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 2016

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 2016, which have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	3	**576,889**	215,337
Cost of direct materials and job expenses	6	**(130,697)**	(113,216)
Cost of aircraft management services		**(48,134)**	–
Data costs		**(8,033)**	(8,714)
Employee benefit expenses		**(166,129)**	(116,763)
Sub-contracting charges		**(246,900)**	(46,755)
Operating lease rentals		**(18,014)**	(43,980)
Repairs and maintenance		**(42,948)**	(23,295)
Depreciation and amortisation		**(34,115)**	(27,303)
Other income and other gains		**20,911**	1,598
Other operating expenses		**(84,743)**	(93,270)
Gain on disposal of available-for-sale financial assets		**10,712**	279,870
Provision for impairment of goodwill		**(9,970)**	(94,975)
Provision for impairment of property, plant and equipment, net		**(17,362)**	(66,118)
Operating loss		**(198,533)**	(137,584)
Interest income		**13,857**	21,610
Finance costs	4	**(23,339)**	(29,667)
Share of loss of associates		**(561)**	(443)
Loss before income tax		**(208,576)**	(146,084)
Income tax credit/(expenses)	5	**(910)**	3,164
LOSS FOR THE YEAR	6	**(209,486)**	(142,920)
Attributable to:			
Equity holders of the Company		**(209,816)**	(142,920)
Non-controlling interests		**330**	–
		(209,486)	(142,920)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted loss per share		**(17.06) cents**	(11.62) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(209,486)**	(142,920)
Other comprehensive income/(loss)		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Foreign exchange differences	**(21,350)**	(49,995)
– Change in value of available-for-sale financial assets	**(11,815)**	279,433
– Realisation of equity instrument reserve upon disposal of available-for-sale financial assets	**(10,910)**	(283,399)
Other comprehensive loss for the year, net of tax	**(44,075)**	(53,961)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(253,561)**	(196,881)
Attributable to:		
Equity holders of the Company	**(253,879)**	(196,881)
Non-controlling interests	**318**	–
	(253,561)	(196,881)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**337,728**	415,702
Goodwill and other intangibles		**35,327**	40,088
Interests in associates		**7,185**	8,462
Pledged bank deposits		**66,070**	230,848
Restricted cash		**5,045**	2,690
Deferred income tax assets		**5,345**	4,031
Non-current prepayments		**28,348**	32,051
Prepaid operating lease rentals		**1,393**	1,438
Available-for-sale financial assets		**61**	90
Total non-current assets		**486,502**	735,400
CURRENT ASSETS			
Inventories		**6,183**	9,644
Trade receivables	*10*	**87,480**	58,376
Prepayments, deposits and other receivables		**77,414**	49,759
Tax receivables		**960**	320
Available-for-sale financial assets		**1,281**	31,000
Restricted cash		**9,991**	4,581
Pledged bank deposits		**150,138**	228,722
Short-term bank deposits		–	2,229
Cash and cash equivalents		**68,144**	223,365
		401,591	607,996
Assets held for sale		**24,374**	6,317
Total current assets		**425,965**	614,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
CURRENT LIABILITIES			
Trade payables	*11*	**79,134**	36,713
Other payables and accruals		**49,735**	47,605
Borrowings		**187,681**	235,857
Tax payables		**465**	3,170
Total current liabilities		**317,015**	323,345
Net current assets		**108,950**	290,968
Total assets less current liabilities		**595,452**	1,026,368
NON-CURRENT LIABILITIES			
Borrowings		**129,103**	307,636
Deferred income tax liabilities		**60,455**	75,737
Other long-term liabilities		**6,963**	–
Total non-current liabilities		**196,521**	383,373
Net assets		**398,931**	642,995
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**123,370**	122,950
Reserves		**152,033**	403,795
		275,403	526,745
Non-controlling interests		**123,528**	116,250
Total equity		**398,931**	642,995

Notes:

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group for the year ended 31 December 2016 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 also 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 2016 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.

In addition, the Group previously presented the analysis of expenses recognised in the consolidated income statement based on their function. With effect from 1 January 2016, the Group revised its accounting policy to present the analysis of expenses based on their nature to effectively assess the operating efficiency of the Group by focusing on analysing the nature and fluctuation on each major operating cost and identifying corresponding cost control opportunities. This change provides more relevant information to the users of the financial statements by enhancing the comparability of the Group's consolidated financial statements with those of its peers. The changes in presentation have been adopted retrospectively, and certain comparative figures have been restated.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

In the current year, the Group has adopted all the new and amended HKFRSs, a collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2016. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the year.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2016 and have not been adopted early:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 (2014)	Financial Instruments
HKFRS 10 (Amendments) and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKFRS 16	Leases

The Group has commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

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. Summary details of the operating segments are 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 segment results after taking consideration of exception items.

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	**9,970**	**–**	**–**	**–**	**9,970**
Provision for impairment of property, plant and equipment, 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**

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2015 by operating segments is as follows:

	AL Business *HK$'000* (Restated)	FMI Business *HK$'000* (Restated)	Direct Investments *HK$'000* (Restated)	Others *HK$'000* (Restated)	Total *HK$'000* (Restated)
Revenue (from external customers)	191,569	23,768	–	–	215,337
Depreciation	25,046	219	–	299	25,564
Amortisation	1,739	–	–	–	1,739
Provision for impairment of goodwill	94,975	–	–	–	94,975
Provision for impairment of property, plant and equipment, net	66,118	–	–	–	66,118
Operating profit/(loss)	(310,948)	(2,950)	279,814	(103,500)	(137,584)
Interest income					21,610
Finance costs					(29,667)
Share of loss of associates					(443)
Loss before income tax					(146,084)
Income tax credit					3,164
Loss for the year					(142,920)
Total assets	1,154,296	8,000	45,348	142,069	1,349,713
Total assets include: Interests in associates	–	–	8,462	–	8,462
Total liabilities	654,398	9,079	8,808	34,433	706,718
Capital expenditure	212,445	102	–	1,401	213,948

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

	2016	2015
	HK$'000	*HK$'000*
Africa	**456,505**	175,656
Europe	**98,958**	11,961
The People's Republic of China ("PRC")		
– mainland China	**–**	3,953
– Hong Kong	**15,225**	17,097
Others	**6,201**	6,670
	576,889	215,337

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

	Operating segment	2016
		HK$'000
Customer A	AL Business	**179,891**

		2015
		HK$'000
Customer B	AL Business	35,972
Customer C	AL Business	31,784

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

	2016	2015
	HK$'000	*HK$'000*
Total assets for reportable segments	**893,924**	1,207,644
Corporate assets	**18,543**	142,069
Total assets of the Group	**912,467**	1,349,713

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

	2016 *HK$'000*	2015 *HK$'000*
Africa	**312,322**	450,629
Europe	**87,512**	34,942
The PRC		
– mainland China	**7,883**	9,817
– Hong Kong	**1,914**	2,308
Others	**350**	45
	409,981	497,741

3 REVENUE

An analysis of revenue is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Revenue from provision of aviation and logistics services	**555,462**	191,569
Revenue from provision of online financial market information	**21,427**	23,768
	576,889	215,337

4 FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Bank loans	**11,410**	13,412
Finance leases	**7,806**	5,153
Other loan	**2**	–
Financing arrangement fee	**4,111**	2,508
Net exchange losses on borrowings	**10**	8,594
	23,339	29,667

5 INCOME TAX CREDIT/(EXPENSES)

	2016 HK$'000	2015 HK$'000
Current income tax		
– Outside Hong Kong		
– Provision for the year	**(15,251)**	(933)
– Adjustment in respect of prior years	**(401)**	213
	(15,652)	(720)
Deferred income tax		
– Hong Kong	**17**	–
– Outside Hong Kong	**14,725**	3,884
	(910)	3,164

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):

	2016 HK$'000	2015 HK$'000
Cost of direct materials and job expenses *(Note (i))*	**130,697**	113,216
Depreciation	**31,221**	25,564
Amortisation of intangibles	**2,850**	1,694
Amortisation of prepaid operating lease rentals	**44**	45
Engine overhaul cost	**11,570**	7,796
Operating lease rentals on land and buildings	**17,779**	14,809
Operating lease rentals on equipment	**–**	4,336
Operating lease rentals on motor vehicle	**235**	102
Operating lease rentals on aircraft	**–**	24,733
Net exchange losses/(gains)	**(3,558)**	12,281
Acquisition-related costs	**4,779**	8,318
Net loss/(gain) on disposal of property, plant and equipment	**3,631**	(775)
Gain on disposal of subsidiaries, net of tax	**(265)**	–
Provision for impairment of trade receivables	**638**	63
Provision for impairment of prepayments, deposits and other receivables	**215**	3
Provision for inventories	**1,597**	12
Provision for impairment of interest in an associate	**–**	56

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 cost, toll cost and custom clearing cost.

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 2016 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:

	2016	2015
Weighted average number of ordinary shares in issue	**1,233,125,352**	1,229,503,003
Less: Weighted average number of ordinary shares held for share award scheme	**(3,535,531)**	–
	1,229,589,821	1,229,503,003
	HK$'000	*HK$'000*
Group's loss attributable to the equity holders of the Company	**(209,816)**	(142,920)

8 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

9 BUSINESS COMBINATION

Acquisition of Maleth Aero Limited ("Maleth")

On 3 February 2016, Frontier Services Limited ("FSL"), a wholly-owned subsidiary of the Company, entered into a conditional investment agreement for the acquisition of 51% equity interest in Maleth, a company through its subsidiary, Maleth Aero AOC Limited, principally engaged in the provision of aircraft management services, for a consideration of approximately EUR1,002,000 (equivalent to approximately HK$8,963,000). On the same date, FSL also entered into a symmetrical put and call option agreement, pursuant to which FSL has the right to purchase and the seller has the right to sell the remaining 49% equity interest in Maleth at an option price equal to the higher of EUR1,000,000 (equivalent to approximately HK$8,190,000) and 4.5 multiplied by the average consolidated earnings before interest, tax, depreciation and amortisation of Maleth for the prior two financial years preceding the exercise of the put option or the call option, which is capped at EUR10,000,000 (equivalent to approximately HK$81,895,000). The acquisition of 51% equity interest in Maleth was completed on 6 July 2016. The acquisition immediately enabled the Group to strengthen the Group's presence in the Mediterranean region, further connecting the Group's logistics operations in Africa to Europe, the Middle East and the One Belt One Road Region of central Asia.

The following table summarised the consideration paid for the issued share capital, the acquisition-related costs, the analysis of the net cash inflow from the acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the date of acquisition.

	HK$'000
Purchase consideration	
Cash paid	**8,963**
Acquisition-related costs, included in other operating expenses	
Legal and professional fees and other expenses	**4,497**
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**(8,963)**
Cash and cash equivalents in subsidiaries acquired	**17,300**
Net cash inflow from acquisition	**8,337**
Property, plant and equipment	**1,416**
Deferred income tax assets	**2,513**
Intangibles	**5,938**
Receivables (a)	**40,605**
Cash and cash equivalents	**17,300**
Payables	**(51,158)**
Borrowings	**(715)**
Deferred income tax liabilities	**(2,078)**
Total identifiable net assets	**13,821**
Non-controlling interests	**(6,960)**
	6,861
Goodwill on acquisition (b)	**2,102**
	8,963

(a) Acquired receivables

The fair value and the gross contractual amounts of receivables are approximately HK$40,605,000 which include trade receivables with a fair value of approximately HK$21,151,000. The fair values of trade and other receivables approximate their carrying amounts. There is no contractual cash flow from the acquired receivables that are expected to be uncollected.

(b) Goodwill on acquisition

The Group recognised goodwill of approximately HK$2,102,000 in the consolidated statement of financial position, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of approximately HK$13,821,000 as at the date of acquisition.

Goodwill is primarily attributable to the anticipated profitability and net cash inflows of the acquired business.

(c) Revenue and profit contribution

The acquired business contributed a revenue of approximately HK$54,658,000 and a net profit after tax of approximately HK$369,000 to the Group for the period from 6 July 2016 (date of acquisition) to 31 December 2016. Had the acquisition occurred on 1 January 2016, the acquired business would have contributed a revenue of approximately HK$132,466,000 and a net loss after tax of approximately HK$1,445,000 to the Group for the year ended 31 December 2016.

(d) Symmetrical put and call option agreement

The symmetrical put and call option agreement was recognised as a financial liability at its present value of HK$6,963,000 as at 31 December 2016.

10 TRADE RECEIVABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**48,926**	34,721
1-2 months	**17,654**	5,548
2-3 months	**3,977**	7,969
Over 3 months	**17,624**	10,201
	88,181	58,439
Less: Provision for impairment	**(701)**	(63)
	87,480	58,376

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.

11 TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**50,027**	24,446
1-2 months	**20,410**	4,940
2-3 months	**3,915**	1,992
Over 3 months	**4,782**	5,335
	79,134	36,713

The fair value of trade payables approximates its carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Revenue	**576,889**	215,337
Cost of direct materials and job expenses	**(130,697)**	(113,216)
Cost of aircraft management services	**(48,134)**	–
Data costs	**(8,033)**	(8,714)
Employee benefit expenses	**(166,129)**	(116,763)
Sub-contracting charges	**(246,900)**	(46,755)
Operating lease rentals	**(18,014)**	(43,980)
Repairs and maintenance costs	**(42,948)**	(23,295)
Depreciation and amortisation	**(34,115)**	(27,303)
Other income and other gains	**20,911**	1,598
Other operating expenses	**(84,743)**	(93,270)
Gain on disposal of available-for-sale financial assets	**10,712**	279,870
Provision for impairment of goodwill	**(9,970)**	(94,975)
Provision for impairment of property, plant and equipment, net	**(17,362)**	(66,118)
Operating loss	**(198,533)**	(137,584)
Interest income	**13,857**	21,610
Finance costs	**(23,339)**	(29,667)
Share of loss of associates	**(561)**	(443)
Loss before income tax	**(208,576)**	(146,084)
Income tax credit/(expenses)	**(910)**	3,164
Loss for the year	**(209,486)**	(142,920)

The Group reported record consolidated revenue of HK$576,889,000 for the year ended 31 December 2016. The financial effect of the Group's acquisitions of Transit Freight Forwarding Proprietary Limited ("TFF") and Maleth was the fundamental driver of the 168% annual revenue growth. For 2016, the Group reported an operating loss of HK$198,533,000, a substantial increase over 2015's reported operating loss of HK$137,584,000. However, reported results for 2015 included extraordinary income and expenses, such as a significant gain on the disposal of available-for-sale financial assets and substantial impairment charges against goodwill and property, plant and equipment, which had a combined positive effect reducing the reported operating loss by HK$118,777,000 on a net basis. As a result, the reported operating loss for 2016 would have decreased considerably versus the same figure for 2015 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$209,486,000 for the year ended 31 December 2016.

Financial Key Performance Indicators

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Basic loss per share	**(17.06) cents**	(11.62) cents

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Total assets	**912,467**	1,349,713
Shareholders' funds	**275,403**	526,745
Net asset value per share (excluding non-controlling interests)	**22 cents**	43 cents
Cash and bank balances	**299,388**	692,435
Current ratio	**1.34**	1.90
Total liabilities-to-total assets ratio	**0.56**	0.52
Price to book ratio	**4.66**	4.15

The basic loss per share was HK$0.1706 for 2016, relative to HK$0.1162 for 2015. At 31 December 2016, the Group had total assets of HK$912,467,000, marking a 32% decline versus the same figure for 2015 due to a decrease in cash and bank balances principally used to repay maturing bank loans and general working capital requirements, minimal capital expenditures, and impairment charges taken against goodwill and property, plant and equipment. The current ratio and total liabilities-to-total assets ratio at year-end 2016 were 1.34 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 a decline principally in cash and bank balances during 2016. The pronounced drop in the Company's share price over 2016, closing at year-end at HK$1.04, and a decline in Group's net assets were the primary catalysts in the increase in the price-to-book ratio.

Revenue

	2016	2015
	HK$'000	*HK$'000*
Aviation and logistics business	**555,462**	191,569
Financial market information business	**21,427**	23,768
	576,889	215,337

Consolidated revenue for 2016 was HK$576,889,000, marking growth of nearly 1.7 times on an annual basis. The incorporation of full-year results for TFF and partial-year results for Maleth was the primary driver of the 168% annual growth in total revenue. More specifically, TFF and Maleth contributed approximately HK$321,968,000 and HK$54,658,000 of revenue respectively to the Group's 2016 revenue. As a result, and in line with past years, aviation and logistics ("AL") business accounted for 96% of the Group's 2016 revenue. The Group's remaining legacy unit, financial market information ("FMI") business, produced HK$21,427,000 of revenue for the full-year 2016, a decline of 10% versus 2015 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 2016 represents the net gain on disposal of shares of Yunfeng Financial Group Limited (formerly known as REORIENT GROUP LIMITED) ("YFGL") in the market.

Provision for Impairment of Goodwill

Goodwill of HK$9,970,000 associated with the Group's operating businesses was charged off in 2016. The decision to take this impairment against three AL subsidiaries, namely Phoenix Aviation Limited ("PAL"), TFF and Cheetah Logistics SARL ("Cheetah"), was reached after a careful internal review of those business units and discussion among the Group's senior management. PAL accounts for two-thirds of the total goodwill impairment booked in 2016. This is largely due to 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 goodwill in accordance with its accounting practices.

Provision for Impairment of Property, Plant and Equipment, Net

The Group recorded a net impairment of HK$17,362,000 against its property, plant and equipment for the year ended 31 December 2016. More than three-quarters of these impairment charges were taken against the aircraft fleet, with HK$10,287,000 alone charged against one of the 737 airliners. Consistent with Group accounting practices, the carrying value 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 2016, and will continue to do so going forward if an impairment indicator is identified. In addition, HK$3,792,000 in impairment charges was taken against Cheetah's fleet of trucks and trailers to bring the carrying value of those assets in line with local aftermarket pricing for comparable units.

REVIEW OF OPERATING SEGMENTS

Aviation and Logistics Business ("AL segment")

2016 was a year of rapid topline growth for the Group's core AL segment, with reported revenue of HK$555,462,000 from operating subsidiaries based in Africa and southern Europe. The full-year and partial-year effects, respectively, of the TFF and Maleth acquisitions were the fundamental catalyst in AL segment revenue growth versus 2015. On balance, the AL segment generated substantially more operating leverage over its cost base during 2016, with all categories of expenses below 2015 levels when measured against revenue. Cost containment, however, remains a key ongoing focus as the Group strives to enhance profitability.

TFF, the South African warehouse and distribution business acquired in late 2015, generated revenue of HK$321,968,000 for the year ended 31 December 2016. Accounting for foreign exchange gain on conversion, TFF's 2016 revenue results were roughly in line with expectations at the time of the acquisition in 2015. The governance and leadership initiatives put in place during the first half of 2016 yielded considerable overall growth, including the successful acquisition of new business with its most important customer late in the year. This work outside of South Africa and other ongoing cost containment efforts are expected to contribute to the business going forward during 2017. Cheetah, the small Congolese trucking operation, benefited from increased managerial oversight by TFF, leading to vastly improved revenue growth as the year progressed. For the year ended 31 December 2016, Cheetah achieved peak run-rate revenue for the period since acquisition, with further integration into TFF likely for 2017.

Maleth, the Group's Malta-based aircraft services business, was acquired in July 2016. With only partial-year results included, therefore, Maleth nevertheless contributed HK$54,658,000 to total revenue for 2016. PAL, the Group's other aviation business headquartered in Nairobi, Kenya, generated HK$128,184,000 of revenue in 2016. This reported figure represents a 2% decline relative to PAL's revenue for 2015, reflecting downward pressure on pricing, a generally more competitive market for charter and air ambulance services in east and central Africa. PAL also recorded a large engine overhaul cost, totalling HK$11,570,000, during 2016, which, while reserved for, had a considerable impact on the profitability of the subsidiary.

Despite the significant revenue growth and the operating leverage gains to the Group's AL business, the segment reported an operating loss of HK$126,960,000 after corporate overhead is included in the analysis. Therefore, as with the second half of 2016, there is significant ongoing focus among management on cost containment and revenue expansion to achieve recurring profitability.

Financial Market Information Business ("FMI segment")

For the year ended 31 December 2016, the Group's FMI segment generated reported revenue of HK$21,427,000. This legacy business unit provides online financial market data and related information. FMI segment revenue for 2016 represents a 10% decline against comparable figure for 2015. Considered non-core to the Group's overall results and outlook, the FMI segment produced a small operating loss of HK$1,387,000 for the year ended 31 December 2016 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 the full-year 2016, the Group generated HK$10,712,000 in profit from the direct investments segment. This resulted from the disposal of shares of YFGL in the open market during the year. For 2015, the comparable reported profit from the direct investments segment also included a profit of HK$279,870,000 resulting from the disposal of shares in the predecessor to YFGL. The profit recorded in 2015 from direct investments segment is the primary contributor to the disparity in year-over-year operating results.

PROSPECTS

2016 was a significant turning point for the Group, with a new management team, business organisation, strategy and service offerings. Entering 2017, the Group has considerable momentum to offer its clients solutions and not just individual services. The Group has expanded from Africa into Asia in order to align itself with China's One Belt One Road development strategy. The Group will focus on creating growth by offering project level solutions leveraging the connectivity of global offices, teams, subsidiaries and assets across multiple service lines.

For 2017, the AL segment businesses are expected to focus on topline growth, asset efficiency and expense reduction. More specifically, TFF will seek greater customer diversification, improved deployment of in-house assets and a general reduction in its cost structure. Similarly, Cheetah's outlook is solid with TFF's managerial oversight in place, with an emphasis on return-on-assets and expense rationalisation. In the Group's aviation business, PAL is presently seeking to expand the scope of its services to key customers by forward-positioning client-dedicated aircraft, while also exploring strategic partnerships to enhance its margin capture. PAL is also expected to play an important part in the Group's efforts to develop a secure logistics corridor in east Africa, in addition to its fulfillment role with the Group's new Insurance Division business. Maleth, the Group's most recent acquisition, is experiencing a period of substantial growth through new aircraft inductions and a rapid move into freight programs. With an existing geographic reach into central Asia, Maleth is expected to be a key element of the Group's One Belt One Road business development efforts during the coming year. Overall, the Group will seek greater integration of the AL segment with Chinese customers and projects in 2017 without detracting from the subsidiaries' existing businesses and internal initiatives for growth and margin improvement.

The Group has made a strategic shift to support One Belt One Road opportunities. To that end, the Group has recently installed a dedicated project logistics team in Shanghai, led by senior logisticians with experience managing large-scale programs. At the same time, the Group is demonstrating its commitment to be close geographically to its most important current and future clients, with plans in place to establish new offices in China's Yunnan Province and in the Xinjiang Uyghur Autonomous Region. These two new office locations will position the Group to be ready to service projects and clients operating in Myanmar, Thailand, Laos and Cambodia, and in Kazakhstan, Uzbekistan, Pakistan and Afghanistan, respectively.

The Group's Insurance Division, launched in late 2016, will complement the geographic expansion into important One Belt One Road regions. The Insurance Division, established following the framework of a strategic partnership with Ping An Property & Casualty Insurance Company of China ("Ping An"), will develop and fulfill innovative insurance products and services. Leveraging the Group's full-spectrum capabilities in security and logistics, our new Insurance Division is poised alter fundamentally the traditional, reactive approach of companies operating in complex environments through proactive and comprehensive risk mitigation policies. Throughout the coming year, the Group will continue to explore additional relationships with Ping An and other partners to deliver customised insurance solutions tailored to One Belt One Road projects and operating scenarios.

With impressive topline growth achieved during 2016, the Group looks ahead to 2017 with great optimism. New senior leadership, a Shanghai-based project logistics team, One Belt One Road regional offices and facilities and a greater overall understanding of the Group's unique capabilities, the coming year is filled with opportunities. Throughout it all, the Group will continue to deliver premium services, customised to our international clients' requirements and the specific challenges of their operating environments.

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 24,632,060 share options under its share option scheme during the year ended 31 December 2016 (2015: Nil).

The Company also operates a share award scheme to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Company has granted 10,067,000 shares under its share award scheme during the year ended 31 December 2016 (2015: N/A).

The total number of employees of the Group as at 31 December 2016 was 430 (2015: 422).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2016, the Group recorded total assets of HK$912,467,000 (2015: HK$1,349,713,000) which were financed by liabilities of HK$513,536,000 (2015: HK$706,718,000), non-controlling interests of HK$123,528,000 (2015: HK$116,250,000) and shareholders' equity of HK$275,403,000 (2015: HK$526,745,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2016 amounted to HK$0.22 (2015: HK$0.43).

The Group recorded cash and bank balances of HK$299,388,000 (2015: HK$692,435,000) and total borrowings of HK$318,164,000 (excluding facility arrangement fees of HK$1,380,000) (2015: HK$548,010,000 (excluding facility arrangement fees of HK$4,517,000)) as at 31 December 2016. During the year ended 31 December 2016, bank loans amounting to HK$422,130,000 in aggregate were matured and repaid by internal resources. The Group's borrowings, which comprise of bank loans, finance leases and other loan and are denominated in United States dollars ("US$"), South African Rand ("ZAR") and Euro ("EUR"), will mature in 1 to 4 years (2015: 1 to 5 years) as at 31 December 2016. Except for the borrowings of HK$45,635,000 (2015: HK$49,775,000), which are interest bearing at fixed rates, the remaining balances of HK$272,529,000 (2015: HK$498,235,000) are interest bearing at floating rates as at 31 December 2016. 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 0.07 (2015: Nil) as at 31 Decembers 2016.

Subsequent to the financial position date on 13 March 2017, the Company issued 216,000,000 new shares at an issue price of HK$0.90 each. A 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.

At 31 December 2016, the Company had 361,856,173 outstanding share options (2015: 344,384,113), out of which 133,949,888 share options (2015: 116,477,828) were granted under its share option schemes. Subsequent to the financial position date, 22,790,628 share options and 1,000,000 share options were lapsed on 14 January 2017 and 12 February 2017 respectively. If all of the remaining outstanding share options were exercised, a gross proceeds of approximately HK$339 million (2015: HK$338 million) in aggregate would be raised before deducting any issuance expenses.

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 14.4% respectively during the year ended 31 December 2016. 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 decreased by 3.4% during the year ended 31 December 2016. 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 year. During the year ended 31 December 2016, the Group has substantially reduced its exposure to the currency exchange risk of RMB through the disposal of a subsidiary incorporated in mainland China. 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 3 February 2016, the Group entered into a conditional investment agreement for the acquisition of 51% equity interest in Maleth, a company through its subsidiary, Maleth Aero AOC Limited, principally engaged in the provision of aircraft management services, for a consideration of approximately EUR1,002,000 (equivalent to approximately HK$8,963,000). On the same date, the Group also entered into a symmetrical put and call option agreement for the right to purchase the remaining 49% equity interest in Maleth at an option price equal to the higher of EUR1,000,000 (equivalent to approximately HK$8,190,000) and 4.5 multiplied by the average consolidated earnings before interest, tax, depreciation and amortisation of Maleth for the prior two financial years proceeding the exercise of the put option or the call option, which is capped at EUR10,000,000 (equivalent to approximately HK$81,895,000). The acquisition of 51% equity interest in Maleth was completed on 6 July 2016.

On 20 May 2016, the Company entered into a sale and purchase agreement for the disposal of the entire interest in Amazing View Limited, a company principally engaged in investment holding and wholly owned a subsidiary incorporated in mainland China, for a consideration of HK$250,250,000. The disposal was completed on 23 May 2016.

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 2016.

Charges on Assets

At 31 December 2016, the Group had bank deposits amounting to approximately HK$216,208,000 (2015: HK$459,570,000) and certain trade receivables of approximately HK$9,366,000 (2015: Nil) pledged to banks as security for bank borrowings. In addition, an indirect wholly-owned subsidiary of the Company has issued a fixed and floating debenture on all its assets and property and has mortgaged an aircraft as securities for its banking facilities.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2016 (2015: Nil). However, the Group always seeks for new investment opportunities in the AL business to broaden the revenue and profit potential of the Group and enhance shareholders' value in long term.

Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 31 December 2016.

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.

An indirect wholly-owned subsidiary of the Company has issued a fixed and floating debenture on all its assets and property and has mortgaged an aircraft as securities for its banking facilities of US$3,000,000 (equivalent to approximately HK$23,268,000). At 31 December 2016, this subsidiary had contingent liabilities up to US$1,420,000 (equivalent to approximately HK$11,014,000) in respect of certain guarantees issued by the bank under the banking facilities for the performance of certain service contracts of the subsidiary (2015: 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 2016. 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 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, 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, with the exception of the following CG Code's code provisions:

Chairman and Chief Executive

Under the CG Code's code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The previous Chief Executive Officer of the Company resigned with effect from 1 May 2016, which had left the position vacant until Dr Hua Dongyi ("Dr Hua") was appointed as the Acting Chief Executive Officer of the Company and filled the vacancy on 26 July 2016. Before the appointment of Dr Hua, the responsibilities of Chief Executive Officer of the Company was assumed by the Chairman of the Company. On 22 March 2017, Dr Hua has officially become the Chief Executive Officer of the Company.

Responsibilities of Directors

Under the CG Code's code provision A.6.7, independent non-executive directors should attend general meetings. Certain independent non-executive directors were unable to attend the special general meeting and annual general meeting of the Company on 8 April 2016 and 1 June 2016 respectively due to their other business commitments.

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 2016 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 2016 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.

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

Hong Kong, 22 March 2017

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*