impairment charges taken against intangibles, property, plant and equipment and assets held for sale. The current ratio and total liabilities-to-total assets ratio at year-end 2017 were 1.42 and 0.56 respectively. While the Group's total liabilities-to-total assets ratio experienced very little increase, the material annual change in the current ratio resulted from an increase principally in trade receivables and payable during 2017. The pronounced increase in the Company's share price over 2017, closing at year-end at HK$1.64, and a decline in Group's net assets were the primary catalysts in the increase in the price-to-book ratio.

Revenue

	2017	2016
	HK$'000	*HK$'000*
Aviation and logistics business	**704,587**	555,462
Financial market information business	**19,827**	21,427
	724,414	576,889

Consolidated revenue for 2017 was HK$724,414,000, marking growth of nearly 25.6% on an annual basis. The incorporation of full-year results for Maleth was the primary driver of the annual growth in total revenue. More specifically, Maleth contributed approximately HK$143,757,000 of revenue to the Group's 2017 revenue. As a result, and in line with past years, aviation and logistics ("AL") business accounted for 97% of the Group's 2017 revenue. The Group's remaining legacy unit, financial market information ("FMI") business, produced HK$19,827,000 of revenue for the full-year 2017, a decline of 7.5% versus 2016 as market demand slackened.

Gain on Disposal of Available-for-Sale Financial Assets

The gain on disposal of available-for-sale financial assets for the year ended 31 December 2017 represents the net gain on disposal of shares of Yunfeng Financial Group Limited ("YFGL") in the market.

Provision for Impairment of Other Intangibles

Other intangibles of HK$9,000,000 associated with the Group's operating businesses was impaired in 2017. The decision to take this impairment against an AL subsidiary, namely Phoenix Aviation Limited ("PAL"), was reached after a careful internal review of those business units and discussion among the Group's senior management. Impairment made due to the scale down of its maintenance business and a decline in the franchise's core air ambulance business within a generally more competitive marketplace in east and central Africa, which has had a secondary, negative effect on pricing. In the future, the Group will continue to monitor the carrying value of its acquired other intangibles in accordance with its accounting practices.

Provision for Impairment of Property, Plant and Equipment and Assets Held for Sale, net

The Group recorded HK$23,633,000 provision for impairment loss against the aircraft fleet for the year ended 31 December 2017. The carrying amount of property, plant and equipment is measured periodically against the resale market for comparable assets. The market for aviation assets is cyclical, with substantial changes in resale pricing common over time. Consequently, the Group impaired specific aircraft within its fleet to better reflect the likely value achievable in a resale scenario as at 31 December 2017, and will closely monitor if an impairment indicator is identified.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business

With continuous growth in the Group's AL segment in 2017, HK$704,587,000 of revenue was reported from operating subsidiaries mainly from Africa, southern Europe and mainland China. The effects of Maleth acquisition and organic growth in Transit Freight Forwarding Proprietary Limited ("TFF") were fundamental catalyst in AL segment revenue growth comparing 2016. The Group will continue to implement cost containment measures to increase profitability and potential value in the AL segment.

TFF, a South African based warehouse and logistics company, generated HK$364,005,000 of revenue in 2017. This 13.1% revenue growth reflected the effect of price increases at TFF in 2017 and were in line with management expectations. With new board members and senior management, TFF conducted a new thorough cost analysis and will develop a specialty logistics division to further increase its operational efficiency and profitability of the company. Cheetah Logistics SARL, a small Congolese logistics company, has improved its performance in 2017 and will continue to strive for further improvements in their revenue and profitability in 2018.

Maleth, a Malta based aircraft management services company, was acquired in July 2016. With full-year results included, Maleth contributed HK$143,757,000 to total revenue in 2017. With expected expansion through managing more aircraft, we are optimistic about the operations and results of Maleth in 2018.

PAL, a Kenyan aviation company based in Nairobi, reported a 24.0% decline in revenue compared to 2016. With political instability and decreased flying hours from the United Nations deeply impacted on the overall results of PAL. Improved performance is expected from PAL upon the implementation of cost containment measures in 2017.

The Group has increased its segment loss by 27.6% to HK$161,987,000 comparing 2017. With the launch of new global logistics centers and various cost containment measures, positive impacts will be expected from AL results in 2018.

Financial Market Information Business ("FMI segment")

For the year ended 31 December 2017, the Group's FMI segment generated reported revenue of HK$19,827,000. This legacy business unit provides online financial market data and related information. FMI segment revenue for 2017 represents a 7.5% decline against comparable figure for 2016. Considered non-core to the Group's overall results and outlook, the FMI segment produced a small operating loss of HK$219,000 for the year ended 31 December 2017 as demand for its services declined during the year.

Direct Investments

Direct investments is the Group's segment for available-for-sale financial assets and other direct investment holdings. For 2017, the Group generated HK$5,875,000 in operating loss from the direct investments segment. This resulted from an expenses provision for closing down one of the associates being partially offset by the gain on disposal of shares of YFGL in the open market during the year. For 2016, the comparable reported profit from the direct investments segment also included a profit of HK$10,712,000 resulting from the disposal of shares in YFGL.

PROSPECTS

In 2017, the Group completed major progress on the buildout of its four regions, including expanding its office footprint into key markets, establishing security licenses and partnerships, new facilities and expanding its team of international professionals across its service offerings. With these new capabilities, the Group enters 2018 with a full pipeline of programs and projects.

The Company's combines security, logistics and insurance services into integrated solutions for its client. Security continues to be the main differentiator and the entry point for key customers. Projects often begin with security risk assessments ("SRA") and insurance plans. Once the projects move forward, the suggestions laid out in the SRA then transforms into the active security management and a full insurance solution for the project. With a total risk management solution in place though security and insurance services, clients can then focus on logistics to bring in key personnel, equipment and materials. After the project completes construction and is operational, clients then focus on logistics for offtake and supply chain. This integrated solution through the project life cycle allows the Group to serve client as a true partner and not just a one-off service provider.

Key projects along the Belt and Road continue to be the company's main focus along with major infrastructure, resources and oil & gas projects in its target markets. In addition, the company is focused on special projects, which are often public private partnerships ("PPP") in national infrastructure, resources, energy, fisheries and security. These special projects allow the Group to leverage its deep relationships, subsidiary companies and service offerings in major concession agreements, where the Group serves as both an equity partner and service provider.

Security capabilities of the group are further enhanced through the expansion of the Dubai based global security center. The center maintains the latest technology to monitor and communicate with operations and offices around the world. Security services are split between training and operations. Training includes the firm's security training facility in Beijing and new facilities to be built in strategic locations for the North West and South West regions of the Belt and Road. These training centers are focused on preparing both the Group clients and internal personnel for work in frontier markets. In addition, the firm also has mobile training teams that can be sent to the project site to supplement a client or team's knowledge base. Operations are focused on process and procedures from the global office and close communication with the Regional Operations Centers ("ROC") and Tactical Operations Centers ("TOC") at the project site.

Secured logistics continues to leverage the firm's local capabilities and office combined with the oversight from the group's global logistics center in Shanghai. Integration of logistics subsidiaries with air, ground and sea capabilities across Asia to Africa gives the Group a unique advantage in door to door logistics with an emphasis in last mile capability.

Insurance services are focused on major projects across the Belt and Road as a part of the Group total risk management solution. The Group's advantage lies with its significant footprint in target markets, security service offerings and partnerships with local insurance companies. By being able to serve clients locally while leveraging the international insurance market, the Group is able to offer unique insurance solutions not available in the market.

With the significant progress of 2017 and a strong pipeline for 2018, the Group looks forward to its strongest prospects for growth since the Company's inception. In 2018, the Group will be able to demonstrate its unique capabilities in overcoming the challenges of frontier markets.

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 14,497,030 share options under its share option scheme during the year ended 31 December 2017 (2016: 24,632,060).

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 granted 1,137,000 shares under its share award scheme during the year ended 31 December 2017 (2016: 10,067,000).

The total number of employees of the Group as at 31 December 2017 was 432 (2016: 430).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2017, the Group recorded total assets of HK$884,177,000 (2016: HK$912,467,000) which were financed by liabilities of HK$496,236,000 (2016: HK$513,536,000), non-controlling interests of HK$124,267,000 (2016: HK$123,528,000) and shareholders' equity of HK$263,674,000 (2016: HK$275,403,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2017 amounted to HK$0.18 (2016: HK$0.22).

The Group recorded cash and bank balances of HK$302,057,000 (2016: HK$299,388,000) and total borrowings of HK$258,347,000 (excluding facility arrangement fees of HK$4,788,000) (2016: HK$318,164,000 (excluding facility arrangement fees of HK$1,380,000)) as at 31 December 2017. During the year ended 31 December 2017, bank loans amounting to HK$153,705,000 (2016: HK$220,921,000) in aggregate were matured and repaid by internal resources. The Group's borrowings, which comprise of bank loans, finance leases and other loan and are denominated in United States dollars ("US$"), South African Rand ("ZAR") and Euro ("EUR"), will mature in 1 to 4 years (2016: 1 to 4 years) as at 31 December 2017. Except for the borrowings of HK$59,439,000 (2016: HK$45,635,000), which are interest bearing at fixed rates, the remaining balances of HK$198,908,000 (2016: HK$272,529,000) are interest bearing at floating rates as at 31 December 2017. On the basis of the Group's net borrowings (total borrowings less cash and bank balances) relative to the shareholders' equity and non-controlling interests, the Group's gearing ratio was Nil (2016: 0.07) as at 31 December 2017.

On 13 March 2017, the Company issued 216,000,000 new shares at an issue price of HK$0.90 each. Net proceeds of HK$192,456,000 was raised for the working capital for the development and expansion of the Group's existing AL Business. As at 31 December 2017, approximately HK$134,000,000 has been used for the intended purpose of which approximately HK$33,100,000 has been used for aircraft operation, approximately HK$8,300,000 for license fees, approximately HK$7,500,000 for office related deposits, approximately HK$75,100,000 for other operating expenditures such as staff costs, rentals and transportation service fees, and approximately HK$10,000,000 for loan interest payment. The remaining net proceeds will be used as intended.

At 31 December 2017, the Company had 351,162,575 outstanding share options (2016: 361,856,173), out of which 146,046,918 share options (2016: 133,949,888) were granted under its share option schemes. If all of the remaining outstanding share options were exercised, a gross proceeds of approximately HK$358,000,000 (2016: HK$339,000,000) in aggregate would be raised before deducting any issuance expenses. Subsequent to the financial position date, 50,000,000 share options were exercised at an exercise price at HK$1.50 each and 52,557,828 share options were lapsed on 9 January 2018 and 10 January 2018 respectively.

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 Hong Kong dollars ("HK$"), Renminbi ("RMB"), US$ and EUR. Other than the bank deposits pledged for the Group's bank borrowings, surplus cash is generally placed in term deposits and investments in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates mainly in Hong Kong, Africa, Malta and mainland China.

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.

For operations in Africa, most of the transactions are denominated in US$, Kenyan Shillings ("KES") and ZAR. The exchange rates of KES and ZAR against HK$ have decreased by 0.1% and increased by 11.7% respectively during the year ended 31 December 2017. 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 ZAR and will consider the use of financial instrument for hedging purposes, if necessary.

For operations in Malta, most of the transactions are denominated in EUR and US$. The exchange rate of EUR against HK$ has increased by 14.0% during the year ended 31 December 2017. No financial instrument was used for hedging purposes for the year. The Group is closely monitoring the currency exchange risk of EUR and will consider the use of financial instrument for hedging purposes, if necessary.

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. The exchange rate of RMB against HK$ has devalued since August 2015. No financial instrument was used for hedging purposes for the period. 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.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 28 April 2017, a wholly-owned subsidiary of the Company entered into a conditional investment agreement for the acquisition of 25% equity interest in the International Security and Defense College ("ISDC"), a training school in Beijing principally engaged in the provision of private security training courses, for a consideration of approximately RMB10,000,000 (equivalent to approximately HK$12,156,000). Subsequently, the wholly-owned subsidiary entered into a loan agreement with ISDC, pursuant to which the wholly-owned subsidiary would provide a loan of RMB5,749,000 (equivalent to approximately HK$6,877,000). The acquisition of 25% equity interest in ISDC was completed on 7 July 2017.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2017.

Charges on Assets

At 31 December 2017, the Group had bank deposits amounting to approximately HK$231,365,000 (2016: HK$216,208,000) and certain trade receivables of approximately HK$11,682,000 (2016: HK$9,366,000) pledged to banks as security for bank borrowings. In addition, an indirect wholly-owned subsidiary of the Company has also issued a fixed and floating debenture on all the assets of this subsidiary as securities for its banking facilities.

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

As at 31 December 2017, the Group had capital expenditure commitments for investment in associates and purchase of land-use-rights amounting to HK$7,058,000 (2016: Nil) and HK$35,889,000 (2016: Nil) respectively. Apart from the aforesaid, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments as at 31 December 2017.

However, the Group always seeks for new investment opportunities in order to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

At 31 December 2017, an indirect wholly-owned subsidiary of the Company has issued a fixed and floating debenture on all the assets of this subsidiary as securities for its banking facilities of US$3,000,000 (equivalent to approximately HK$23,454,000) (2016: US$3,000,000 (equivalent to approximately HK$23,268,000)) provided by a bank to a customer as a guarantee against the subsidiary's potential failure to meet obligations to complete the services. At 31 December 2017, the bank has issued guarantees of US$1,322,000 (equivalent to approximately HK$10,335,000) (2016: US$1,420,000 (equivalent to approximately HK$11,014,000)) under this arrangement.

Events After The Financial Position Date

Exercise of Share Options

On 9 January 2018, Mr. Erik D. Prince, the chairman of the Company, exercised his right to subscribe 50,000,000 share options, out of his total share options of 102,557,828 at an exercise price of HK$1.50 per share which were granted to him on 10 January 2014 under the share option scheme adopted by the Company on 28 March 2012. The total proceeds of approximately HK$75,000,000 resulted from the exercise of share options were received by the Company. The remaining unexercised share options of 52,557,828 at an exercise price of HK$1.50 were subsequently expired and lapsed on 10 January 2018.

Subscription of Shares

On 2 March 2018, the Company entered into three separate subscription agreements with three subscribers, namely Easy Flow Investment Limited ("Easy Flow"), Taiping Trustees Limited and Trinity Gate Limited (together as the "Subscribers"), pursuant to which the Company has conditionally agreed to allot and issue to the Subscribers, and the Subscribers has conditionally agreed to subscribe for up to a total of 640,000,000 subscription shares at the subscription price of HK$1.30 each, amounting to total gross proceeds of no more than approximately HK$832 million. As Easy Flow is a substantial shareholder of the Company and a connected person of the Company. The subscription of shares by Easy Flow constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 2 March 2018 for more information.

Except as disclosed above and elsewhere in the financial statements, the Group did not have any other material events occurred subsequent to the financial position date.

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 2017. Neither the Company nor any of its subsidiaries, except the trustee of the share award scheme of the Company, has purchased or sold any of the Company's listed securities during the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2017, 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 and Corporate Governance Report (the "CG Code") from time to time, as set out in Appendix 14 to the Listing Rules.

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 the accounting year covered by the annual report.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong 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 and the Company's website at www.fsgroup.com. The 2017 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, Professor Lee Hau Leung and Dr. Harold O. Demuren. 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 2017 have been reviewed by the Audit Committee.

By Order of the Board
Frontier Services Group Limited
Erik D. Prince
Chairman

Hong Kong, 26 March 2018

At the date of this announcement, the Board of the Company comprises the executive directors of Mr Erik D. Prince (Chairman), Mr Ko Chun Shun, Johnson (Deputy Chairman), Mr Luo Ning (Deputy Chairman), Dr Hua Dongyi (Chief Executive Officer) and Mr Hu Qinggang; and the independent non-executive directors of Mr Yap Fat Suan, Henry, Professor Lee Hau Leung and Dr Harold O. Demuren.

* *For identification purposes only*