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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of PPS International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 31 December 2014

The board of directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2014, together with the unaudited comparative figures for the corresponding period in 2013, as follows:

| | <i>Notes</i> | Six months ended 31 December | | Three months ended 31 December | |
|---|--------------|---|------------------------|---|------------------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | 3 | 96,844 | 98,935 | 49,475 | 47,728 |
| Cost of services | | (82,466) | (84,735) | (42,518) | (41,537) |
| Gross profit | | 14,378 | 14,200 | 6,957 | 6,191 |
| Other income and gains | | 825 | 1,838 | 752 | 1,533 |
| Selling and marketing expenses | | (377) | (489) | (175) | (288) |
| Administrative expenses | | (11,021) | (6,757) | (6,875) | (3,491) |
| Profit from operations | | 3,805 | 8,792 | 659 | 3,945 |
| Finance costs | | (156) | (332) | (150) | (175) |
| Profit before taxation | 4 | 3,649 | 8,460 | 509 | 3,770 |
| Income tax expenses | 5 | (1,454) | (1,633) | (717) | (640) |
| Profit/(loss) and total comprehensive income for the period attributable to owners of the Company | | <u>2,195</u> | <u>6,827</u> | <u>(208)</u> | <u>3,130</u> |
| | | | (Restated) | | (Restated) |
| Earnings/(loss) per share | | | | | |
| – Basic (HK cent) | 7 | <u>0.022</u> | <u>0.068</u> | <u>(0.002)</u> | <u>0.031</u> |
| – Diluted (HK cent) | 7 | <u>0.022</u> | <u>0.068</u> | <u>(0.002)</u> | <u>0.031</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | <i>Notes</i> | As at 31 December 2014 <i>HK\$'000</i> (Unaudited) | As at 30 June 2014 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 8,601 | 11,085 |
| Deferred tax asset | | – | 12 |
| Restricted bank deposits | | 1,220 | 2,395 |
| | | <u>9,821</u> | <u>13,492</u> |
| Current assets | | | |
| Inventories | | 49 | 70 |
| Trade receivables | 9 | 39,255 | 33,470 |
| Deposits, prepayments and other receivables | 10 | 13,835 | 2,963 |
| Restricted bank deposits | | 10,450 | 6,510 |
| Cash and cash equivalents | | 72,783 | 37,382 |
| | | <u>136,372</u> | <u>80,395</u> |
| Current liabilities | | | |
| Trade payables | 11 | 5,543 | 4,289 |
| Accruals, deposits received and other payables | | 19,372 | 17,085 |
| Bank borrowing | | 778 | 1,278 |
| Obligations under finance leases | | 1,392 | 2,738 |
| Current tax liabilities | | 2,430 | 2,078 |
| | | <u>29,515</u> | <u>27,468</u> |
| Net current assets | | <u>106,857</u> | <u>52,927</u> |
| Total assets less current liabilities | | <u>116,678</u> | <u>66,419</u> |
| Non-current liabilities | | | |
| Bond | 12 | 9,207 | – |
| Obligations under finance leases | | 348 | 825 |
| Deferred tax liability | | 961 | 1,127 |
| | | <u>10,516</u> | <u>1,952</u> |
| Net assets | | <u>106,162</u> | <u>64,467</u> |
| Equity | | | |
| Capital and reserves | | | |
| Share capital | 14 | 1,000 | 1,000 |
| Reserves | | 105,162 | 63,467 |
| | | <u>106,162</u> | <u>64,467</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

| | Attributable to owners of the Company | | | | | | Total equity HK\$'000 |
|--|---------------------------------------|---------------------------|---------------------------------------|--|---|-------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 (Note a) | Contribution surplus HK\$'000 (Note b) | Warrant reserve HK\$'000 (Note c) | Retained earnings HK\$'000 | |
| As at 1 July 2014 | 1,000 | 22,360 | 1,000 | 21,400 | – | 18,707 | 64,467 |
| Profit and total comprehensive income for the period | – | – | – | – | – | 2,195 | 2,195 |
| Issue of warrants (Note 13) | – | – | – | – | 40,000 | – | 40,000 |
| Transaction costs for issue of warrants | – | – | – | – | (500) | – | (500) |
| As at 31 December 2014 (unaudited) | 1,000 | 22,360 | 1,000 | 21,400 | 39,500 | 20,902 | 106,162 |
| As at 1 July 2013 | 1,000 | 24,360 | 1,000 | 21,400 | – | 5,613 | 53,373 |
| Profit and total comprehensive income for the period | – | – | – | – | – | 6,827 | 6,827 |
| Dividend for paid the year ended 30 June 2013 (Note 7) | – | (2,000) | – | – | – | – | (2,000) |
| As at 31 December 2013 (unaudited) | 1,000 | 22,360 | 1,000 | 21,400 | – | 12,440 | 58,200 |

Notes:

- The amount represented the difference between the nominal amount of shares issued by the Company and the aggregate amount of share capital of subsidiaries acquired under common control pursuant to the reorganisation in preparation of the listing of the Company's shares on the GEM Stock Exchange on 17 June 2013.
- The amount represented the amounts due to shareholders capitalised before the listing of the Company's shares on the GEM of the Stock Exchange.
- The amount represented the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to the share capital and the share premium account upon exercise of the unlisted warrants, where the unlisted warrants remain unexercised at the expiry date, the amount recognised in the warrant reserve will be released to the retained earnings.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 December 2014*

| | Six months ended | |
|---|-------------------------|--------------------|
| | 31 December | |
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 2,865 | 5,446 |
| Net cash used in investing activities | (13,840) | (2,609) |
| Net cash generated/(used in) from financing activities | 46,376 | (215) |
| Net increase in cash and cash equivalents | 35,401 | 2,622 |
| Cash and cash equivalents at the beginning of period | 37,382 | 28,465 |
| Cash and cash equivalents at the end of period | 72,783 | 31,087 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 May 2012. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at Unit No. 503C, Block B, Sea View Estate, 2-8 Watson Road, North Point, Hong Kong.

The Company had its primary listing on the GEM of the Stock Exchange on 17 June 2013. The Company's principal activity is investment holding and the principal activities of its principal subsidiaries are the provision of environmental cleaning services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2014.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. REVENUE AND SEGMENT INFORMATION

Operating Segment information

The Group currently operates in one operating segment which is the provision of environmental services. A single management team reports to the directors (being the chief operating decision-maker) who allocate resources and assess performance based on the consolidated result of the single business engaged in the provision of cleaning services. Accordingly, the Group does not present separate segment information.

Geographical information

No geographical information is provided as most of the Group's revenue arises from Hong Kong and most of the Group's identifiable assets and liabilities are mainly located in Hong Kong.

Revenue, which is also the Group's turnover, represents the value of services rendered during the reporting periods:

| | Six months ended | | Three months ended | |
|-------------------------------|------------------|-----------------|--------------------|-----------------|
| | 31 December | | 31 December | |
| | 2014 | 2013 | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Environmental services income | 96,844 | 98,935 | 49,475 | 47,728 |

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/ (crediting):

| | Six months ended | | Three months ended | |
|--|------------------|-----------------|--------------------|-----------------|
| | 31 December | | 31 December | |
| | 2014 | 2013 | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 2,569 | 2,514 | 1,249 | 1,323 |
| Cost of consumable goods | 1,162 | 903 | 569 | 719 |
| Gain on disposals of property, plant and equipment | (56) | (232) | (47) | (232) |
| Staff costs including Directors' emoluments: | | | | |
| Salaries and wages | 51,059 | 45,599 | 27,457 | 21,450 |
| Long service payment | 8 | 22 | 8 | – |
| Allowances and others | 43 | 68 | 9 | 17 |
| Contributions to defined contribution retirement plans | 1,981 | 1,809 | 1,103 | 961 |
| | 53,091 | 47,498 | 28,577 | 22,428 |
| Minimum lease payments under operating leases | 1,146 | 1,122 | 575 | 558 |

5. INCOME TAX EXPENSES

| | Six months ended | | Three months ended | |
|-------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | 31 December | | 31 December | |
| | 2014 | 2013 | 2014 | 2013 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current tax – Hong Kong Profits Tax | | | | |
| Provision for the period | 1,646 | 1,240 | 932 | 403 |
| Over-provision for prior years | (37) | – | (37) | – |
| Deferred tax (credit)/charge | (155) | 393 | (178) | 237 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Income tax expenses | <u>1,454</u> | <u>1,633</u> | <u>717</u> | <u>640</u> |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 31 December 2014. A final dividend of HK 2 cents per share for the year ended 30 June 2013, amounted to HK\$2,000,000, was declared by the Board and paid to the Company's shareholders during the six months ended 31 December 2013.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

| | Six months ended 31 December | | Three months ended 31 December | |
|--|--|--|--|--|
| | 2014 <i>HK\$'000</i> (Unaudited) | 2013 <i>HK\$'000</i> (Unaudited) | 2014 <i>HK\$'000</i> (Unaudited) | 2013 <i>HK\$'000</i> (Unaudited) |
| Earnings/(loss) | | | | |
| Profit/(loss) for the period attributable to owners of the Company for the purposes of basic earnings/(loss) per share and diluted earnings/(loss) per share | <u>2,195</u> | <u>6,827</u> | <u>(208)</u> | <u>3,130</u> |
| | '000 | '000 (Restated) | '000 | '000 (Restated) |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Effect of dilutive potential ordinary shares: | | | | |
| – Warrants | <u>62,947</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | <u>10,062,947</u> | <u>10,000,000</u> | <u>10,000,000</u> | <u>10,000,000</u> |

The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share has been adjusted for the share subdivisions made on 23 December 2013 and 17 November 2014.

The outstanding warrants are not included in the calculation of the diluted loss per share as they have anti-dilutive effect on the basic loss per share for the three months ended 31 December 2014.

There were no dilutive potential ordinary shares in existence during the six months ended 31 December 2013 and the three months ended 31 December 2013 and therefore the diluted earnings per share are the same as the basic earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$226,000 (six months ended 31 December 2013: approximately HK\$3,204,000). During the six months ended 31 December 2014, items of property, plant and equipment with carrying value of approximately HK\$141,000 were disposed of (six months ended 31 December 2013: approximately HK\$322,000).

9. TRADE RECEIVABLES

The following is an ageing analysis of trade receivables, presented based on the invoice date:

| | As at 31 December 2014 <i>HK\$'000</i> (Unaudited) | As at 30 June 2014 <i>HK\$'000</i> (Audited) |
|--------------|--|--|
| 0-30 days | 21,958 | 29,155 |
| 31-60 days | 9,738 | 1,893 |
| 61-90 days | 4,878 | 1,465 |
| Over 90 days | 2,681 | 957 |
| | <u>39,255</u> | <u>33,470</u> |

Generally no credit period is granted to the Group's customers. Environmental services fee are due upon the presentation of the invoices.

The Directors consider that no provision for impairment shall be made to trade receivables that are past due as the credit quality of the debtors are sound.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 December 2014 <i>HK\$'000</i> (Unaudited) | As at 30 June 2014 <i>HK\$'000</i> (Audited) |
|--|--|--|
| Deposit paid for possible acquisition of a subsidiary | (a) 4,500 | – |
| Tender deposits | 1,109 | 1,600 |
| Prepayments for acquisition of property, plant and equipment | 6,580 | – |
| Other prepayments, deposits and receivables | 1,646 | 1,363 |
| | <u>13,835</u> | <u>2,963</u> |

Note a:

On 20 October 2014, Go Million Limited (“Go Million”), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the “mou”) with Lofty East Limited (the “First Vendor”) and Creation Era Limited (the “Second Vendor”) (collectively referred to as the “Vendors”) for the possible acquisition (the “Possible Acquisition”) of not less than 51% of the issued share capital of Hong Kong Automobile Restoration Group Limited (the “Target Company”), under which a deposit of HK\$4,500,000 was paid by Go Million to the Vendors. The Target Company, through its subsidiaries, is principally engaged in motor vehicles beauty services including cars detailing, repairing and maintenance services in Hong Kong, Macau and Taiwan.

The deposit is unsecured, interest free and refundable in the event that no formal sale and purchase agreement is entered into between Go Million and the Vendors solely due to the fault of the First Vendor.

On 9 January 2015, Go Million and the Vendors entered into a deed of termination pursuant to which Go Million and the Vendors agree that (i) the MOU is terminated with effect from 9 January 2015; (ii) neither Go Million nor the Vendors will have any obligation to each other for not proceeding with the Possible Acquisition; and (iii) the deposit of HK\$4,500,000 shall not be refunded to Go Million from the Vendors.

The deposit of HK\$4,500,000 was included in deposits, prepayments and other receivables as at 31 December 2014 and would be charged to the profit or loss on 9 January 2015 on which the deed of termination was entered into between Go Million and the Vendors.

11. TRADE PAYABLES

The following is an ageing analysis of trade payables:

| | As at 31 December 2014 HK\$'000 (Unaudited) | As at 30 June 2014 HK\$'000 (Audited) |
|------------|--|--|
| 0-30 days | 5,162 | 3,972 |
| 31-60 days | 381 | 317 |
| | <u>5,543</u> | <u>4,289</u> |

The credit period on purchases of certain goods and services ranged from due on presentation of invoice to 60 days.

12. BOND

| | As at 31 December 2014 HK\$'000 (Unaudited) | As at 30 June 2014 HK\$'000 (Audited) |
|-------------------------|--|--|
| Unlisted corporate bond | 9,207 | – |

On 20 November 2014, the Company issued an unlisted corporate bond at a principal amount of HK\$10 million which is unsecured, bears a fixed interest rate of 7% per annum and is fully redeemable by the Company after 7 years from the issue date at its principal amount of HK\$10 million.

The effective interest rate of the unlisted corporate bond is approximately 8.52%.

The movement of the unlisted corporate bond is set out as below:

| | <i>HK\$'000</i> (Unaudited) |
|--|--------------------------------|
| Unlisted corporate bond issued on 20 November 2014 | 10,000 |
| Transaction costs for issue of the unlisted corporate bond | (800) |
| Initial amortised cost as at 20 November 2014 | 9,200 |
| Interest charged | 65 |
| Interest included in other payables | (58) |
| Amortised cost as at 31 December 2014 | <u>9,207</u> |

13. WARRANTS

On 20 December 2014, the Company issued 2,000,000,000 unlisted warrants at the subscription price of HK\$0.02 per warrant, which entitled the holder of each warrant to subscribe for one ordinary share of the Company at an exercise price of HK\$0.166 per share at any time during a period of 12 months commencing from the date immediately after three months from the issue date. No warrant has been exercised up to the date of approval of the unaudited condensed consolidated financial statements.

14. SHARE CAPITAL

| | Number of shares | Nominal value HK\$ |
|------------------------------------|---------------------|--------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.001 each | | |
| As at 30 June 2014 and 1 July 2014 | 100,000,000,000 | 100,000,000 |
| Share subdivision (<i>Note</i>) | 900,000,000,000 | — |
| | <hr/> | <hr/> |
| Ordinary shares of HK\$0.0001 each | | |
| As at 31 December 2014 (Unaudited) | 1,000,000,000,000 | 100,000,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.001 each | | |
| As at 30 June 2014 and 1 July 2014 | 1,000,000,000 | 1,000,000 |
| Share subdivision (<i>Note</i>) | 9,000,000,000 | — |
| | <hr/> | <hr/> |
| Ordinary shares of HK\$0.0001 each | | |
| As at 31 December 2014 (Unaudited) | 10,000,000,000 | 1,000,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

On 17 November 2014, the Company conducted a 10-for-1 share subdivision. Each issued and unissued ordinary share of HK\$0.001 of the Company was subdivided into 10 ordinary shares of HK\$0.0001 each.

15. FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated statement of financial position approximate their fair values.

At the end of each reporting period, the Group had no financial instruments that are measured subsequent to initial recognition at fair value.

16. CONTINGENT LIABILITIES

(a) Performance bond

| | As at 31 December 2014 <i>HK\$'000</i> (Unaudited) | As at 30 June 2014 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Guarantees on performance bonds in respect of environmental service contracts | <u>11,686</u> | <u>8,874</u> |

The Group had bankers' guarantees on performance bonds issued for due performance under several environmental service contracts. As at 31 December 2014, fixed deposits of approximately HK\$11,670,000 (30 June 2014: approximately HK\$8,905,000) were pledged to banks as security for bankers' guarantees on performance bonds issued.

(b) Litigations

During the reporting period, the Group may from time to time be involved in litigations concerning personal injuries by its employees or third party claimants. In the opinion of the Directors, the Group had no any significant contingent liabilities arising from these litigations as all potential claims made by these employees and third party claimants are accounted for in the unaudited condensed consolidated financial statements and covered by insurance protection.

17. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following material transactions with its related parties during the reporting periods.

- a) The total emoluments payable to key management personnel during the six months ended 31 December 2014 and 31 December 2013 and the three months ended 31 December 2014 and 31 December 2013 were approximately HK\$1,972,000, HK\$1,540,000, HK\$1,030,000 and HK\$773,000 respectively.
- b) During the six months ended 31 December 2014 and 31 December 2013 and the three months ended 31 December 2014 and 31 December 2013, the Group had subcontracted certain environmental contracts to Niko Cleaning Services Limited, a company in which Mr. Fan Shek Cheong, Allan, the outgoing executive director (Note) and the significant shareholder of the Company, has beneficiary interests, at subcontracting fee charges of approximately HK\$1,018,000, HK\$ Nil, HK\$850,000 and HK\$ Nil respectively.

Note:

Mr. Fan Shek Cheong, Allan, resigned as the executive Director on 2 December 2014.

18. EVENTS AFTER THE REPORTING PERIOD

Save for the termination of the Possible Acquisition on 9 January 2015 as disclosed in Note 10(a), the Group had no significant events after the end of the reporting period.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation. The changes included the reclassification of reversals of provision for long service payment, untaken paid leave, severance payment and staff allowance and bonus previously classified under cost of services to other income. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the provision of environmental services which include the provision of cleaning and related services for (i) public area and office cleaning services which involve cleaning of public areas, carpets, floors, toilets, changing rooms, lifts and escalators and emptying of garbage bins at commercial buildings, residential complexes, shopping arcades, hotels and their tenants and public transport facilities such as airport, ferries, ferry terminal, cargo and logistics centre and depots; (ii) overnight kitchen cleaning services mainly at private club and hotels; (iii) external wall and window cleaning services; (iv) stone floor maintenance and restoration services; (v) pest control and fumigation services; (vi) waste management and disposal solutions which mainly involve collection, transportation and disposal of household waste, construction waste and trade waste and sales of recyclable waste such as paper, metal and plastic waste collected during our operations; (vii) housekeeping services where we provide housekeeping services to carry out professional daily housekeeping and cleaning services at local boutique hotels, hostels and serviced apartments; (viii) secure and confidential waste destruction for commercial clients; (ix) sanitation solution for yacht; and (x) cleaning and waste management solution for renovated apartment.

BUSINESS REVIEW

Compared to the first half of 2013, the Group's revenue decreased by approximately 2.1% mainly due to the unsuccessful renewal several minor contracts. The drop in revenue was partially offset by our renewal of a number of cleaning contracts at higher prices and securing several one-off external wall and window cleaning services contracts with higher profit margin.

The Group has taken a more proactive approach to gain additional market share in the environmental and cleaning services industry. We plan to increase our contracting and operational staff with a view to further expand our tendering capabilities for the government related contracts in which the Group had a less exposure in the past. Due to relative large contract size of the government projects, we believe it is in the best interest of the Group to expand into this sector.

The Group's administrative expenses increased by approximately 63.1% which was mainly due to the increase in professional advisory fees incurred as a results of the potential expansion of the Group's business and the initial set up costs for the Group's subsidiaries in the People's Republic of China (the "PRC").

OUTLOOK

The Group intends to expand its environmental and cleaning services and engage in supply chain management and trading business in related area in the PRC. We are of the view that there is a great potential market in the PRC and development of businesses in the PRC will diversify the income stream of the Group and is in the interests of the Group and its shareholders as a whole.

The Group was successful in securing housekeeping contracts the financial contribution of which should be shown in the third quarter of 2014-15.

FINANCIAL REVIEW

Revenue

During the six months ended 31 December 2014, the Group reported a revenue of approximately HK\$96.8 million (six months ended 31 December 2013: approximately HK\$98.9 million), representing a decrease of approximately 2.1% mainly due to the unsuccessful renewal of several minor contracts. The drop in revenue was partially offset by renewal of a number of cleaning contracts at higher prices and securing several one-off external wall and window cleaning service contracts with higher profit margin.

Gross Profit

The gross profit of the Group for the six months ended 31 December 2014 increased by approximately 1.3% to approximately HK\$14.4 million (six months ended 31 December 2013: approximately HK\$14.2 million) representing a gross profit margin of approximately 14.8% (six months ended 31 December 2013: approximately 14.4%). The slightly increase in the gross profit margin by 0.4% was mainly attributable to renewal of a number of cleaning contracts at higher prices and securing several one-off external wall and window cleaning service contracts with higher profit margin.

Profit attributable to owners of the Company

The Group's unaudited profit attributable to owners of the Company for the six months ended 31 December 2014 decreased by approximately 68.0% to approximately HK\$2.2 million (six months ended 31 December 2013: approximately HK\$6.8 million). The decrease was mainly due to (i) a drop in other income from reversals of provision for long service payment and untaken paid leave by approximately HK\$1.1 million; and (ii) increase in administrative costs and professional advisory fees by approximately HK\$3.2 million incurred for the potential expansion of the Group's business and the initial set up costs for the Group's subsidiaries in the PRC.

Liquidity, Financial Resources and Capital Structure

The shares of the Company is listed on the GEM of the Stock Exchange. The Company's share capital comprises only ordinary shares.

During the six months ended 31 December 2014, the Group had financed its operations and capital requirements through operating cash flows, net proceeds from the IPO, debt and equity financing.

On 20 November 2014, the Company issued an unlisted corporate bond at a principal amount of HK\$10 million which is unsecured, bears a fixed interest rate of 7% per annum and is fully redeemable by the Company after 7 years from the issue date at its principal amount of HK\$10 million. Details of the issue of the unlisted corporate bond are set out in the Company's announcement dated 20 November 2014.

On 20 December 2014, the Company issued 2,000,000,000 unlisted warrants at the subscription price of HK0.02 per warrant, which entitled the holder of each warrant to subscribe for one ordinary share of the Company at an exercise of HK\$0.166 per share at any time during a period of 12 months commencing from the date immediately after the three months from the issue date. No warrant has been exercised up to the date of this announcement. Details of the issue of the unlisted warrants are set out in the Company's announcements dated 29 October 2014, 20 November 2014 and 21 December 2014.

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK\$72.8 million (30 June 2014: approximately HK\$37.4 million). The increase was mainly attributable to the proceeds from the issue of the unlisted bond and the issue of the unlisted warrants as mentioned above.

As at 31 December 2014, the Group had net current assets of approximately HK\$106.9 million (30 June 2014: approximately HK\$52.9 million) and current ratio of approximately 4.6 (30 June 2014: approximately 2.9) which remain healthy.

As at 31 December 2014, the total debt of the Group were approximately HK\$11.7 million (30 June 2014: approximately HK\$4.8 million) which include bank borrowing of approximately HK\$0.8 million (30 June 2014: approximately HK\$1.3 million), obligations under finance leases of approximately HK\$1.7 million (30 June 2014: approximately HK\$3.5 million) and unlisted corporate bond of approximately HK\$9.2 million (30 June 2014: HK\$ Nil). The gearing ratio of the Group (calculated by dividing total debt by total equity) as at 31 December 2014 was approximately 11.0% (30 June 2014: approximately 7.5%). The increase was mainly due to the issue of the unlisted corporate bond at a net consideration of approximately HK\$9.2 million which was partially offset by the increase in the equity base by approximately HK\$39.5 million from the issue of the unlisted warrants during the six months ended 31 December 2014.

The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Charges on the Group's Assets

As at 31 December 2014, the Group had obligations under finance leases of approximately HK\$1.7 million (30 June 2014: approximately HK\$3.5 million), of which approximately HK\$1.4 million (30 June 2014: approximately HK\$2.7 million) was repayable within one year. Such obligations under finance leases were secured by the relevant motor vehicles.

As at 31 December 2014, the Group had bank deposits of approximately HK\$11.7 million (30 June 2014: approximately HK\$8.9 million) pledged to banks as security for due performance under environmental service contracts and banking facilities granted to the Group.

Foreign Exchange Exposure

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars.

Information on Employees

As at 31 December 2014, the Group had 1,152 permanent staff in Hong Kong. Total staff costs and related expenses (including Directors' remuneration) for the six months ended 31 December 2014 increased by approximately 11.8% to approximately HK\$53.1 million over that for the same period of the previous year. The increase was mainly due to employment of more on-site staff to substitute the sub-contractors.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

There were neither significant investments held by the Group as at 31 December 2014 nor material acquisitions or disposals of subsidiaries made by the Group during the six months ended 31 December 2014.

Save for those disclosed in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 7 June 2013 (the "Prospectus"), the Group intends to further expand its environmental and cleaning services and engage in supply chain management and trading business in related area in the PRC. As of the date of this announcement, the Group has not formulated any concrete plan for the business development in the PRC.

USE OF PROCEEDS

The Group was listed on the Stock Exchange on 17 June 2013 and raised net proceeds of approximately HK\$12.0 million. The future plans as stated in the Prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus and as at the date of this announcement, the Group does not anticipate any changes to the use of proceeds stated in the Prospectus. During the period between the date of the Listing and 31 December 2014, we have utilized approximately HK\$8.8 million to expand our business. As at 31 December 2014, the unused proceeds were deposited in licensed banks in Hong Kong.

Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period ended 31 December 2014.

| Business plan as set out in the Prospectus | | Actual business progress up to 31 December 2014 |
|---|--|--|
| Business strategy | Implementation plan | |
| Continue to expand our waste management and disposal team | – To acquire additional specialized vehicles and cleaning equipment | Completed |
| | – To recruit additional technical staff | In Progress |
| Strengthen our established position in the environmental services industry in Hong Kong | – To advertise our services on online platform | Completed |
| | – To advertise our services in magazines and newspapers | In Progress |
| | – To continue to promote our services by direct mail and distribution of leaflet and brochure | Completed |
| | – To improve the existing website of the Company with better navigation, design and photo | Completed |
| | – To employ additional staff for the contracting team | Completed |
| | – To recruit additional senior operation staff | Completed |
| | – To purchase additional and upgrade our equipment and machinery and information technology system to enhance our operational efficiency | Completed |

Business plan as set out in the Prospectus

| Business strategy | Implementation plan | |
|---|--|-------------|
| Continue to expand and develop our services within the hospitality sector | – To provide training to our staff and enhance facilities of our training center | In Progress |
| | – To promote our service to our target customer within the hospitality sector | Completed |
| | – To recruit more room attendants | Completed |
| Expand the range of our service offerings | – To acquire waste shredding machines | In Progress |
| | – To recruit staff and provide training on waste separation and recycling | Completed |
| | – To participate in events held by environmental friendly organisations | Completed |

Communication with Shareholders

The Board communicates with the shareholders through the annual general meetings and special general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars and notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 31 December 2014.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Executive Directors

- Mr. Wang Li (*Chairman*) – appointed on 26 September 2014 for a director fee of HK\$360,000 per annum
- Mr. Cao Zhiwen (*Vice-Chairman*) – appointed on 7 August 2014 for a director fee of HK\$600,000 per annum
- Mr. Zhang Chenglin – appointed on 26 September 2014 for a director fee of HK\$360,000 per annum
- Mr. Fan Shek Cheong, Allan – resigned on 2 December 2014
- Mr. Wong Yin Jun, Samuel – retired on 30 October 2014
- Ms. Hung Sui Hing, Lilian – resigned on 26 September 2014

Non-executive Directors

- Ms. Fan Sheung Ting, Maria – resigned on 26 September 2014
- Mr. Woo Yik Man – retired on 30 October 2014

Independent Non-Executive Directors

- Mr. Lai Changming – appointed on 26 September 2014 for a director fee of HK\$120,000 per annum
- Mr. Chan Chi Tong, Kenny – appointed on 26 September 2014 for a director fee of HK\$120,000 per annum
- Mr. Chen Kwok Wang – appointed on 19 November 2014 for a director fee of HK\$150,000 per annum
- Mr. Yu Tat Kong, Petrus – retired on 30 October 2014
- Mr. Ho King Man, Kenneth, *JP* – resigned on 26 September 2014
- Mr. Tong Kin Ping, Patrick – resigned on 26 September 2014
- Mr. Lo Wing Sang – resigned on 19 November 2014

All newly appointed executive directors and independent non-executive directors are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the by-laws of the Company.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within of the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2014, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

| Name of Shareholder | Name of the company in which interest is held | Capacity | Total number of ordinary shares | Long/short position | Percentage of total issued share capital in the Company |
|----------------------------|--|----------------------------------|--|----------------------------|--|
| Mr. Zhao Han | The Company | Beneficial owner <i>(Note 1)</i> | 1,900,000,000 | Long | 19.0% |
| Viva Future Group Limited | The Company | Beneficial owner <i>(Note 2)</i> | 750,000,000 | Long | 7.5% |

Notes:

1. Ms. Gao Lili is the spouse of Mr. Zhao Han. Ms. Gao Lili is deemed to be interested in 19% interests in the share capital of the Company under the SFO.
2. Viva Future Group Limited is 100% wholly owned by Mr. Fan Shek Cheong. Allan ("Mr. Fan"). Ms. Chong Shuk To, Ida ("Ms. Chong"), is the spouse of Mr. Fan. Mr. Fan and Ms. Chong are deemed to be interested in 7.5% interests in the share capital of the Company under the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the reporting period.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 December 2014, as notified by the Company's compliance adviser, Cinda International Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 6 June 2013, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 31 December 2014.

COMPETING INTERESTS

During the reporting period and up to date of this announcement, none of the Directors, controlling shareholders and their respective associates as defined under the GEM Listing Rules is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

SHARE OPTION SCHEME

The share option scheme was adopted and approved by shareholders of the Company on 28 May 2013 to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. The share option scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the share option scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the share option scheme. No share options have been granted pursuant to the share option scheme since its adoption.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders.

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the Code for the six months ended 31 December 2014, except for the deviation of Code Provision A.2.1.

CHAIRMAN AND EXECUTIVE DIRECTORS

Under the Code Provision A.2.1, the roles of chairman and managing director should be separated and should not be performed by the same individual. During the reporting period, the roles of chairman and managing director of the Company were performed by the executive Director, Mr. Wang Li. The Company considered that the combination of the roles of chairman and managing director could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

REVIEW BY THE AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Chen Kwok Wang (chairman of the audit committee), Mr. Lai Changming and Mr. Chen Chi Tong, Kenny, all being independent non-executive Directors.

The audit committee has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters and the above unaudited condensed consolidated results of the Group for the six months ended 31 December 2014; and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
PPS International (Holdings) Limited
Wang Li
Chairman and Executive Director

HKSAR, 10 February 2015

As at the date of this announcement, the board of directors of the Company comprises (i) 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 will remain on the “Latest Company Announcement” page of the internet website operated by the Stock Exchange for the purpose of the GEM 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.