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PPS International (Holdings) Limited

寶聯控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8201)

SUPPLEMENTAL AGREEMENT IN RELATION TO SUBSCRIPTION OF UNLISTED WARRANTS

Financial Adviser to the Company

AMASSE CAPITAL
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Reference is made to the announcement of PPS International (Holdings) Limited (the “**Company**”) dated 29 October 2014 (the “**Announcement**”) in relation to, among other things, subscription of unlisted warrants. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless defined otherwise.

INTRODUCTION

On 29 September 2014, the Company proposed a subdivision of each issued and unissued share with par value of HK\$0.001 each into ten subdivided shares with par value of HK\$0.0001 each (the “**Share Subdivision**”), which has become effective on 17 November 2014. In order to reflect the Share Subdivision and the revision of certain terms of the Subscription Agreement and the unlisted Warrants, the Company and the Subscribers agreed to enter into a supplemental agreement (the “**Supplemental Agreement**”) to the Subscription Agreement to amend certain terms and conditions as detailed below:

THE SUPPLEMENTAL AGREEMENT

On 20 November 2014 (after trading hours), the Company and the Subscribers entered into the Supplemental Agreement, pursuant to which the parties agreed to make the following major amendments to the Subscription Agreement:–

- (i) The Subscription Price is revised to HK\$0.02 per Warrant;
- (ii) The Exercise Price is revised to HK\$0.166 per Warrant Share;
- (iii) The number of the Warrants is revised to an aggregate of 2,000,000,000 Warrants;

- (iv) The Adjustment Events are limited to (1) alteration to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares; or (2) issue of Shares by way of capitalization of profit or reserves; or (3) capital distribution to all Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; or (4) offer to the Shareholders new Shares for subscription by way of rights issue or open offer; and
- (v) The date for the fulfillment of all the conditions under the Subscription Agreement is extended to 20 December 2014.

Save and except for the above, all other terms and conditions of the Subscription Agreement shall remain unchanged and continue in full force and effect.

AMENDMENTS TO THE ANNOUNCEMENT

According to the Supplemental Agreement, the amendments shall be made to the following paragraphs of the Announcement:—

(1) THE SUBSCRIPTION AGREEMENT

Number of Warrants

2,000,000,000 Warrants, to be issued by the Company at the Subscription Price, conferring the rights to the Subscribers to subscribe up to 2,000,000,000 Warrant Shares. The maximum nominal value of the Warrant Shares will be HK\$200,000.

Assuming there is no further issue or repurchase of the Shares from the date of this announcement up to the Completion Date, upon full exercise of the conversions rights attaching to the Warrants, an aggregate of up to 2,000,000,000 Warrant Shares will be issued, which represent approximately 20.0% of the existing issued share capital of the Company and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the Warrant Shares.

Subscription Price

The Subscription Price is HK\$0.02 per Warrant.

Exercise Price

The Exercise Price is HK\$0.166 per Warrant Share, subject to adjustment upon the occurrence of any of the Adjustment Events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants.

The aggregate of the Subscription Price of HK\$0.02 per Warrant and the Exercise Price of HK\$0.166 per Warrant Share is HK\$0.186, which represents:

- (i) a discount of approximately 10.1% to the closing price of HK\$0.207 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 7.0% to the average of the closing prices of HK\$0.200 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share for the last five trading days for the Shares prior to the Last Trading Day;
- (iii) a discount of approximately 7.0% to the closing price of HK\$0.200 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share quoted on the Stock Exchange on the date of the Supplemental Agreement;
- (iv) a discount of approximately 9.1% to the average of the closing prices of HK\$0.2046 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share for the last five trading days for the Shares prior to the date of the Supplemental Agreement; and
- (v) a premium of approximately 3,000% over the net asset value per Share of HK\$0.006 (based on the unaudited consolidated net asset of the Group of approximately HK\$64.5 million as at 30 June 2014 and 10,000,000,000 Shares in issue as at the date of this announcement).

The Exercise Price of HK\$0.166 per Warrant Share represents:

- (i) a discount of approximately 19.8% to the closing price of HK\$0.207 per Share (adjusted for the effect of the Share Subdivision effective on 17 November 2014) quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.0% to the average of the closing prices of HK\$0.200 per Share (adjusted for the effect of the Share Subdivision effective on 17 November 2014) for the last five trading days for the Shares prior to the Last Trading Day;
- (iii) a discount of approximately 17.0% to the closing price of HK\$0.200 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share quoted on the Stock Exchange on the date of the Supplemental Agreement;
- (iv) a discount of approximately 18.9% to the average of the closing prices of HK\$0.2046 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) per Share for the last five trading days for the Shares prior to the date of the Supplemental Agreement; and
- (v) a premium of approximately 2,666% over the net asset value per Share of HK\$0.006 (based on the unaudited consolidated net asset of the Group of approximately HK\$64.5 million as at 30 June 2014 and 10,000,000,000 Shares in issue as at the date of this announcement).

Both the Subscription Price and the Exercise Price are determined based on negotiations on arm's length basis between the Company and the Subscribers with reference to (i) the current market sentiment; (ii) the historical Share price; and (iii) the Subscription Price of HK\$0.02 per Warrant represents a premium of approximately 17.6% over the fair subscription price per Warrant of approximately HK\$0.017 (adjusted for the effect of the Share Subdivision effective on 17 November 2014) as at 29 October 2014 prepared by an independent professional valuer (the "**Valuation**").

According to the Valuation report, the Valuation was prepared using the trinomial option pricing model and on the basis of certain parameters which include (i) the market price of the Shares as at 29 October 2014 (before adjustment for the effect of the Share Subdivision effective on 17 November 2014); (ii) the applicable risk free rate in Hong Kong; (iii) the volatility of the Shares for the past 15 months prior to 29 October 2014; and (iv) a discount for non-marketability as the Company will not apply for the listing of the Warrants at the Stock Exchange and therefore the Warrants will not be freely marketable.

After review of the Valuation report and the relevant parameters therein by the Directors, the Directors are of the view that reasonable adjustment, such as lack of marketability, should be made to the theoretical intrinsic value of the Warrants given (i) the non-listed nature of the Warrants; and (ii) a relatively short life span of the Warrants of 15 months.

Having considered the above, the Directors consider that both the Subscription Price and the Exercise Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Subscription

In the event that the above conditions are not fulfilled by 5:00 p.m. on 20 December 2014 or such later date as may be agreed between the Company and the Subscribers, the Subscription Agreement will lapse and become null and void and the parties to the Subscription Agreement shall be released from all obligations hereunder, save the liabilities for any antecedent breaches thereof.

General Mandate to issue the Warrant Shares

The Warrant Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 30 October 2014 subject to the limit of 2,000,000,000 new Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date and adjusted for the effect of the Share Subdivision). The allotment and issue of 2,000,000,000 Warrant Shares, upon full exercise of the subscription rights attaching to the Warrants, will utilise 100% of the General Mandate.

As at the date of this announcement, save for the proposed issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants, the Company has not utilised the General Mandate. As the Warrant Shares will be allotted and issued under the General Mandate, no Shareholders' approval is required.

(2) USE OF PROCEEDS

It is expected the gross proceeds of approximately HK\$40 million will be raised by the Subscription and the net proceeds of approximately HK\$39.75 million (with a net subscription price of approximately HK\$0.02 per Warrant) will be raised by the Subscription and the same will be utilised by the Group as general working capital of the Group and as funds for the potential acquisition of the majority interests in a motor vehicles beauty services as announced by the Company on 20 October 2014 if necessary.

Assuming full exercise of the subscription rights attaching to the Warrants, it is expected that an additional gross proceeds of approximately HK\$332.0 million will be raised. The aggregate net proceeds of approximately HK\$331.97 million (with a net exercise price of approximately HK\$0.166 per Warrant Share) are intended to be used for general working capital of the Group and as funds for future development of the Group when investment opportunities arise.

(3) CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the Completion Date, the changes of the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Subscription and upon exercise of the subscription rights attaching to the Warrants in full are as follows:

Shareholders	As at the date of this announcement		Immediately after the completion of the Subscription and upon exercise of the subscription rights attaching to the Warrants in full	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Viva	2,450,000,000	24.5	2,450,000,000	20.4
RVL	1,750,000,000	17.5	1,750,000,000	14.6
Ms. Gao	1,300,000,000	13.0	1,300,000,000	10.8
Subscribers	–	–	2,000,000,000	16.7
Other public Shareholders	4,500,000,000	45.0	4,500,000,000	37.5
Total	<u>10,000,000,000</u>	<u>100.0</u>	<u>12,000,000,000</u>	<u>100.0</u>

(4) OTHER ALTERNATIVES

At the material time prior to the entering into the Subscription Agreement, the Company had considered bank loan as an alternative for the funds raising. However considering only a limited amounts of loans to be obtained together with the interests to be incurred, the Directors considered it is not in the interests of the Company to seek for bank loans as an alternative for the funds raising.

The Company has had liaison with several placing agents to explore the possibility of placing of new shares but was unable to locate a suitable placing agent at the relevant time, as the recent capital market sentiment was weak and there was a disparity between the net asset value of the Group as at 30 June 2014 as compared to the market capitalization of the Company.

The Directors therefore considered that issue of unlisted Warrants is the best option available for the Company as the funds raising method.

Save and except for the above, all other information of the Announcement shall remain unchanged and continue in full force and effect.

By order of the Board
PPS International (Holdings) Limited
Fan Shek Cheong, Allan
Executive Director

Hong Kong, 20 November 2014

As at the date of this announcement, the Board comprises (i) Mr. Fan Shek Cheong, Allan, Mr. Wang Li, Mr. Cao Zhiwen and Mr. Zhang Chenglin as executive Directors; and (ii) Mr. Lai Changming, Mr. Chan Chi Tong, Kenny and Mr. Chen Kwok Wang as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the internet website operated by the Stock Exchange for the purpose of the Growth Enterprise Market at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.hkpps.com.hk.