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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2016

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 QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the nine months ended 31 March 2016, together with the unaudited comparative figures for the corresponding periods in 2015, as follows:

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

For the three months and the nine months ended 31 March 2016

		Nine months ended		Three months ended	
		31 March		31 March	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	196,451	150,595	67,515	53,751
Cost of services		(177,026)	(130,872)	(59,799)	(48,406)
Gross profit		19,425	19,723	7,716	5,345
Other income and gains	4	1,331	935	2	110
Selling and marketing expenses		(3,822)	(772)	(1,347)	(395)
Administrative expenses		(46,525)	(22,016)	(16,803)	(10,995)
Finance costs		(631)	(378)	(114)	(222)
Loss before taxation	5	(30,222)	(2,508)	(10,546)	(6,157)
Income tax credit/(expenses)	6	67	(1,683)	45	(229)
Loss for the period		(30,155)	(4,191)	(10,501)	(6,386)

	Nine months ended		Three months ended	
	31 March		31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive loss				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translating foreign operations	<u>(606)</u>	<u>–</u>	<u>101</u>	<u>–</u>
Total comprehensive loss for the period	<u>(30,761)</u>	<u>(4,191)</u>	<u>(10,400)</u>	<u>(6,386)</u>
Loss for the period attributable to:				
Owners of the Company	(30,045)	(4,191)	(10,470)	(6,386)
Non-controlling interests	<u>(110)</u>	<u>–</u>	<u>(31)</u>	<u>–</u>
	<u>(30,155)</u>	<u>(4,191)</u>	<u>(10,501)</u>	<u>(6,386)</u>
Total comprehensive loss for the period attributable to:				
Owners of the Company	(30,651)	(4,191)	(10,369)	(6,386)
Non-controlling interests	<u>(110)</u>	<u>–</u>	<u>(31)</u>	<u>–</u>
	<u>(30,761)</u>	<u>(4,191)</u>	<u>(10,400)</u>	<u>(6,386)</u>
Loss per share				
– Basic and diluted (HK cents)	8			
	<u>(2.19)</u>	<u>(0.34)</u>	<u>(0.70)</u>	<u>(0.52)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months and the nine months ended 31 March 2016

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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 June 2013. The Company's principal activity is investment holding and the principal activity of its principal subsidiaries is the provision of environmental cleaning services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited condensed consolidated results are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 July 2015, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

The unaudited condensed consolidated results 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 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:

	Nine months ended		Three months ended	
	31 March		31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Service income from Environmental and Cleaning	190,471	150,595	65,449	53,751
Service income from AUTO	5,980	–	2,066	–
	<u>196,451</u>	<u>150,595</u>	<u>67,515</u>	<u>53,751</u>

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

4. OTHER INCOME AND GAINS

	Nine months ended 31 March		Three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other income:				
Interest income	25	40	2	9
Sundry income	554	337	–	101
Reversal of provision for long service payment	–	470	–	–
	<u>579</u>	<u>847</u>	<u>2</u>	<u>110</u>
Other gains:				
Gains on disposal of property, plant and equipment	752	88	–	–
	<u>–</u>	<u>88</u>	<u>2</u>	<u>–</u>
	<u>1,331</u>	<u>935</u>	<u>2</u>	<u>110</u>

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Nine months ended 31 March		Three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Amortisation of intangible assets	169	–	56	–
Depreciation of property, plant and equipment	4,898	3,800	1,399	1,231
Cost of consumable goods	2,764	6,322	935	5,160
Loss on written off of property, plant and equipment	552	–	146	–
Staff costs including Directors' emoluments:				
Salaries and wages	119,733	82,000	40,509	30,941
Long service payment	150	39	64	31
Allowances and others	160	227	69	184
Contributions to defined contribution retirement plans	4,647	3,159	1,617	1,178
Share-based payment expenses	6,625	–	–	–
	<u>131,315</u>	<u>85,425</u>	<u>42,259</u>	<u>32,334</u>
Minimum lease payments under operating leases	<u>5,319</u>	<u>1,721</u>	<u>1,707</u>	<u>575</u>

6. INCOME TAX (CREDIT)/EXPENSES

	Nine months ended		Three months ended	
	31 March		31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax				
Provision for the period	236	1,959	25	313
Over-provision for prior years	–	(47)	–	(10)
Deferred tax credit	<u>(303)</u>	<u>(229)</u>	<u>(70)</u>	<u>(74)</u>
Income tax (credit)/expenses	<u>(67)</u>	<u>1,683</u>	<u>(45)</u>	<u>229</u>

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

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2016 (nine months ended 31 March 2015: HK\$Nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Nine months ended		Three months ended	
	31 March		31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(30,045)</u>	<u>(4,191)</u>	<u>(10,470)</u>	<u>(6,386)</u>
	'000	'000	'000	'000
		(Restated)		(Restated)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,371,679</u>	<u>1,240,000</u>	<u>1,500,000</u>	<u>1,240,000</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share subdivisions made on 17 November 2014, the issuance of shares upon an open offer on 9 December 2015 and share consolidation made on 15 March 2016.

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 nine months ended 31 March 2016 and 2015 and the three months ended 31 March 2016 and 2015.

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 nine months ended 31 March 2016 and the three months ended 31 March 2016.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2016

	Attributable to owners of the Company							Equity attributable to owners of the Company	Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserve	Contribution surplus	Foreign currency translation reserve	Warrant reserve	Option reserve				
	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	-	-	-	-	-	-	-	(30,045)	(30,045)	(110)	(30,155)
Exchange differences arising on translating foreign operations	-	-	-	-	(606)	-	-	-	(606)	-	(606)
Total comprehensive loss for the period	-	-	-	-	(606)	-	-	(30,045)	(30,651)	(110)	(30,761)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	6,625	-	6,625	-	6,625
Issue of shares pursuant to an open offer	500	64,500	-	-	-	-	-	-	65,000	-	65,000
Share issue expenses	-	(2,476)	-	-	-	-	-	-	(2,476)	-	(2,476)
Expiry of the unlisted warrants	-	-	-	-	-	(39,500)	-	39,500	-	-	-
As at 31 March 2016 (unaudited)	1,500	84,384	1,000	21,400	(629)	-	6,625	957	115,237	(209)	115,028
As at 1 July 2014	1,000	22,360	1,000	21,400	-	-	-	18,707	64,467	-	64,467
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	(4,191)	(4,191)	-	(4,191)
Issue of warrants	-	-	-	-	-	40,000	-	-	40,000	-	40,000
Transactions for issue of warrants	-	-	-	-	-	(500)	-	-	(500)	-	(500)
As at 31 March 2015 (unaudited)	1,000	23,360	1,000	21,400	-	39,500	-	14,516	99,776	-	99,776

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. During the nine months ended 31 March 2016, the balance of this reserve has been transferred to the retained earnings account upon expiry of unlisted warrants on 26 January 2016.
- (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.

10. EVENT AFTER THE REPORTING PERIOD

(i) Acquisition of a new business

On 11 April 2016, the Company entered into an agreement for sale and purchase (the “Acquisition Agreement”) with Sky Hero Holdings Limited (the “Vendor”), pursuant to which, among other things, the Company has agreed to acquire and the Vendor has agreed to sell the entire issued share capital of Logon Clean Energy Group Limited (the “Target Company”) at a cash consideration of HK\$30,900,000. The Target Company, through its subsidiaries, is principally engaged in the provision of property management services and car park management services in Shenzhen, the People’s Republic of China (the “PRC”).

(ii) Litigation

Reference is made to the Company's announcements dated 9 December 2015, 24 December 2015, 30 December 2015, 4 February 2016, 16 February 2016, 1 March 2016 and 12 April 2016 (the "Announcements") relating to the updates on the legal proceedings in the Cayman Islands. Unless stated otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

On 11 April 2016 Cayman time, the Cayman Court has made the following orders :

- (a.) The Petition for the winding up of the Company ("the Petition") be struck out as an abuse of the process;
- (b.) The Petitioner shall pay the Company's costs of the Petition, such costs to be taxed, if not agreed, on the standard basis in respect of costs incurred up to 5 February 2016 and on the indemnity basis in respect of costs incurred thereafter.

The Cayman Court has also made an Injunction Order on 11 April 2016 Cayman time on, among others, the following terms:

- (a.) The Petitioner, be restrained, by himself, his servants or agents or otherwise disposing of or dealing with his shares in the Company, whether registered in his own name or held in name of a CCASS Participant or any other nominee, and whether by means of sale, gift, mortgage, charge, loan, or otherwise howsoever, pending the payment of the full amount due to the Company under the Order for Costs.
- (b.) The injunction contained in Paragraph 1 of the Injunction Order shall cease to have any effect in the event that the Petitioner has paid the sum of US\$675,000 (or such lesser amount as may be agreed with the Company) into Court pending taxation of the Company's bill of costs.
- (c.) The Petitioner shall have liberty to apply to vary or discharge the Injunction Order upon giving not less than 48 hours prior notice to the Company's attorneys.

The Company is currently seeking legal advice and will take steps to recover the costs of the proceedings.

On 9 May 2016, the Company has successfully obtained an injunction order from the High Court of Hong Kong on an ex parte basis against Mr. Zhao Han, among others, that he must not remove from Hong Kong, dispose of or deal with or diminish the value of any of his assets which are within Hong Kong, up to the value of US\$675,000 (HK\$5,265,000). Such prohibition includes the shares in the Company held by Mr. Zhao Han in his name or through licensed securities dealers.

Further announcement(s) will be made by the Company on the progress of the above matters as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

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 name “E-Car” (formerly known as “Champion Auto Club”) in Hong Kong. As at 31 March 2016, there were a total of 6 auto beauty centers located at car parking facilities and ground floor shops. The auto beauty services offered by “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 three quarters of 2015, the Group's revenue from the environmental and cleaning services increased by approximately 26.5%, 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 not only in Hong Kong but also into the PRC.

Auto Beauty Services

During the nine months ended 31 March 2016, E-Car contributed revenue of approximately HK\$6.0 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 E-Car reduced from 8 auto beauty centres at the acquisition date on 31 March 2015 to 6 auto beauty centres as at 31 March 2016. 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 March 2016, the Group operates 4 car parking facilities and 2 ground floor shops. Together with the fierce competition from other competitors, E-Car 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 and refining our sales package. The Group would use its best endeavour 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 provided service since 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 award of the cleaning contract at the airport terminal of Hong Kong demonstrates our outstanding ability to compete with other major contractors for environmental services, it also provides an opportunity for us 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 and cope with the changing environment.

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 PRC region. The Group is actively searching for opportunities where we can introduce our environmental services experience to the PRC market.

Expansion of the environmental and cleaning business in the PRC

On 7 March 2016, PPS Environmental Services Limited (“PPS Environmental”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with several Vendors pursuant to which PPS Environmental has conditionally agreed to acquire from the vendors 51% equity interest in Shanghai Sheng Mao Cleaning Services Company Limited (the “Target Company”) at a total cash consideration of RMB2.5 million (the “Possible Acquisition”). Upon completion of the Possible Acquisition, the Target Company will be owned as to 51% by PPS Environmental and 49% by the vendor. Details of the Possible Acquisition are set out in the announcement of the Company dated 7 March 2016. The Target Company is principally engaged in the provision of cleaning and environmental services, property management and sale of machinery in Shanghai, the PRC. The Board considers that the Possible Acquisition would enable the Group to expand its geographical coverage from Hong Kong into the PRC and to enhance its portfolio in cleaning and environmental services segment. Up to the date of this announcement, the Possible Acquisition has not yet been completed as certain conditions precedent under the equity transfer agreement have yet been fulfilled.

Auto Beauty Services

The Group would use its best endeavour to improve the performance of 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 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 February 2016 as the Group has adopted a new strategy to focus on more premium car parking facilities and ground floor shops. During the period under review, the Group has opened 2 ground floor shops. 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.

Property and car park management

As announced by the Company on 11 April 2016, the Company completed the acquisition of the entire issued share capital of Logon Clean Energy Limited (the “Logon Acquisition”). Logon Clean Energy Limited, through its subsidiaries, (collectively referred to as the “Logon Group”) is principally engaged in the provision of property management services and car park management services in Shenzhen, the PRC.

According to the conditions of the Logon Acquisition, amongst other things, (i) certain key management personnel employed by the Logon Group prior to the Logon Acquisition will be retained as the key management personnel of the Logon Group (the “Retained Management”) for a period from the date of the Acquisition to 30 June 2019; and (ii) Sky Hero Holdings Limited (the “Vendor”) irrevocably and unconditionally warrants and guarantees to the Company that the audited consolidated net profit before tax of the Logon Group for the period from the date of the Logon Acquisition to 30 June 2019 will reach certain amounts of profit (the “Guaranteed Profits”). Details of the Logon Acquisition are set out in the announcement of the Company dated 11 April 2016.

Through the Logon Acquisition and the arrangements of Retained Management and Guaranteed Profits, it is believed that the Group can (i) further expand the existing businesses and the new property management and car park management business into Shenzhen, the PRC; (ii) continue to develop the Logon Group with the assistance of the Retained Management in managing and operating the Logon Group; (iii) diversify the Group's business portfolio into a new section and introduce a new revenue stream of the Group; and (iv) accelerate its expansion of the environmental and cleaning services and the auto beauty services of the Group into the PRC.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 March 2016, the Group reported a revenue of approximately HK\$196.5 million (nine months ended 31 March 2015: approximately HK\$150.6 million), representing an increase of approximately 30.9% mainly due to (i) increase in the revenue from the environmental and cleaning services by approximately HK\$39.9 million to approximately HK\$190.5 million (nine months ended 31 March 2015: approximately HK\$150.6 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\$6.0 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 35.2% to approximately HK\$177.0 million (nine months ended 31 March 2015: approximately HK\$130.9 million) for the nine months ended 31 March 2016. 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\$44.3 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\$1.8 million incurred from the newly acquired auto beauty services business in April 2015.

The gross profit of the Group for the nine months ended 31 March 2016 decreased by approximately HK\$0.3 million to approximately HK\$19.4 million (nine months ended 31 March 2015: approximately HK\$19.7 million) was mainly due to the net effect of (i) decrease in the gross profit by approximately HK\$4.5 million generated from the environmental and cleaning business; and (ii) additional gross profit of approximately HK\$4.2 million generated from the newly acquired auto beauty services business in April 2015.

The gross profit margin of the Group for the nine months ended 31 March 2016 decreased by approximately 3.2% to approximately 9.9% (nine months ended 31 March 2015: approximately 13.1%).

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 nine months ended 31 March 2016 by approximately 5.1% to approximately 8.0% (nine months ended 31 March 2015: approximately 13.1%) 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\$24.5 million to approximately HK\$46.5 million (nine months ended 31 March 2015: approximately HK\$22.0 million) for the nine months ended 31 March 2016. The increase was mainly due to the net effect of: (i) increase in legal and professional fees by approximately HK\$8.9 million mainly incurred for the professional advisory services for the Group's operations and legal issues; (ii) additional administrative expenses incurred from the newly acquired auto beauty services business amounting to approximately HK\$7.0 million; (iii) increase in staff costs for directors and administrative staff of approximately HK\$4.4 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 Attributable to Owners of the Company

The Group incurred a net loss attributable to owners of the Company of approximately HK\$30.0 million for the nine months ended 31 March 2016 as compared to the net loss attributable to owners of the Company of approximately HK\$4.2 million for the nine months ended 31 March 2015. The significant increase in the net loss for the nine months ended 31 March 2016 as compared to the net loss for the nine months ended 31 March 2015 was primarily attributable to decrease in gross profit and increase in administrative expenses with the factors as described above.

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2016.

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 Directors

- Mr. Huang Ke – appointed on 1 March 2016 for a director fee of HK\$120,000 per annum
- Mr. Kwong Tsz Ching Jack – appointed on 25 April 2016 for a director fee of HK\$120,000 per annum
- Mr. Chow Chun Hin Leslie – appointed on 23 September 2015 for a director fee of HK\$120,000 per annum
- resigned on 25 April 2016
- 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 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 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 movements in the share option granted under the Share Option Scheme during the period (as adjusted by the share consolidation made on 15 March 2016) 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 March 2016
Directors	11 December 2015	N/A	14 December 2015 – 10 December 2025	0.23	–	60,000,000	60,000,000
Employees other than directors	11 December 2015	N/A	16 December 2015 – 10 December 2025	0.23	–	40,000,000	40,000,000
						<u>100,000,000</u>	<u>100,000,000</u>
Weighted average exercise price					<u>–</u>		<u>HK\$0.23</u>
Weighted average of remaining contractual life					<u>–</u>		<u>10 years</u>

(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 March 2016, 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	Approximate percentage of the underlying shares to the share capital of the Company	
		Outstanding shares option as at 31 March 2016	as at 31 March 2016
Chan Wai Kit	Personal	10,000,000	0.67%
Wong Chi Yan	Personal	10,000,000	0.67%
Wang Jun	Personal	10,000,000	0.67%
Zhang Xiaozheng	Personal	10,000,000	0.67%
Xu Xiaoping	Personal	10,000,000	0.67%
Li Qingchen	Personal	10,000,000	0.67%

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2016, 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)	120,000,000	Long	8.00%
China New Energy Power Group Limited	The Company	Interest in controlled corporation (Note 2)	73,500,000	Long	4.90%
	The Company	Interest in controlled corporation (Note 2)	118,690,000	Long	7.91%

Notes:

1. Ms. Gao Lili is the spouse of Mr. Zhao Han, Ms. Gao Lili is deemed to be interested in 8.00% 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.

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 nine months ended 31 March 2016.

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 nine months ended 31 March 2016 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 for a period from the date Mr. Chan’s and Mr. Chen’s retirement to 29 February 2016, 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 Company complied with Rule 5.05A of the GEM Listing Rules that sufficient number of the INED have been appointed from 1 March 2016.

REVIEW BY THE AUDIT COMMITTEE

As at date of this announcement, the audit committee consists of three members, namely Mr. Chui Chi Yun, Robert, (chairman of the audit committee), Mr. Huang Ke and Mr. Kwong Tsz Ching Jack, 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 nine months ended 31 March 2016; 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

HKSAR, 10 May 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 three independent non-executive Directors, Mr. Chui Chi Yun, Robert, Mr. Huang Ke and Mr. Kwong Tsz Ching Jack.

This announcement will remain on the “Latest Company Announcements” 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.