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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 2015**

**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 2015*

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 2015, together with the unaudited comparative figures for the corresponding period in 2014 as follows:

	<i>Notes</i>	Six months ended 31 December		Three months ended 31 December	
		2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Revenue	3	128,936	96,844	67,232	49,475
Cost of services		<u>(117,227)</u>	<u>(82,466)</u>	<u>(61,934)</u>	<u>(42,518)</u>
Gross profit		11,709	14,378	5,298	6,957
Other income and gains		1,329	825	430	752
Selling and marketing expenses		(2,475)	(377)	(1,844)	(175)
Administrative expenses		(29,722)	(11,021)	(20,611)	(6,875)
Finance costs		<u>(517)</u>	<u>(156)</u>	<u>(259)</u>	<u>(150)</u>
(Loss)/profit before taxation	4	(19,676)	3,649	(16,986)	509
Income tax credit/(expenses)	5	<u>22</u>	<u>(1,454)</u>	<u>287</u>	<u>(717)</u>
<b>(Loss)/profit for the period</b>		<b><u>(19,654)</u></b>	<b><u>2,195</u></b>	<b><u>(16,699)</u></b>	<b><u>(208)</u></b>
<b>Other comprehensive loss</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translating foreign operations		<u>(707)</u>	<u>–</u>	<u>(221)</u>	<u>–</u>
<b>Total comprehensive (loss)/ income for the period</b>		<b><u>(20,361)</u></b>	<b><u>2,195</u></b>	<b><u>(16,920)</u></b>	<b><u>(208)</u></b>

	<i>Notes</i>	<b>Six months ended</b>		<b>Three months ended</b>	
		<b>31 December</b>		<b>31 December</b>	
		<b>2015</b>	2014	<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period attributable to:					
Owners of the Company		<b>(19,576)</b>	2,195	<b>(16,657)</b>	(208)
Non-controlling interests		<b>(78)</b>	–	<b>(42)</b>	–
		<u><b>(19,654)</b></u>	<u>2,195</u>	<u><b>(16,699)</b></u>	<u>(208)</u>
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		<b>(20,283)</b>	2,195	<b>(16,878)</b>	(208)
Non-controlling interests		<b>(78)</b>	–	<b>(42)</b>	–
		<u><b>(20,361)</b></u>	<u>2,195</u>	<u><b>(16,920)</b></u>	<u>(208)</u>
			(Restated)		(Restated)
(Loss)/earnings per share					
– Basic and diluted (HK cents)	7	<u><b>(0.150)</b></u>	<u>0.018</u>	<u><b>(0.121)</b></u>	<u>(0.002)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2015*

		As at <b>31 December</b> <b>2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 30 June 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>13,440</b>	15,015
Goodwill		<b>629</b>	629
Intangible assets		<b>2,413</b>	1,062
Restricted bank deposits	11	<b>3,272</b>	1,126
		<u><b>19,754</b></u>	<u>17,832</u>
<b>Current assets</b>			
Inventories		<b>66</b>	67
Trade receivables	9	<b>48,086</b>	45,720
Deposits, prepayments and other receivables	10	<b>15,580</b>	11,766
Tax receivables		<b>1,371</b>	–
Restricted bank deposits	11	<b>3,595</b>	6,596
Cash and cash equivalents	11	<b>88,734</b>	45,425
		<u><b>157,432</b></u>	<u>109,574</u>
<b>Current liabilities</b>			
Trade payables	12	<b>10,380</b>	7,848
Accruals, deposits received and other payables		<b>23,418</b>	22,495
Bank borrowing		–	263
Obligations under finance leases		<b>509</b>	775
Deferred revenue	13	<b>6,636</b>	6,579
Tax payables		–	2,145
		<u><b>40,943</b></u>	<u>40,105</u>
<b>Net current assets</b>		<u><b>116,489</b></u>	<u>69,469</u>
<b>Total assets less current liabilities</b>		<u><b>136,243</b></u>	<u>87,301</u>

		<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>383</b>	50
Deferred tax liabilities		<b>1,137</b>	1,361
Bond	<i>14</i>	<b>9,295</b>	9,250
		<u><b>10,815</b></u>	<u>10,661</u>
<b>Net assets</b>		<u><b>125,428</b></u>	<u>76,640</u>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>15</i>	<b>1,500</b>	1,000
Reserves		<b>124,105</b>	75,739
		<u><b>125,605</b></u>	<u>76,739</u>
Equity attributable to owners of the Company		<b>125,605</b>	76,739
Non-controlling interests		<b>(177)</b>	(99)
		<u><b>125,428</b></u>	<u>76,640</u>
<b>Total equity</b>		<u><b>125,428</b></u>	<u>76,640</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Attributable to owners of the Company							Equity attributable to owners		Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Contribution surplus	Foreign currency translation reserve	Warrant reserve	Option reserve	Retained earnings	of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))	(Note (b))		(Note (c))	(Note (d))				
As at 1 July 2015	1,000	22,360	1,000	21,400	(23)	39,500	-	(8,498)	76,739	(99)	76,640
Loss for the period	-	-	-	-	-	-	-	(19,576)	(19,576)	(78)	(19,654)
Exchange differences arising on translating foreign operations	-	-	-	-	(707)	-	-	-	(707)	-	(707)
Total comprehensive loss for the period	-	-	-	-	(707)	-	-	(19,576)	(20,283)	(78)	(20,361)
Recognition of equity-settled share-based payments (note 17)	-	-	-	-	-	-	6,625	-	6,625	-	6,625
Issue of shares pursuant to an open offer	500	64,500	-	-	-	-	-	-	65,000	-	65,000
Share issue expenses (note 15)	-	(2,476)	-	-	-	-	-	-	(2,476)	-	(2,476)
<b>As at 31 December 2015 (unaudited)</b>	<b>1,500</b>	<b>84,384</b>	<b>1,000</b>	<b>21,400</b>	<b>(730)</b>	<b>39,500</b>	<b>6,625</b>	<b>(28,074)</b>	<b>125,605</b>	<b>(177)</b>	<b>125,428</b>
As at 1 July 2014	1,000	22,360	1,000	21,400	-	-	-	18,707	64,467	-	64,467
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	2,195	2,195	-	2,195
Issue of warrants	-	-	-	-	-	40,000	-	-	40,000	-	40,000
Transactions for issue of warrants	-	-	-	-	-	(500)	-	-	(500)	-	(500)
<b>As at 31 December 2014 (unaudited)</b>	<b>1,000</b>	<b>23,360</b>	<b>1,000</b>	<b>21,400</b>	<b>-</b>	<b>39,500</b>	<b>-</b>	<b>20,902</b>	<b>106,162</b>	<b>-</b>	<b>106,162</b>

*Notes:*

- (a) 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 group reorganisation (the “Reorganisation”) in preparation of the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 June 2013.
- (b) The amount represented the amounts due to shareholders capitalised before the listing of the Company’s shares on the GEM of the Stock Exchange.
- (c) 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.
- (d) Option reserve

Option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for the equity-settled share-based payments.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(17,570)	2,865
Net cash used in investing activities	(52)	(13,840)
Net cash generated from financing activities	<u>61,638</u>	<u>46,376</u>
Net increase in cash and cash equivalents	44,016	35,401
Cash and cash equivalents at the beginning of period	45,425	37,382
Effect of foreign exchange rate changes	<u>(707)</u>	<u>–</u>
Cash and cash equivalents at the end of period	<u>88,734</u>	<u>72,783</u>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2015*

### **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 24/F., SUP Tower, 75-83 King's 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 2015 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 2015.

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 2015. 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. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Environmental and Cleaning                      Provision of environmental and cleaning services in Hong Kong and Macau

AUTO    Provision of auto beauty services in Hong Kong

Information regarding the Group's reportable segments is presented below:

#### Revenue

Turnover represents the aggregate of service income from Environmental and Cleaning and AUTO.

An analysis of the Group's turnover is as follows:

	Six months ended		Three months ended	
	31 December		31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Service income from Environmental and Cleaning	125,022	96,844	64,958	49,475
Service income from AUTO	3,914	–	2,274	–
	<u>128,936</u>	<u>96,844</u>	<u>67,232</u>	<u>49,475</u>

Revenue, which is also the Group's turnover, represents the value of services rendered during the year.

## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

### Six months ended 31 December 2015

	Environmental and Cleaning (Unaudited) HK\$'000	AUTO (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Revenue</b>			
Revenue from external customers	<u>125,022</u>	<u>3,914</u>	<u>128,936</u>
<b>Result</b>			
Segment loss	<u>(1,417)</u>	<u>(2,788)</u>	(4,205)
Other incomes and gains			2
Central administrative costs			(15,078)
Finance costs			<u>(395)</u>
Loss before taxation			<u>(19,676)</u>

### Six months ended 31 December 2014

	Environmental and Cleaning (Unaudited) HK\$'000	AUTO (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Revenue</b>			
Revenue from external customers	<u>96,844</u>	<u>–</u>	<u>96,844</u>
<b>Result</b>			
Segment profit	<u>8,974</u>	<u>–</u>	8,974
Other incomes and gains			22
Central administrative costs			(5,282)
Finance cost			<u>(65)</u>
Profit before taxation			<u>3,649</u>

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the period (six months ended 31 December 2014: HK\$Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administrative and other costs including directors emoluments, impairment losses on deposits and other receivables, finance costs and other operating expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

As at 31 December 2015

	Environmental and Cleaning (Unaudited) <i>HK\$'000</i>	AUTO (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
<b>Assets</b>			
Segment assets	100,008	4,451	104,459
Unallocated corporate assets			<u>72,727</u>
			<u><b>177,186</b></u>

	Environmental and Cleaning (Unaudited) <i>HK\$'000</i>	AUTO (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
<b>Liabilities</b>			
Segment liabilities	29,220	22,040	51,260
Unallocated corporate liabilities			<u>498</u>
			<u><b>51,758</b></u>

At 30 June 2015

	Environmental and Cleaning (Audited) <i>HK\$'000</i>	AUTO (Audited) <i>HK\$'000</i>	Consolidated (Audited) <i>HK\$'000</i>
<b>Assets</b>			
Segment assets	99,189	5,112	104,301
Unallocated corporate assets			<u>23,105</u>
			<u><b>127,406</b></u>

	Environmental and Cleaning (Audited) <i>HK\$'000</i>	AUTO (Audited) <i>HK\$'000</i>	Consolidated (Audited) <i>HK\$'000</i>
<b>Liabilities</b>			
Segment liabilities	20,065	19,639	39,704
Unallocated corporate liabilities			<u>11,062</u>
			<u><b>50,766</b></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets, property, plant and equipment and cash and cash equivalents. Goodwill and intangible assets are allocated to reportable segments; and
- all liabilities are allocated to reportable segments other than corporate liabilities and bond.

### Geographical information

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

#### 4. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended		Three months ended	
	31 December		31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	113	–	56	–
Depreciation of property, plant and equipment	3,499	2,569	1,733	1,249
Cost of consumable goods	1,829	1,162	897	569
Gain on disposals of property, plant and equipment	752	(56)	13	(47)
Loss on written off of property, plant and equipment	(406)	–	(277)	–
Staff costs including Directors' emoluments:				
Salaries and wages	79,224	51,059	42,160	27,457
Long service payment	86	8	22	8
Allowances and others	91	43	23	9
Contributions to defined contribution retirement plans	3,030	1,981	1,658	1,103
Share-based payment expenses	6,625	–	6,625	–
	<u>89,056</u>	<u>53,091</u>	<u>50,488</u>	<u>28,577</u>
Minimum lease payments under operating leases	<u>3,612</u>	<u>1,146</u>	<u>1,805</u>	<u>575</u>

## 5. INCOME TAX (CREDIT)/EXPENSES

	Six months ended		Three months ended	
	31 December		31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax				
Provision for the period	211	1,646	–	932
Over-provision for prior years	–	(37)	–	(37)
Deferred tax credit	(233)	(155)	(287)	(178)
	<u>(22)</u>	<u>1,454</u>	<u>(287)</u>	<u>717</u>
Income tax (credit)/expenses				

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 2015 (six months ended 31 December 2014: HK\$Nil).

## 7. (LOSS)/EARNINGS PER SHARE

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

	Six months ended		Three months ended	
	31 December		31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/earnings				
(Loss)/profit for the period attributable to owners of the Company for the purposes of basic (loss)/earnings per share and diluted (loss)/earnings per share	<u>(19,576)</u>	<u>2,195</u>	<u>(16,657)</u>	<u>(208)</u>

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000	<b>'000</b>	'000
		(Restated)		(Restated)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>13,078,689</b>	12,400,000	<b>13,764,835</b>	12,400,000
Effect of dilutive potential ordinary shares:				
– Warrants	–	62,947	–	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b><u>13,078,689</u></b>	<u>12,462,947</u>	<b><u>13,764,835</u></b>	<u>12,400,000</u>

The weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share has been adjusted for the share subdivisions made on 17 November 2014 and the issuance of shares upon an open offer on 9 December 2015.

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 six months ended 31 December 2015 and the three months ended 31 December 2015 and 2014.

The outstanding share options 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 six months ended 31 December 2015 and the three months ended 31 December 2015.

## **8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 31 December 2015, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$2,719,000 (six months ended 31 December 2014: approximately HK\$226,000). During the six months ended 31 December 2015, items of property, plant and equipment with carrying value of approximately HK\$795,000 were disposed of (six months ended 31 December 2014: approximately HK\$141,000).

## 9. TRADE RECEIVABLES

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

	<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
0-30 days	<b>34,612</b>	32,757
31-60 days	<b>7,994</b>	3,070
61-90 days	<b>3,145</b>	5,225
Over 90 days	<b>2,335</b>	4,668
	<b><u>48,086</u></b>	<b><u>45,720</u></b>

Generally no credit period is granted to the Group's customers. Service fee from Environmental and Cleaning and AUTO are due upon the presentation of the invoices. The above is an ageing analysis of trade receivables presented based on the invoice date.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balances and any overdue balances on an ongoing basis and assessments are made by management on the collectability of overdue balances. As at 31 December 2015 and 30 June 2015, no allowances for bad and doubtful debts in respect of the trade receivables had been made.

The amount of trade receivables that are past due but not impaired is the same as above ageing analysis of trade receivables.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

## 10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Deposits ( <i>Note i</i> )	3,887	10,733
Prepayments	1,581	1,008
Other receivables ( <i>Note ii</i> )	<u>10,112</u>	<u>5,685</u>
	<b>15,580</b>	17,426
Less: Impairment loss ( <i>Note iii</i> )	<u>–</u>	<u>(5,660)</u>
	<b><u>15,580</u></b>	<b><u>11,766</u></b>

### Notes:

- (i) The Group has tendered for certain environmental services contracts and deposited sums of approximately HK\$768,000 (30 June 2015: approximately HK\$2,000,000) as tender deposits as at 31 December 2015. The tender deposits are interest-free and repayable at the end of the tender.

The Group has deposited sums of approximately HK\$4,460,000 and approximately HK\$1,000,000 as purchase deposits for purchase of motor car cleaning materials and purchase of a trademark respectively as at 31 December 2015 and 30 June 2015. The purchase deposits are interest-free, unsecured and releasable upon completion of the purchases according to the agreed terms.

- (ii) Included in the other receivables as at 30 June 2015 was a loan receivable of approximately HK\$4,300,000 due from an independent third party. The amount due is interest free, unsecured and repayable on demand. The loan receivable was fully settled during the period.
- (iii) During the year ended 30 June 2015, the Group recognised the impairment loss on the purchase deposits of HK\$4,460,000 for the purchase of motor car cleaning materials from an independent third party. The management is now in the progress of taking legal action towards the refund arrangement. Having considered that the motor car cleaning materials have not been delivered to the Group in accordance with the agreed terms and the amount of HK\$4,460,000 has not been refunded to the Group from that independent third party despite the Group's continuous reminders of the refund. The directors are of the opinion that there is material uncertainty over the recovery of the amount of HK\$4,460,000 and no reversal of the provision is made during the period for the sake of prudence.

During the year ended 30 June 2015, the Group recognised the impairment loss on the other receivables of approximately RMB960,000 (approximately HK\$1,200,000) for the application of a Hong Kong – Shenzhen Bay cross board car plate (the "Plate") from an independent agency. In the light of the facts that the agency did not process the application of the Plate which its usage right is still uncertain and the amount of RMB960,000 (approximately HK\$1,200,000) has not been refunded from that independent agency during the period despite the Group's continuous reminders of the refund. The directors are of the opinion that there is material uncertainty over the recovery of the amount of RMB960,000 (approximately HK\$1,200,000) and no reversal of the provision is made during the period for the sake of prudence.

## 11. CASH AND BANK BALANCES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Cash and cash equivalents ( <i>Note (i)</i> )	88,734	45,425
Restricted bank deposits ( <i>Note (ii)</i> )	<u>6,867</u>	<u>7,722</u>
	<u><b>95,601</b></u>	<u><b>53,147</b></u>

### Notes:

- (i) Included in the cash and cash equivalents as at 31 December 2015 were bank deposits of approximately HK\$62,524,000 for the net proceeds from an open offer of the Company's shares completed on 9 December 2015 (the "Net Proceed"). Pursuant to the court orders made by the Cayman Islands court on 18 December 2015, amongst other things, the Net Proceed is segregated and preserved until further court order made by the Cayman Islands court. Details of the court orders made by the Cayman Islands court are set out in the note 18(c) below.
- (ii) The restricted bank deposits represent cash held at banks as security for due performance under several environmental service contracts. Included in restricted bank deposits, amount of approximately HK\$3,272,000 (30 June 2015: HK\$1,126,000) related to environmental service contracts with expiry date over one year after the end of the reporting period and amount of approximately HK\$3,595,000 (30 June 2015: HK\$6,596,000) with expiry date within one year after the end of the reporting period.

## 12. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
0-30 days	9,138	6,571
31-60 days	1,223	1,064
61-90 days	7	198
Over 90 days	<u>12</u>	<u>15</u>
	<u><b>10,380</b></u>	<u><b>7,848</b></u>

The credit period on purchases of certain goods and services ranged from due on presentation of invoice to 60 days. Included in the Group's trade payables as at 31 December 2015 was an amount due to Niko Cleaning Services Limited ("Niko"), of approximately HK\$794,000 (30 June 2015: approximately HK\$794,000).

Niko is owned as to 60% by Mr. Fan shek Cheong Allan ("Mr. Fan"), and 40% by Ms. Fan Sheung Ting, Maria ("Ms. Fan"). Mr. Fan was an executive director of the Company until 2 December 2014 and the father-in-law of Mr. Wong Yin Jun, Samuel ("Mr. Wong"), who is the key management of the Group and was an executive director of the Company until 30 October 2014. Ms. Fan was a non-executive director of the Company until 26 September 2014, the daughter of Mr. Fan and lawful wife of Mr. Wong. Therefore, Niko is a related party of the Group.

### 13. DEFERRED REVENUE

	<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
Car beauty package	5,732	5,663
Car beauty membership	<u>904</u>	<u>916</u>
	<b><u>6,636</u></b>	<b><u>6,579</u></b>
Analysed for reporting purpose as:		
Current liabilities	6,636	6,579
Non-current liabilities	<u>–</u>	<u>–</u>
	<b><u>6,636</u></b>	<b><u>6,579</u></b>

Deferred revenue represents cash received or receivables from the sales of packages and membership of car beauty services in advance of services being rendered.

### 14. BOND

	<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
Unlisted corporate bond	<u>9,295</u>	<u>9,250</u>

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>
Amortised cost as at 30 June 2015 (Audited)	9,250
Interest charged	395
Interest included in other payables	<u>(350)</u>
Amortised cost as at 31 December 2015 (Unaudited)	<u>9,295</u>

## 15. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.0001 each		
As at 31 December 2015 (Unaudited)	<u>1,000,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.0001 each		
As at 30 June 2015 and 1 July 2015	10,000,000,000	1,000,000
Issuance of shares upon open offer ( <i>Note</i> )	<u>5,000,000,000</u>	<u>500,000</u>
Ordinary shares of HK\$0.0001 each		
As at 31 December 2015 (Unaudited)	<u>15,000,000,000</u>	<u>1,500,000</u>

*Note:*

On 6 November 2015, the Company announced its proposal to raise not less than approximately HK\$65 million and not more than approximately HK\$78 million before expenses by way of an open offer by issuing not less than 5,000,000,000 offer shares and not more than 6,000,000,000 offer shares on the basis of one offer share for every two Shares held by the qualifying shareholders at a subscription price of HK\$0.013 per offer share (the “Open Offer”). The Open Offer is fully underwritten by Orient Securities Limited (the “Underwriter”) pursuant to the underwriting agreement dated 6 November 2015 (the “Underwriting Agreement”) entered into between the Company and the Underwriter subject to the terms and conditions set out in the Underwriting Agreement. The aggregate nominal value of the offer shares will be not less than HK\$500,000 and not more than HK\$600,000.

The estimated net proceeds of the Open Offer will be approximately HK\$62.5 million assuming there is no change in the shareholding structure of the Company from the date of this announcement up to the record date. The Company intends to apply such net proceeds from the Open Offer as to (i) approximately HK\$28 million for the expansion of the cleaning and auto beauty services in the PRC region; (ii) approximately HK\$15.5 million for the expansion of the operation in Hong Kong including but not limited to expanding the contracting department so as to enhance the capability to obtain more high-value public tenders which the Company is lack of resources in the past, and also employing more cleaning staff in Hong Kong so as to provide more comprehensive services to the current and new customers; (iii) approximately HK\$9.5 million for the renewal and purchase of new machinery so as to improve the effectiveness of the services; and (iv) approximately HK\$9.5 million for the general working capital of the Company. The net price per offer share after deducting the related expenses of the Open Offer will be approximately HK\$0.0125. The Open Offer was completed on 9 December 2015. Details of the Open Offer and the results of the Open Offer were set out in the Company's prospectus dated 24 November 2015 and the Company's announcements dated 6 November 2015 and 14 December 2015.

Pursuant to the court orders made by the Cayman Islands court on 18 December 2015, amongst other things, the Net Proceeds of the Open Offer of appropriately HK\$62,524,000 are segregated and preserved until further court order made by the Cayman Islands court. Details of the court orders made by the Cayman Islands court are set out in the note 18(c) below.

## 16. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
Within one year	<b>5,922</b>	6,191
Within two to five years	<b>3,843</b>	5,768
	<b><u>9,765</u></b>	<b><u>11,959</u></b>

Operating lease payments represent rental payable for the Group's office premise, warehouse and director's quarter. Leases are negotiated for terms of one to three years and monthly rental is fixed throughout the lease period.

## 17. SHARE OPTION SCHEME

The Company conditionally operates a share option scheme (“Share Option Scheme”) for the purpose of attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The Share Option Scheme was adopted on 28 May 2013 and 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.

The eligible persons of the Share Option Scheme include directors, consultants or advisers and any other person who has contributed to the Group (the “Eligible Persons”).

The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange’s daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the board of directors, being a date not later than ten business days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date of acceptance of the offer (subject to the provisions for early termination in accordance with the Share Option Scheme).

The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the board of directors.

On 11 December 2015, an aggregate of 1,000,000,000 share options (the “Share Options”) to subscribe for an aggregate of 1,000,000,000 Shares under the Share Option Scheme were granted to certain eligible participants (the “Grantees”), subject to acceptance of the Grantees in accordance with the terms of the Share Option Scheme. For further details, please refer to the Company’s announcement dated 11 December 2015.

Pursuant to the notices of acceptance received, the offer in respect of 1,000,000,000 Share Options were accepted by the Grantees. From the date of grant of the Share Options up to date of this announcement, no Share Options have been exercised.

The movements in the Share Options granted under the Share Option Scheme during the period are shown below:

	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1 July 2015	Granted during the period	At 31 December 2015
Directors	11 December 2015	N/A	14 December 2015 – 10 December 2025	0.023	–	600,000,000	600,000,000
Employees other than directors	11 December 2015	N/A	16 December 2015 – 10 December 2025	0.023	–	400,000,000	400,000,000
					–	1,000,000,000	1,000,000,000
Weighted average exercise price					–		HK\$0.023
Weighted average of remaining contractual life					–		10 years

The weighted average fair value of each share option granted during the period was HK\$0.0066. The fair value of the Share Options has been determined based on the Trinomial Option Pricing Model estimated by an independent professional valuer. The fair value of the Share Options issued by the Company during the period was HK\$6,625,000. The following significant assumptions were used to derive the fair value:

	As at 31 December 2015
Underlying stock price (HK\$)	0.023
Exercise price (HK\$)	0.023
Risk-free rate (%)	0.27
Annualised dividend yield (%)	–
Expected volatility of underlying share (%)	73.59
Expected life (Year)	10

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No special features pertinent to the Share Options issued were incorporated into the measurement of the fair value.

## 18. CONTINGENT LIABILITIES

### (a) Performance bond

	<b>As at 31 December 2015 (Unaudited) HK\$'000</b>	<b>As at 30 June 2015 (Audited) HK\$'000</b>
Guarantees on performance bonds in respect of environmental service contracts	<b><u>12,903</u></b>	<b><u>13,469</u></b>

The Group had bankers' guarantees on performance bonds issued for due performance under several environmental service contracts.

As at 31 December 2015, fixed deposits of approximately HK\$6,867,000 (30 June 2015: approximately HK\$7,722,000) were pledged to banks as security for (i) bank facilities of approximately HK\$5,000,000 (30 June 2015: HK\$5,000,000) granted to the Group; and (ii) bankers' guarantees on performance bonds issued.

The effective period of performance bond is based on the service period and the contract terms as specified in these environmental several environmental service contracts. The performance bonds may be claimed by customers if services rendered by the Group fail to meet the standards as specified in these environmental service contracts.

### (b) Litigations – Employees personal injuries

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.

### (c) Litigations – Shareholder complaints

Reference is made to (i) the announcement and prospectus of the Company dated 6 November 2015 and 24 November 2015 respectively in respect of the open offer (the "Open Offer") conducted by the Company on the basis of one offer share for every two existing shares of the Company ("Share(s)") at a subscription price of HK\$0.013 per offer share; (ii) the circular of the Company and all the resolutions set out in the notice of annual general meeting both dated 30 November 2015; and (iii) the circular and the notice of extraordinary general meeting (the "EGM") of the Company dated 30 November 2015 in relation to the share consolidation of the Company to be held on 30 December 2015.

On 8 December 2015, the Company received a letter from Harney Westwood & Riegels (“Harney”), a Cayman Islands lawyer claiming that it, on behalf of Mr. Zhao Han (a shareholder holding 1,200,000,000 Shares), had concerns in respect of a disclosure of interest filed by China New Energy Power Group Limited (“CNEP”) on 13 November 2015 indicating that it had acquired an interest in an additional 3,755,500,000 Shares at an average price per Share of HK\$0.013 and as a result, CNEP was interested in a total of 4,466,500,000 Shares. Harney further raised concerns on how CNEP could acquire such large number of Shares at a price substantially lower than the then prevailing market price, and queried whether there had been any undisclosed arrangement between CNEP and the Company or the underwriter (“Underwriter”) of the Open Offer.

Harney has stated that they filed with the Cayman Islands courts on 7 December 2015 (i) a petition for the winding-up of the Company (the “Petition”); (ii) a summons for the appointment of joint provisional liquidators over the Company; and (iii) an ex-parte summons for an injunction pending the determination of the Petition, or further order of the Cayman Islands courts, to restrain the Company from taking any further steps in relation to, or continuing with, or implementing the Open Offer.

Based on the enquiry with the Underwriter, the Company understands that CNEP signed a subscription agreement with the Underwriter on 10 November 2015 pursuant to which CNEP had agreed to subscribe up to 3,400,000,000 untaken Shares under the Open Offer at HK\$0.013 per Shares, which, together with CNEP’s current shareholdings of 711,000,000 Shares and its entitlement under the Open Offer of 355,500,000 Shares, would make CNEP’s potential shareholdings up to a maximum of 4,466,500,000 Shares. On 10 November 2015, CNEP filed a disclosure of interest setting out the above details. The maximum potential shareholdings of CNEP of 4,466,500,000 Shares represent approximately 29.78% of the enlarged issue share capital of the Company after completion of the Open Offer.

Based on the best information, knowledge and believes of the Directors and having made all reasonable enquiries, CNEP is a party independent of and not connected with the Company and its connected persons. The Company has sought the advice from the Company’s legal adviser as to the Hong Kong laws and given to understanding that the entering into the subscription agreement between the Underwriter and CNEP is lawful and does not breach any terms of the Open Offer.

On 14 December 2015 Cayman Islands time, the Company was served with (i) a petition for the winding-up of the Company (the “Petition”); (ii) a summons for the appointment of joint provisional liquidators over the Company; (iii) an ex-parte summons for an injunction to restrain the Company from taking any further steps in relation to, or continuing with, or implementing the Open Offer; and (iv) related affidavits, issued from the Grand Court of the Cayman Islands (the “Court”) in which Mr. Zhou Han is the petitioner and applicant.

Mr. Zhou Han has alleged in the affidavits filed with the Court that, among others, (i) the Open Offer was made for the improper purpose of diluting his shareholdings in the Company; and (ii) the Company together with the Underwriter, CNEP and Kingston Securities Limited were acting in collusion to dilute his shareholdings.

A court hearing was fixed before the Court on 18 December 2015 and the Company attended the court hearing by its legal advisers in the Cayman Islands. The injunction application was withdrawn by the applicant prior to the said hearing.

According to the sealed copy order of the Court dated 18 December 2015 (“Court Order”), the Court has made, among others, the following orders:

- (a) the application for appointment of the joint provisional liquidators be adjourned generally;
- (b) a validation order be granted in respect of payments made into or out of the bank accounts of the Company in the ordinary course of business of the Company and dispositions of the property of the Company made in the ordinary course of its business for proper value between the date of presentation of the Petition and the date of judgment on the Petition or further order;
- (c) the Petition be against the Company;
- (d) trading of shares in the Company shall remain suspended until further Court order;
- (e) the proceeds of the Open Offer be segregated and preserved until further Court order;
- (f) the Company shall not convene a meeting of the shareholders without the leave of the Court, save for the annual general meeting already convened which shall be only in respect of members on the share register prior to 5 November 2015;
- (g) the Company may publicise the winding up petition as it chooses;
- (h) the Company shall disclose various documents to the applicant by 18 January 2016;
- (i) the Company shall serve its evidence on the Petition by 1 February 2016;
- (j) a case management conference shall take place on 12 February 2016.

In view of the Court Order, the board of the Company announced on 28 December 2015 that the EGM scheduled to be convened at 11:00 a.m. on Wednesday, 30 December 2015 will be postponed.

A court hearing was held on 29 December 2015, Cayman Islands time and the Court ordered that paragraph 7 of the Court Order be amended and varied so as to enable the AGM, scheduled to be convened at 10:30 a.m. on 30 December 2015, to take place with voting confined to members in respect of shares other than those issued or allotted in the Open Offer.

On 31 December 2015, the Company has filed the application (the “Application”) for leave to appeal with the Cayman Court. The Application is being dealt with ex parte on the papers by a single judge and subject to the decision of the judge on the Application.

The Company will continue to contest the Petition and is seeking legal advice on the appropriate actions to take regarding the Court Order.

Further announcement(s) will be made by the Company as to the progress of the legal proceedings as and when appropriate.

## **19. 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 2015 and 31 December 2014 and the three months ended 31 December 2015 and 31 December 2014 were approximately HK\$5,882,000, HK\$1,972,000, HK\$5,401,000 and HK\$1,030,000 respectively.
- b) During the six months ended 31 December 2015 and 31 December 2014 and the three months ended 31 December 2015 and 31 December 2014, the Group had also subcontracted certain environmental and cleaning contract to Niko at subcontracting fee charges of approximately HK\$2,382,000, HK\$1,018,000, HK\$1,191,000 and HK\$850,000.

Included in the Group's trade payables as at 31 December 2015 was an amount due to Niko of approximately HK\$794,000 (30 June 2015: approximately HK\$794,000).

## **20. EVENTS AFTER THE REPORTING PERIOD**

The Group had no significant events after the end of the reporting period.

## **BUSINESS OVERVIEW**

### **Environmental and Cleaning Services**

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 and their tenants, residential complexes, shopping arcades, hotels 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.

## **Auto Beauty Services**

On 31 March 2015, the Group completed the acquisition of the entire issued share capital of Elite Car Services Limited (the “Acquisition”). Elite Car Services Limited, through its subsidiaries, is principally engaged in auto beauty services for private cars under its own brand names “Champion Auto Club” and “E-Car” in Hong Kong. As at 31 December 2015, there were a total of 7 auto beauty centers located at car parking facilities and ground floor shops. The auto beauty services offered by Champion Auto Club and “E-Car” included auto body cleaning service, premium waxing service, carpet and sofa steaming treatment, auto compartment cleaning and vacuuming service, coating service and unrivalled air-purifying service.

## **BUSINESS REVIEW**

### **Environmental and Cleaning Services**

The Group was successful in renewing a number of environmental services contracts including the waste management contracts for one of the largest exhibition centres in Hong Kong as well as several cleaning service contracts for commercial buildings and hotels. During the period under review, the Group secured several significant environmental contracts including a toilet cleaning contract at the airport of Hong Kong, a bus and bus depot cleaning and fuel refilling contract, a cargo and logistic centre cleaning contract as well as the cleaning and restocking bathroom and seat amenities for one of the largest airline operators in Hong Kong. These contracts further strengthen our Group’s portfolio in the transportation sector and our reputation and the ability to provide 24/7 around the clock environmental services.

Compared to the first half of 2015, the Group’s revenue from the environmental and cleaning services increased by approximately 29.1%, it mainly due to additional contracts secured and regular price increment for our tenanted services contracts. The Group has taken a more proactive approach to gain additional market share in the environmental and cleaning services industry. We have increased our contracting and operational staff with a view to cope with the additional contracts. We shall continue to explore opportunities to expand our services to new and existing customers.

## **Auto Beauty Services**

During the six months ended 31 December 2015, Champion Auto Club and E-Car contributed revenue of approximately HK\$3.9 million to the Group's total revenue. Due to early termination by landlords of parking lots leases where we operated auto beauty centres, the total number of auto beauty centres operated at car parking facilities by Champion Auto Club and E-Car reduced from 8 auto beauty centres at the acquisition date on 31 March 2015 to 7 auto beauty centres as at 31 December 2015. The Group was successfully in bidding a new car park facility in Causeway Bay where we achieved modern success in first few months of operation. To deal with the more complex procedures of our coating services, the Group also opened two ground floor shops. As of 31 December 2015, the Group operates 5 car parking facilities and 2 ground floor shops. Together with the fierce competition from other competitors, Champion Auto Club still has not achieved any positive results since the date of completion of our acquisition. However, we have seen a modest improvement to the profit margin after revamping our marketing strategy through online marketing. The Group would continue to explore premium locations to setup new centres and explore joint promotion campaign with other premium brands and financial institutions to cross market our auto beauty services.

## **OUTLOOK**

### **Environmental and Cleaning Services**

The Group was successful in renewing the waste management and disposal contract for one of the major exhibition centres in Hong Kong, in which the Group has since provided service from 1998. This renewal shall be used as the backbone to support our existing waste collection fleets and enables the Group to explore other business opportunities to provide waste management services to our other clients. The Group was successful in securing several major environmental services contracts in the second half of 2015 providing (i) toilet cleaning services at the airport terminal of Hong Kong; (ii) general cleaning services at one of the major cargo and logistics centres; (iii) general cleaning services for one of the major public bus operators for the provision of bus, bus depot cleaning and fuel refilling services. We believe these contracts in the transportation sector demonstrate the Group's ability to provide 24/7 around the clock environmental services. The cleaning contract to provide toilet cleaning services at the airport terminal of Hong Kong is significant for the Group as (i) being the first time we provide such toilet cleaning services for the airport; (ii) demonstrating our ability to compete with other major contractors for environmental services at the airport; and (iii) our ability to showcase the Group's service quality to travelers around the world. The Group was also successful in renewing a cleaning and restocking bathroom and seat amenities for one of the largest airline operators in Hong Kong and was successful in doubling the contract size for this contract during the renewal. Along with the other major contracts secured, we have demonstrated our ability to

provide large scale environmental services and strengthen our reputation as one of the largest environmental services provider in Hong Kong. We would continue to enhance the quality of services by providing training to our front line staff. Labor market competition has intensified with the upward adjustment of Statutory Minimum Wage (“SMW”) in Hong Kong effective from May 2015. Based on the Group’s experience, the upward adjustment of SMW will lead to higher labor turnover rate in the environmental services industry as more labor tend to work in other less laborious industries such as the security guard service industry. To offset the increase in labor costs, the Group is striving to transfer most of the increased labor costs to our customers. The Group is closely monitoring the labor turnover rate and regularly reviews our remuneration package in order to maintain sufficient labor force.

Looking forward, we would strengthen our marketing effort in hope to expand our market shares in the commercial and transportation sectors and continue to consolidate our resources to focus on high value customers to bring in additional revenue by cross-selling other cleaning and waste management services to our existing customers. We believe this strategy may not only improve our revenue per customer but also increase our profit margin as we could leverage our existing manpower to perform services at location where we already have presence. We would continue to streamline our waste management and disposal services by redeploying our waste collection fleet to higher margin customers. To lower the cost of room attendants for the hospitality sector, we shall conduct additional training and seminars. Our success in the transportation sector shall allow the Group to build up reference for the provision of environmental services.

To further enhance our revenue stream, we would also use our best endeavour to expand our geographical coverage from Hong Kong to the People’s Republic of China (“PRC”) region. The Group is actively searching for opportunities where we can to introduce our accumulated environmental services experience and quality to the PRC market.

### **Auto Beauty Services**

The Group would use its best endeavour to improve the performance of Champion Auto Club and E-Car including but not limited to enhancing the variety and quality of services provided, improving the geographical coverage and also enhancing the business strategy in sales and marketing. The Group shall utilize the existing customer network from our environmental services and cleaning services and perform some cross selling and promotion to improve the sales of Champion Auto Club and E-Car. In addition, we would also place more marketing effort with a view to enhancing our brand recognition in Hong Kong. We will also focus on high value customers who are more willing to spend on their luxury cars in order to generate more revenue. The number of auto beauty centres located at car parking facilities further reduced from 5 to 4 in January 2016 as the Group opted to not renew one location as part of

our new strategy to focus on more premium car parking facilities.. The Group would continue to explore joint promotion campaign with other premium brands and financial institutions to cross market our auto beauty services We are also seeking potential strategic partners who have the capability and experience in providing cleaning and auto beauty services in the PRC with a view to expanding our geographical coverage.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 31 December 2015, the Group reported a revenue of approximately HK\$128.9 million (six months ended 31 December 2014: approximately HK\$96.8 million), representing an increase of approximately 33.1% mainly due to (i) increase in the revenue from the environmental and cleaning services by approximately HK\$28.2 million to HK\$125.0 million (six months ended 31 December 2014: approximately HK\$96.8 million) as a result of regular price increment for own tenanted services contracts and successful bid of services contracts for one of the largest airline carriers, commercial complexes and transportation services providers in Hong Kong; and (ii) contribution of the revenue of approximately HK\$3.9 million from the newly acquired auto beauty services business in April 2015.

### **Cost of Services, Gross Profit and Gross Profit Margin**

The Group's cost of services increased by approximately 42.2% to approximately HK\$117.2 million (six months ended 31 December 2014: approximately HK\$82.5 million) for the six months ended 31 December 2015. Our cost of services primarily comprised direct wages, direct overhead expenses, consumables and sub-contracting fees. The increase in the cost of services was mainly due to (i) increase in direct labor and manpower services costs by approximately HK\$33.9 million incurred from the environmental and cleaning services business as a result of successful bid of additional service contracts and the upward adjustment of SMW in Hong Kong effective from May 2015 and the intensifying labor market competition in the environmental and cleaning services business during the period; and (ii) additional direct labor costs and direct overheads of approximately HK\$1.1 million incurred from the auto beauty services business.

The gross profit of the Group for the six months ended 31 December 2015 decreased by approximately HK\$2.7 million to approximately HK\$11.7 million (six months ended 31 December 2014: approximately HK\$14.4 million) was mainly due to the net effect of (i) decrease in the gross profit by approximately HK\$5.5 million generated from the environmental and cleaning business; and (ii) additional gross profit of approximately HK\$2.8 million generated from the auto beauty services business.

The gross profit margin of the Group for the six months ended 31 December 2015 decreased by approximately 5.7% to approximately 9.1% (six months ended 31 December 2014: approximately 14.8%).

The decrease in the gross profit and gross profit margin of the Group for the period was mainly due to the decrease in the gross profit margin from the environmental and cleaning business for the six months ended 31 December 2015 by approximately 7.7% to approximately 7.1% (six months ended 31 December 2014: approximately 14.8%) as a result of (i) the inflation in direct labor and manpower services costs as a result of the upward adjustment of SMW in Hong Kong effective from May 2015 and the intensifying labor market competition in the environmental and cleaning services business; and (ii) lower profit margin of some newly secured service contracts with a view to gain additional market share in the environmental and cleaning services business.

### **Administrative Expenses**

The Group's administrative expenses increased by approximately HK\$18.7 million to approximately HK\$29.7 million (six months ended 31 December 2014: approximately HK\$11.0 million) for the six months ended 31 December 2015. The increase was mainly due to (i) increase in legal and professional fees by approximately HK\$1 million mainly incurred for the professional advisory services for the Group's operations and legal issues; (ii) additional administrative expenses incurred from the auto beauty services business amounting to approximately HK\$4.7 million; (iii) increase in staff costs for directors and administrative staff of approximately HK\$3.9 million as a result of the increase in the number and salaries and allowances of directors and administrative staff for further development of the existing businesses and the auto beauty businesses and future potential development of businesses in PRC; and (iv) recognition of the share-based payment expenses of approximately HK\$6.6 million related to the grant of share options to eligible persons of the Group on 11 December 2015 which is one-off and non-cash in nature.

### **(Loss)/Profit Attributable to Owners of the Company**

The Group incurred a net loss attributable to owners of the Company of approximately HK\$19.6 million for the six months ended 31 December 2015 as compared to the net profit attributable to owners of the Company of approximately HK\$2.2 million for the six months ended 31 December 2014. The deterioration from the net profit for the six months ended 31 December 2014 to the net loss for the six months ended 31 December 2015 was primarily attributable to decrease in gross profit and increase in administrative expenses with the factors as described above.

## **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 2015, the Group had financed its operations and capital requirements through operating cash flows, net proceeds from the equity financing.

During the period, the issued share capital of the Company was increased from 10,000,000,000 ordinary shares of HK\$0.0001 each (the "Shares") to 15,000,000,000 Shares of HK\$0.0001 each as a result of the issuance of 5,000,000,000 offer shares on 9 December 2015 by way of an open offer of one offer share for every two Shares held by the qualifying shareholders at a subscription price of HK\$0.013 per offer share. Details of issuance of shares are set out in the note 15 to the unaudited condensed consolidated financial statements.

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK\$88.8 million (30 June 2015: approximately HK\$45.4 million). The increase was mainly attributable to the proceeds from the net proceeds from the Open Offer.

As at 31 December 2015, the Group had net current assets of approximately HK\$116.5 million (30 June 2015: approximately HK\$69.5 million) and current ratio of approximately 3.8 (30 June 2015: approximately 2.73) which remain healthy.

As at 31 December 2015, the total debt of the Group were approximately HK\$10.2 million (30 June 2015: approximately HK\$10.3 million) which include bank borrowing of approximately HK\$Nil (30 June 2015: approximately HK\$0.3 million), obligations under finance leases of approximately HK\$0.9 million (30 June 2015: approximately HK\$0.8 million) and unlisted corporate bond of approximately HK\$9.3 million (30 June 2015: HK\$9.2 million). The gearing ratio of the Group (calculated by dividing total debt by total equity) as at 31 December 2015 was approximately 8.1% (30 June 2015: approximately 13.4%). The decrease was mainly due to the increase in the equity base by approximately HK\$62.5 million from the net proceeds of the open offer during the six months ended 31 December 2015.

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 2015, the Group had obligations under finance leases of approximately HK\$0.9 million (30 June 2014: approximately HK\$0.8 million), of which approximately HK\$0.5 million (30 June 2015: approximately HK\$0.7 million) was repayable within one year. Such obligations under finance leases were secured by the relevant motor vehicles.

As at 31 December 2015, the Group had bank deposits of approximately HK\$6.9 million (30 June 2015: approximately HK\$7.7 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.

## **Contingent Liabilities**

Save as disclosed in the note 18 to the unaudited condensed consolidated financial statements, the Group had no other material contingent liabilities as at 31 December 2015 and 30 June 2015.

## **Information on Employees**

As at 31 December 2015, the Group had 962 permanent staff in Hong Kong. Total staff costs and related expenses (including Directors' remuneration and excluding share-based payment expenses) for the six months ended 31 December 2015 increased by approximately 63.3% to approximately HK\$82.4 million over that for the same period of the previous year. The increase was mainly due to employment of more on-site staff were employed 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 2015 nor material acquisitions or disposals of subsidiaries made by the Group during the six months ended 31 December 2015.

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. If opportunities arise, the Group may also expand its auto beauty services in the PRC. The Group is still striving to seek potential acquisitions and strategic partners that will have a capability and experience to make a valuable contribution to the development of the abovementioned businesses in the PRC.

### **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 2015.

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

### **Executive Directors**

- Ms. Wong Chi Yan – resigned as the independent non-executive director of Co-Prosperity Holdings Limited (Stock Code: 707) with effect from 25 January 2016
- Mr. Zhang Xiaozheng – appointed on 19 October 2015 for a director fee of HK\$360,000 per annum
- Ms. Wang Jun – appointed on 12 November 2015 for a director fee of HK\$360,000 per annum
- Mr. Cao Zhiwen – resigned on 19 October 2015

### **Non-executive Directors**

- Mr. Xu Xiaoping – appointed on 22 October 2015 for a director fee of HK\$360,000 per annum
- Ms. Li Qingchen – appointed on 12 November 2015 for a director fee of HK\$360,000 per annum

### **Independent Non-Executive Director**

- Mr. Chow Chun Hin Leslie – appointed on 23 September 2015 for a director fee of HK\$120,000 per annum
- Mr. Chan Chi Tong, Kenny – retired on 4 February 2016
- Mr. Chen Kwok Wang – retired on 4 February 2016

All newly appointed executive Directors, non-executive Director 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 articles of association of the Company.

## **SHARE OPTIONS**

### **(1) Share Option Scheme**

The Share Option Scheme was adopted and approved by shareholders of the Company on 28 May 2013 and shall be valid and effective for a period of ten years commencing from the date of adoption. The summary of the Share Option Scheme and the movements in the share option granted under the Share Option Scheme during the period are set out in the note 17 to the unaudited condensed consolidated financial statements.

### **(2) Share Warrants**

On 20 December 2014, the Company issued 2,000,000,000 unlisted warrants (the “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\$0.1343 per share (as adjusted by the completion of the Share subdivision of the Company on 17 November 2014 and the completion of the Open Offer on 9 December 2015) at any time during a period of 12 months commencing from the date immediately after three months from the date of the Subscription Agreement. No Warrants have been exercised up to the date of this announcement and the expiry date. The Warrants expired on 28 January 2016.

## **DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

Save as disclosed below, as at 31 December 2015, 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.

## Interests in share options

Name	Type of interests	Outstanding shares option as at 31 December 2015	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2015
Chan Wai Kit	Personal	100,000,000	0.67%
Wong Chi Yan	Personal	100,000,000	0.67%
Wang Jun	Personal	100,000,000	0.67%
Zhang Xiaozheng	Personal	100,000,000	0.67%
Xu Xiaoping	Personal	100,000,000	0.67%
Li Qingchen	Personal	100,000,000	0.67%

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2015, 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 (Note 1)	1,200,000,000	Long	8.00%
China New Energy Power Group Limited	The Company	Interest in controlled corporation (Note 2)	735,000,000	Long	4.90%
	The Company	Interest in controlled corporation (Note 2)	1,186,900,000	Long	7.91%
Wang Ying	The Company	Beneficial owner (Note 3)	969,472,040	Long	6.46%

*Notes:*

1. Ms. Gao Lili is the spouse of Mr. Zhao Han, Ms. Gao Lili is deemed to be interested in 12% interests in the share capital of the Company under the SFO.
2. China New Energy Power Limited directly holds 100% interest in Source Peak Limited. China New Energy Power Limited is deemed to be interested in 4.90% interests in the share capital of the Company which are beneficially owned by Source Peak Limited under SFO.

China New Energy Power Limited indirectly holds 100% interest in Legito Company Limited. China New Energy Power Limited is deemed to be interested in 7.91% interests in the share capital of the Company which are beneficially owned by Legito Company Limited under SFO.

3. Wang Ying is the beneficial owner of 969,472,040 Warrants where expired on 28 January 2016.

## **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.

## **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 2015.

## **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.

## **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 2015 and up to date of this announcement, except for the deviation of Code as follow:

- (i) Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period under review, the roles of chairman and chief executive officer of the Company were performed by the executive director, Mr. Chan Wai Kit. The Company considered that the combination of the roles of chairman and chief executive officer 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.
- (ii) A.4.1 of the Code stipulates that all non-executive directors should be appointed for a specific term, subject to re-election. Currently, all non-executive directors, including the independent non-executive directors are not appointed for a specific term. They are, however, subject to the retirement by rotation and re-election of directors in the articles of association of the Company. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the Code.

(iii) Under Rule 5.05A of the GEM Listing Rules, the Company is required to appoint independent non-executive Directors (the “INED”) representing at least one-third of the members of the Board. Following the retirement of Mr. Chan Chi Tong, Kenny (“Mr. Chan”) and Mr. Chen Kwok Wang (“Mr. Chen”) as the INED of the Company at the annual general meeting held on 30 December 2015, the Company has two INEDs and two audit committee members, the number of which falls below the minimum number required under Rules 5.05(1), 5.05(2), 5.05A and 5.28 of the GEM Listing Rules. The Board would make its best endeavours to identify an appropriate person to be appointed as INEDs to fill the vacancy in the audit committee of the Company within three months from the date of Mr. Chan’s and Mr. Chen’s retirement pursuant to Rules 5.06 and 5.33 of the GEM Listing Rules. Further announcement will be made by the Company in relation to such appointment as and when appropriate.

## **REVIEW BY THE AUDIT COMMITTEE**

As at date of this announcement, the audit committee consists of two members, namely Mr. Chui Chi Yun, Robert, (chairman of the audit committee) and Mr. Chow Chun Hin, Leslie, 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 2015; 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**  
**Chan Wai Kit**  
*Chairman and Executive Director*

Hong Kong, 5 February 2016

*As at the date of this announcement, the Board of the Company comprises four executive Directors, Mr. Chan Wai Kit, Mr. Zhang Xiaozheng, Ms. Wong Chi Yan and Ms. Wang Jun, two non-executive Directors, Mr. Xu Xiaoping and Ms. Li Qingchen and two independent non-executive Directors, Mr. Chui Chi Yun, Robert and Mr. Chow Chun Hin Leslie.*