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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)**

**MAJOR TRANSACTION**  
**INVESTMENT IN MALETH GROUP**  
**AND**  
**GRANT OF PUT AND CALL OPTIONS**

**THE INVESTMENT**

On 3 February 2016, FSL (a wholly-owned subsidiary of the Company), MOB Holdings (a company wholly owned by Mr. O'Brien), Maleth Aero and Maleth AOC entered into the Investment Agreement pursuant to which FSL will subscribe for 525,613 new Aero Shares for an aggregate subscription price of EUR961,871.79 (equivalent to approximately HK\$8.2 million) and MOB Holdings will subscribe for 40,000 new AOC Shares at an aggregate subscription price of EUR40,000 (equivalent to approximately HK\$340,000). Upon Completion, FSL will hold 51% of the issued share capital of Maleth Aero which in turn will hold approximately 92.6% of the issued share capital of Maleth AOC. Based in Malta, the Maleth Group provides aircraft management services including aircraft flight operations, staffing of qualified pilots and crew, and the provision of insurance, maintenance, charter and regulatory-related services to owners and operators of private and commercial aircraft registered in Malta and elsewhere.

\* *For identification purposes only*

## **GRANT OF PUT AND CALL OPTIONS**

As one of the conditions precedent to the Investment Agreement, FSL, MOB Holdings, Mr. O'Brien, Maleth Aero and Maleth AOC on 3 February 2016 entered into the Put-Call Agreement in relation to the granting of the Put Option and the Call Option, which the Put-Call Agreement shall become effective at the Effective Date. The Put Option entitles MOB Holdings after the Trigger Date to require FSL to purchase all of the Aero Shares and AOC Shares held by MOB Holdings at the Option Price while the Call Option entitles FSL after the Trigger Date to require MOB Holdings to sell all its Aero Shares and AOC Shares to FSL at the Option Price. Following three years after the Trigger Date, if MOB Holdings' Aero Shares and AOC Shares have not been sold and purchased, FSL shall be obliged to acquire the Aero Shares and the AOC Shares held by MOB Holdings and MOB Holdings shall be obliged to sell those shares at the Option Price.

## **LISTING RULES IMPLICATIONS**

Given the exercise of the Put Option is not at the discretion of the Company, the Put Option will be treated as if it was exercised for the purposes of compliance under the Listing Rules. Based on the applicable percentage ratios, the transactions contemplated under the Investment Agreement and the Put-Call Agreement including the Put Option as if it was exercised and FSL's acquisition of MOB Holdings' Aero Shares and AOC Shares following three years after the Trigger Date constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the resolutions in relation to the Investment Agreement, the Put-Call Agreement and the transactions contemplated thereunder including the Put Option as if it was exercised and FSL's acquisition of MOB Holdings' Aero Shares and AOC Shares following three years after the Trigger Date. A circular containing, among other things, (i) further information on the Investment Agreement, the Put-Call Agreement and the Maleth Group; (ii) an accountant's report on the Maleth Group; (iii) pro forma financial information of the Enlarged Group; and (iv) the notice of the SGM, will be dispatched to the Shareholders on or before 18 March 2016, which is determined after taking into account the time required for the preparation of the relevant information for inclusion in the circular.

As the Call Option is exercisable at the discretion of the Company after the Trigger Date and involves the acquisition of the Aero Shares and the AOC Shares from MOB Holdings, which upon Completion will become a Connected Person of the Company, the Company will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules when it determines to exercise the Call Option.

Reference is made to the announcement by the Company dated 6 October 2015 in respect of the entering into of a non-legally binding term sheet by the Company in relation to the Company's investment in the Maleth Group.

## THE INVESTMENT AGREEMENT

On 3 February 2016 (after trading hours), FSL entered into the Investment Agreement, the principal terms of which are set out below:

Date : 3 February 2016

Parties : (i) FSL;  
(ii) MOB Holdings;  
(iii) Maleth Aero; and  
(iv) Maleth AOC.

As at the date of this announcement, Maleth AOC is owned as to approximately 99.96% by Maleth Aero and approximately 0.04% by MOB Holdings. Maleth Aero is wholly owned by MOB Holdings, which in turn is wholly owned by Mr. O'Brien. MOB Holdings is an investment holding company while the principal activities of Maleth Aero and Maleth AOC are set out under the section headed "Information on the Maleth Group" in this announcement. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, other than the Group being a customer of the Maleth Group, Mr. O'Brien, MOB Holdings, Maleth Aero and Maleth AOC are third parties independent of the Company and its Connected Persons.

Subject matter : Pursuant to the Investment Agreement,

- (i) FSL will subscribe for 525,613 new Aero Shares representing 51% of Maleth Aero's issued share capital at Completion (as enlarged by such new Aero Shares); and
- (ii) MOB Holdings will subscribe for 40,000 new AOC Shares representing approximately 7.3% of Maleth AOC's issued share capital at Completion (as enlarged by such new AOC Shares). Upon Completion, MOB Holdings will hold in aggregate 40,200 AOC Shares (including the 200 AOC Shares currently held by MOB Holdings) representing approximately 7.4% of Maleth AOC's enlarged issued share capital.

Upon Completion, Maleth Aero will become an indirect 51% owned subsidiary of the Company and Maleth AOC will become an approximately 92.6% owned subsidiary of Maleth Aero.

- Subscription price : FSL will subscribe for the new Aero Shares at an aggregate subscription price of EUR961,871.79 (equivalent to approximately HK\$8.2 million) while MOB Holdings will subscribe for the new AOC Shares at an aggregate subscription price of EUR40,000 (equivalent to approximately HK\$340,000). The subscription prices were determined after arm's length negotiation between Mr. O'Brien and FSL. In agreeing to the subscription prices, the Company has taken into account the consolidated net profit of the Maleth Group for the financial year ended 30 June 2015, the professional operational platform, future potential and current capabilities of the Maleth Group. Having considered the aforesaid factors, the Directors consider the subscription prices are fair and reasonable. The Subscription Amount will be funded from the Group's internal financial resources.
- Conditions precedent : Completion is conditional upon fulfillment (or waiver, where applicable) of the following conditions:
- (a) receipt of any necessary third party, regulatory or governmental consents, approvals or licences;
  - (b) satisfactory completion of due diligence review of Maleth Aero and Maleth AOC by FSL (or its representatives) including but not limited to a review of financial, commercial and tax aspects and the results of such due diligence being to the satisfaction of FSL;
  - (c) the Company and FSL having received all necessary consents and approvals to the transactions including without limitation any necessary approvals from the Stock Exchange, and the approval of the Shareholders at the SGM;
  - (d) receipt by FSL of a legal opinion issued by FSL's Malta legal adviser outlining the satisfactory completion of all the necessary legal due diligence checks on both Maleth Aero and Maleth AOC and opining on certain regulatory, factual and corporate matters, which legal opinion shall be declared acceptable by FSL;
  - (e) execution of the necessary resolutions by Maleth Aero and Maleth AOC respectively covering all transactions contemplated under the Investment Agreement;
  - (f) adoption of the new memorandums and articles of association of Maleth Aero and Maleth AOC;
  - (g) execution of the Put-Call Agreement;

- (h) the confirmation at Completion by Maleth Aero that Maleth AOC is in the possession of all current permits, licences and insurance cover required to conduct its Business;
- (i) the compliance by Maleth AOC with all the conditions of the permits and licences issued to it;
- (j) the representations and warranties in the Investment Agreement remaining true and accurate and not misleading in all material respects as at the Completion Date by reference to the facts, events and circumstances then existing; and
- (k) there having occurred no material change in the Business, assets or financial condition of either Maleth Aero or Maleth AOC prior to the Completion Date.

FSL may waive any of the above conditions in its sole discretion, provided such waiver is in compliance with all laws, regulations, directives, corporate actions, and listing requirements to which it is subject (including the Listing Rules). As at the date of this announcement, condition (g) above has been fulfilled.

Completion : Completion of the Subscriptions shall take place on the first Business Day falling five days after all of the above conditions precedent have been satisfied (or waived as applicable). Should Completion not occur by 30 June 2016, unless otherwise extended mutually by the parties, the terms of the Investment Agreement shall be deemed to be ineffective and none of the parties to the Investment Agreement shall be bound by any terms or undertakings in the Investment Agreement and any agreements, documents undertaking contemplated therein.

## **THE PUT-CALL AGREEMENT**

As one of the conditions precedent to the Investment Agreement, FSL, MOB Holdings, Mr. O'Brien, Maleth Aero and Maleth AOC on 3 February 2016 entered into the Put-Call Agreement in relation to the granting of the Put Option and the Call Option, which Put-Call Agreement shall become effective at the Effective Date. The Put Option entitles MOB Holdings after the Trigger Date to require FSL to purchase all of the Aero Shares and the AOC Shares held by MOB Holdings at the Option Price while the Call Option entitles FSL after the Trigger Date to require MOB Holdings to sell all its Aero Shares and AOC Shares to FSL at the Option Price. Following three years after the Trigger Date, if MOB Holdings' Aero Shares and AOC Shares have not been sold and purchased, FSL shall be obliged to acquire the Aero Shares and the AOC Shares held by MOB Holdings and MOB Holdings shall be obliged to sell those shares at the Option Price.

FSL shall have the right to nominate any qualified person (irrespective of affiliation or relation to FSL) for the purposes of acting as acquirer of the Aero Shares and the AOC Shares under the terms of the Put-Call Agreement.

Upon the acquisition of the Aero Shares and the AOC Shares by FSL pursuant to the Put-Call Agreement, Mr. O'Brien shall immediately resign from any position held with Maleth Aero and/or Maleth AOC (whether as director or otherwise as employee) and the parties agree that no compensation whatsoever shall be due to Mr. O'Brien pursuant to such resignation.

### **Option Price**

The Option Price shall equal to the higher of EUR1 million (equivalent to approximately HK\$8.5 million) or 4.5 multiplied by the average consolidated EBITDA of Maleth Aero for the prior two Financial Years preceding the exercise of the Put Option or the Call Option (as the case may be) as determined in accordance with the audited financial statements of Maleth Aero and Maleth AOC for the prior two Financial Years. For the avoidance of doubt, the consolidated EBITDA of Maleth Aero shall consolidate the EBITDA of Maleth AOC. The Option Price shall be capped at EUR10,000,000 (equivalent to approximately HK\$85 million).

The Option Price was determined after arm's length negotiation between the parties having regard to the consolidated net profit of the Maleth Group for the financial year ended 30 June 2015, the professional operational platform, future potential and current capabilities of the Maleth Group.

### **Exercise Period**

The Put Option and the Call Option can only be exercised after the lapse of four years from the Effective Date (i.e. the Trigger Date). Upon exercise, FSL shall be obliged to purchase (in the case of the exercise of the Put Option) and MOB Holdings shall be obliged to sell (in the case of the exercise of the Call Option) all the Aero Shares and the AOC Shares held by MOB Holdings within 60 Business Days from the day written notice as to the exercise of the Put Option or the Call Option (as the case may be) is provided.

Should Mr. O'Brien pass away or otherwise be declared incapacitated (by a competent court of law or other officially recognised state, medical or other board, commission or institution), FSL shall immediately have the right to exercise the Call Option irrespective of whether such event occurs prior to the Trigger Date.

The parties shall each take all the necessary steps and shall sign all necessary documentation (including but not limited to any required share transfer agreement and related documents) required in order to purchase and acquire the Aero Shares and the AOC Shares.

### **No Encumbrances**

No shareholder of Maleth Aero or Maleth AOC shall create any encumbrance over its shares in the aforesaid companies except with the consent of the other shareholder.

### **INFORMATION ON THE MALETH GROUP**

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

The Company has engaged professional services firms to undertake legal, accounting and tax due diligence in relation to the Maleth Group. In addition, the Company's senior management, who has extensive experience and expertise in logistics, has visited the Maleth Group's operations on several occasions to undertake due diligence that, involved discussions with Mr. O'Brien regarding the operations, historical financial results and prospects of the Maleth Group, in addition to a general assessment of the operations. The due diligence review did not reveal any significant adverse findings that should reasonably prevent the completion of the transactions contemplated by the Investment Agreement.

## FINANCIAL INFORMATION IN RELATION TO THE MALETH GROUP

The table below sets out the unaudited revenue, and profit before and after taxation of the Maleth Group for the two financial years ended 30 June 2014 and 2015, prepared in accordance with International Financial Reporting Standards:

	For the year ended 30 June			
	2014		2015	
	<i>EUR'000</i>	<i>HK\$'000 equivalent</i>	<i>EUR'000</i>	<i>HK\$'000 equivalent</i>
Revenue	15,084	128,214	19,720	167,620
Profit before taxation	77	655	257	2,185
Profit after taxation	40	340	237	2,015

As at 30 June 2015, the Maleth Group had unaudited net assets of EUR576,498 (equivalent to approximately HK\$4.90 million). The Company has engaged a reporting accountant to review and report on the financial information of the Maleth Group in accordance with International Financial Reporting Standards and to prepare the accountant's report on the Maleth Group (to be included in the circular to be dispatched to the Shareholders). The above financial information is therefore subject to review by the reporting accountant.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in the aviation and logistics business and is actively growing its geographic footprint and service offering. At present, the Group has pan-African aviation operations emanating from major bases in East Africa and Malta, with complementary ground logistics capabilities throughout the SADC region, in particular South Africa and the DRC.

The Group respects the experienced team of professionals that leads the Maleth Group and, in particular, Mr. O'Brien who has over 30 years of experience in aircraft management and chartering operations across Europe, Asia and Africa. It is contemplated that a new employment agreement will be entered into between Maleth Aero and Mr. O'Brien, while the employment of other staff of the Maleth Group is expected to remain unchanged. In addition, Mr. O'Brien will enter into a service agreement with the Group to provide certain strategic, management and operational advisory services to the Group in respect of its operations outside of Malta. Pursuant to the Investment Agreement, upon Completion MOB Holdings will maintain a beneficial interest of not less than 51% in Maleth AOC in compliance with the relevant requirement in the EU that Maleth AOC is beneficially majority-owned by an EU citizen while both Maleth Aero and Maleth AOC will be treated as subsidiaries of the Company.

The Maleth Group has successfully managed the operation of three aircraft of the Group at various points during the past 18 months, and the Group has been satisfied by the Maleth Group's technical and commercial competence. The Company considers that the location of the Maleth Group in Malta



will strengthen the Group's presence in the Mediterranean region, further connecting the Group's logistics operations in Africa to Europe and the Middle East. As a globally recognised aviation hub, Malta has a large body of qualified aviation professionals on which the Maleth Group can draw to maintain and expand its business in the future.

The Directors consider that the terms of the Investment Agreement, including the subscription prices, and the Put-Call Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Given the exercise of the Put Option is not at the discretion of the Company, the Put Option will be treated as if it was exercised for the purposes of compliance under the Listing Rules. Based on the applicable percentage ratios, the transactions contemplated under the Investment Agreement and the Put-Call Agreement including the Put Option as if it was exercised and FSL's acquisition of MOB Holdings' Aero Shares and AOC Shares following three years after the Trigger Date constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Investment Agreement, the Put-Call Agreement and the transactions contemplated thereunder including the Put Option as if it was exercised and FSL's acquisition of MOB Holdings' Aero Shares and AOC Shares following three years after the Trigger Date.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) other than the Group being a customer of the Maleth Group, MOB Holdings, Mr. O'Brien, Maleth Aero and Maleth AOC are third parties independent of the Company and its Connected Persons; and (ii) MOB Holdings and Mr. O'Brien and their respective Associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of the Investment Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Investment Agreement and the Put-Call Agreement which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Investment Agreement and the Put-Call Agreement and the transactions contemplated thereunder including the Put Option as if it was exercised and FSL's acquisition of MOB Holdings' Aero Shares and AOC Shares following three years after the Trigger Date. If MOB Holdings, Mr. O'Brien, Maleth Aero and Maleth AOC and their respective Associates hold any Shares on the date of the SGM, they will be required to abstain from voting on the aforesaid resolutions to be proposed at the SGM.

As the Call Option is exercisable at the discretion of the Company after the Trigger Date and involves the acquisition of the Aero Shares and the AOC Shares from MOB Holdings, which upon Completion will become a Connected Person of the Company, the Company will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules when it determines to exercise the Call Option.

## **GENERAL**

A circular containing, among other things, (i) further information on the Investment Agreement, the Put-Call Agreement and the Maleth Group; (ii) an accountant's report on the Maleth Group; (iii) pro forma financial information of the Enlarged Group; and (iv) the notice of the SGM, will be dispatched to the Shareholders on or before 18 March 2016, which is determined after taking into account the time required for the preparation of the relevant information for inclusion in the circular.

## **DEFINITIONS**

Unless otherwise stated, the following terms shall have the following meanings in this announcement:

“Aero Shares”	ordinary shares with nominal value of EUR1.00 each in Maleth Aero
“Aero Subscription”	the subscription of 525,613 new Aero Shares by FSL pursuant to the terms of the Investment Agreement
“AOC Shares”	ordinary shares of nominal value of EUR1.00 each in Maleth AOC
“AOC Subscription”	the subscription of 40,000 new AOC Shares by MOB Holdings pursuant to the terms of the Investment Agreement
“Associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business”	the business of acting amongst others as an air service provider in terms of Regulation 1008/2008 EC (relating to common rules for the operation of air services in the EU) and the provision of services relating to the operation and management of aircraft, the carriage of passengers and cargo and related ancillary services
“Business Day”	a day (not being a Saturday, Sunday or gazette public holiday) on which banks are generally open for the conduct of banking business in Malta
“Call Option”	the option granted by MOB Holdings to FSL pursuant to the Put-Call Agreement which shall become effective at the Effective Date whereby FSL shall have the right to acquire from MOB Holdings all but not some of the Aero Shares and the AOC Shares held by it at the Option Price

“Company”	Frontier Services Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the transactions contemplated under the Investment Agreement (including the Subscriptions) in accordance with the terms therein
“Completion Date”	being the date of Completion
“Connected Person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of the Congo
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Effective Date”	such date following Completion including all of the documents contemplated in the Investment Agreement being delivered to the Registry of Companies of the Malta Financial Services Authority
“Enlarged Group”	the Group including the Maleth Group
“EU”	European Union
“EUR”	Euro, the lawful currency of the EU
“Financial Year”	the financial year of Maleth Aero and Maleth AOC commencing on 1 July and ending on 30 June in any given year
“FSL”	Frontier Services Limited, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Agreement”	the investment agreement dated 3 February 2016 entered into among FSL, MOB Holdings, Maleth Aero and Maleth AOC in relation to the Subscriptions

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maleth Aero”	Maleth Aero Limited, a private limited liability company incorporated in Malta
“Maleth AOC”	Maleth Aero AOC Limited, a private limited liability company incorporated in Malta and a 99.96% owned subsidiary of Maleth Aero
“Maleth Group”	Maleth Aero and its subsidiary, Maleth AOC
“MOB Holdings”	MOB Holdings Limited, a company wholly owned and controlled by Mr. O’Brien
“Mr. O’Brien”	Michael O’Brien
“Option Price”	the option price as determined under the Put-Call Agreement and as set out under the section headed “Option Price” in this announcement
“Put-Call Agreement”	the put and call option agreement entered into among FSL, MOB Holdings, Mr. O’Brien, Maleth Aero and Maleth AOC on 3 February 2016 in relation to the Put Option and the Call Option
“Put Option”	the option granted by FSL to MOB Holdings pursuant to the Put-Call Agreement which shall become effective at the Effective Date whereby MOB Holdings shall have the right to require FSL to purchase from it all but not some of the Aero Shares and the AOC Shares held by it at the Option Price
“SADC”	the Southern African Development Community, whose member states are: Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe
“SGM”	the special general meeting of the Shareholders to be convened for the purpose of allowing the Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder and the Put-Call Agreement including the Put Option as if it was exercised and FSL’s acquisition of MOB Holdings’ Aero Shares and AOC Shares following three years after the Trigger Date

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Amount”	an amount equal to EUR1,001,871.79 (equivalent to approximately HK\$8.52 million)
“Subscriptions”	the Aero Subscription and the AOC Subscription
“Trigger Date”	the date immediately after the lapse of four calendar years from the Effective Date

By Order of the Board  
**Frontier Services Group Limited**  
**Gregg H. Smith**  
*Chief Executive Officer and Executive Director*

Hong Kong, 3 February 2016

*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), Mr. Gregg H. Smith (Chief Executive Officer), and Mr. Hu Qinggang; and the independent non-executive Directors are Mr. Yap Fat Suan, Henry, Professor Lee Hau Leung, Mr. William J. Fallon and Dr. Harold O. Demuren.*

*For illustration purposes, EUR is translated into HK\$ at an exchange rate of EUR1.00 = HK\$8.5.*