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FRONTIER SERVICES GROUP LIMITED

先豐服務集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 00500)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

六福金融
LUKFOOK FINANCIAL

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 27 February 2017, after trading hours, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has appointed the Placing Agent, and the Placing Agent has conditionally agreed to procure, on a best effort basis, the placing of up to 216,000,000 Placing Shares to the Placee at the Placing Price of HK\$0.90 per Placing Share.

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2016. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Assuming that there will be no change in the total number of Shares in issue between the date of this announcement and the completion of the Placing, the maximum number of 216,000,000 Placing Shares represents approximately (i) 17.5% of the total number of Shares in issue as at the date of this announcement i.e. 1,233,703,003 Shares; and (ii) 14.9% of the total number of Shares in issue as enlarged by the issue of the Placing Shares i.e. 1,449,703,003 Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$21,600,000. Since the Placing Shares will be allotted and issued under the General Mandate, the issue of the Placing Shares is not subject to further Shareholders' approval.

* *for identification purpose only*

The Placing Price of HK\$0.90 per Placing Share represents: (i) a discount of approximately 11.76% to the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 6.44% to the average closing price of approximately HK\$0.962 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$194.4 million and HK\$192.5 million respectively. The net proceeds raised per Placing Shares upon Completion will be approximately HK\$0.89 per Placing Share. The Company intends to use the net proceeds from the Placing for the working capital for the development and expansion of the Group's existing logistics and aviation businesses, including the secured logistics and auxiliary services, in particular, extending our services to the One Belt One Road region from China and across East or Central Asia and the Middle East to Africa. In addition, the Company will be bolstering its existing operations in Africa and increasing its presence across multiple offices in China in order to better serve its clients.

Since the completion of the Placing is subject to fulfillment of the condition under the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

27 February 2017 (after trading hours)

Issuer

The Company

Placing Agent

Luk Fook Securities (HK) Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of the Company and its Connected Persons.

Number of Placing Shares

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent, and the Placing Agent has conditionally agreed to procure, on a best effort basis, the placing of up to 216,000,000 Placing Shares to the Placee at the Placing Price of HK\$0.9 per Placing Share.

Assuming that there will be no change in the total number of Shares in issue between the date of this announcement and the completion of the Placing, the maximum number of 216,000,000 Placing Shares represents approximately (i) 17.5% of the total number of Shares in issue as at the date of this announcement i.e. 1,233,703,003 Shares; and (ii) 14.9% of the total number of Shares in issue as enlarged by the issue of the Placing Shares i.e. 1,449,703,003 Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$21,600,000.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares in issue at the time of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.9 per Placing Share represents: (i) a discount of approximately 11.76% to the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 6.44% to the average closing price of approximately HK\$0.962 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent on the date of the Placing Agreement with reference to, among other things, the prevailing trading price of the Shares.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and placing commission) are on normal commercial terms and are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

Placee

The Placing Agent will place the Placing Shares to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its Connected Persons. It is expected that none of the Placee will become a substantial shareholder (within the meaning of the Listing Rules) of the Company immediately upon completion of the Placing.

Condition of the Placing Agreement

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares. Such condition cannot be waived by any party to the Placing Agreement. If such condition is not satisfied on or prior to 4:00 p.m. (Hong Kong time) on 15 March 2017 or such later date as may be agreed between the Company and the Placing Agent, the obligations and liabilities of the Placing Agent and of the Company under the Placing Agreement shall cease and terminate and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensation or otherwise.

Termination

The Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company at any time prior to 4:00 p.m. (Hong Kong time) on the Closing Date if at any time prior to 4:00 p.m. (Hong Kong time) on the Closing Date, there occurs or comes into force:

- (1) any significant change in local, national or international financial, exchange control, political or economic conditions, which in the reasonable opinion of the Placing Agent, is likely to be materially adverse to the success of the Placing, or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; or
- (2) any breach in a material respect of the warranties, representations and undertakings by the Company set out in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) any significant changes (whether or not forming part of a series of changes) in the market conditions, which in the reasonable opinion of the Placing Agent is likely to be materially adverse to the success of the Placing.

The Placing Agent shall have the right exercisable at any time by notice in writing to the Company to terminate the Placing Agreement if any of the Placing Shares are not delivered by or on behalf of the Company in accordance with the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement in accordance with the terms of the Placing Agreement, all obligations of each of the Company and the Placing Agent shall cease and terminate and no party shall have any claim against any other party.

Completion

Completion of the Placing will take place at 4:00 p.m. (Hong Kong time) on the Closing Date.

Placing Commission

Upon Completion, the Placing Agent will receive a placing commission, in Hong Kong dollars, of 1.00 per cent of the amount equal to the Placing Price multiplied by the number of Placing Shares issued and successfully placed by the Placing Agent, which amount the Placing Agent is authorised to deduct from the payment to be made by it to the Company pursuant to the Placing Agreement. The placing commission was determined after arm's length negotiation between the Company and the Placing Agent.

The Directors consider that the placing commission payable under the Placing is fair and reasonable.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2016. Under the General Mandate, the Directors are authorised to issue up to 246,460,000 new Shares, representing 20% of the total number of Shares in issue on 1 June 2016. As at the date of this announcement, no new Shares have been allotted and issued pursuant to the General Mandate. Since the Placing Shares will be allotted and issued under the General Mandate, the issue of the Placing Shares is not subject to further Shareholders' approval.

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon completion of the Placing, on the assumptions that (a) there will be no other change to the total number of Shares in issue between the date of this announcement and the completion of the Placing; and (b) the Placee does not and will not hold any Shares other than the Placing Shares.

	As at the date of this announcement		Immediately after completion of the Placing	
	Number of Shares	%	Number of Shares	%
Shares held by Directors				
Erik D. Prince	575,000	0.05%	575,000	0.04%
Ko Chun Shun, Johnson (<i>note 1</i>)	225,817,535	18.30%	225,817,535	15.58%
Hu Qinggang	9,814,000	0.80%	9,814,000	0.68%
Lee Hau Leung	1,400,000	0.11%	1,400,000	0.10%
Harold O. Demuren	1,400,000	0.11%	1,400,000	0.10%
<i>Subtotal</i>	239,006,535	19.37%	239,006,535	16.49%
Easy Flow Investments Limited (<i>note 2</i>)	237,592,607	19.26%	237,592,607	16.39%
Public shareholders				
The Placee	—	—	216,000,000	14.90%
Existing public shareholders	757,103,861	61.37%	757,103,861	52.22%
<i>Subtotal</i>	757,103,861	61.37%	973,103,861	67.12%
Total	1,233,703,003	100.00%	1,449,703,003	100.00%

Note 1:

Mr. Ko is deemed to be interested in 175,500,000 Shares held by Rich Hill Capital Limited and 48,276,719 Shares held by First Gain International Limited. The spouse of Mr. Ko also holds 2,040,816 Shares.

Note 2:

CITIC Group Corporation is deemed to be interested in 237,592,607 Shares held by Easy Flow Investment Limited. Mr. Luo Ning, a deputy chairman and an executive director of the Company, is an employee of CITIC Group Corporation.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors are of the view that the Placing will provide a good opportunity to raise additional funds to strengthen the financial position and broaden the shareholder and capital base of the Group so as to facilitate the future development of the Group. Accordingly, the Board considers that the terms of the Placing Agreement are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Placing are expected to be approximately HK\$194.4 million. The maximum net proceeds from the Placing (after deducting the commission payable to the Placing Agent and other costs, expenses and fees incurred in the Placing) are estimated to be approximately HK\$192.5 million. The net proceeds raised per Placing Share upon Completion will be approximately HK\$0.89 per Placing Share. The Company intends to use the net proceeds from the Placing for the working capital for the development and expansion of the Group's existing logistics and aviation businesses, including the secured logistics and auxiliary services, in particular, extending our services to the One Belt One Road region from China and across East or Central Asia and the Middle East to Africa. In addition, the Company will be bolstering its existing operations in Africa and increasing its presence across multiple offices in China in order to better serve its clients.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any issue of equity securities for the purpose of fund raising during the 12 months immediately preceding the date of this announcement.

Since the completion of the Placing is subject to fulfillment of the condition under the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, a Sunday or a public holiday) on which banks are generally open for business in Hong Kong
“Closing Date”	on the date falling two Business Days immediately after the date on which the condition as set out in the paragraph headed “Condition of the Placing Agreement” is satisfied
“Company”	Frontier Services Group Limited, a company incorporated in Bermuda, the issued Shares of which are listed on Main Board of the Stock Exchange under stock code: 00500
“Completion”	completion of the Placing
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to the resolution passed by the Shareholders at the annual general meeting of the Company held on 1 June 2016 to allot, issue or otherwise deal with up to 20% of the total number of Shares in issue as at 1 June 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Special Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Last Trading Day”	27 February 2017, being the date of the Placing Agreement and the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Placee”	the placees of the Placing

“Placing”	the Placing of the Placing Shares by the Placing Agent on behalf of the Company pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Luk Fook Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 27 February 2017 in respect of the Placing
“Placing Price”	HK\$0.9 per Placing Share
“Placing Share(s)”	a maximum of 216,000,000 new Shares to be allotted and issued pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 27 February 2017

As at the date of this announcement, the executive Directors are Mr. Erik D. Prince (Chairman), Mr. Ko Chun Shun, Johnson (Deputy Chairman), Mr. Luo Ning (Deputy Chairman), Dr. Hua Dongyi (Acting Chief Executive Officer) and Mr. Hu Qinggang; and the independent non-executive Directors are Mr. Yap Fat Suan, Henry, Prof. Lee Hau Leung and Dr. Harold O. Demuren.

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