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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 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 the Growth Enterprise Market of the Stock Exchange 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.

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 30 June 2016 is as follows:

- During the year ended 30 June 2016, the Group generated revenue of approximately HK\$269.4 million, which represented an increase of approximately 33.2% over the revenue of approximately HK\$202.2 million for the year ended 30 June 2015.
- The gross profit increased by approximately 19.4% from approximately HK\$23.7 million for the year ended 30 June 2015 to approximately HK\$28.3 million for the year ended 30 June 2016.
- The Group recorded a net loss of approximately HK\$51.2 million for the year ended 30 June 2016 as compared to the net loss of approximately HK\$27.2 million for the year ended 30 June 2015.
- The net loss for the year ended 30 June 2016 was primarily attributable to the following reasons, including, amongst others:
 - (i) the decrease in the gross profit generated from our environmental and cleaning business in Hong Kong by approximately HK\$3.2 million from approximately HK\$22.7 million for the year ended 30 June 2015 to approximately HK\$19.5 million for the year ended 30 June 2016 as a result of (a) the inflation in the direct labour costs and sub-contracting fees; and (b) the deterioration of the profit margin ratio of some contracts secured due to fierce market competition;
 - (ii) the net loss of approximately HK\$4.4 million from the auto beauty services business for the year ended 30 June 2016;
 - (iii) the recognition of the share-based payment expenses of approximately HK\$6.6 million for the year ended 30 June 2016 related to the grant of the share options as announced by the Company on 11 December 2015;
 - (iv) the increase in the legal and professional fees by approximately HK\$12.7 million from approximately HK\$8.4 million for the year ended 30 June 2015 to approximately HK\$21.1 million for the year ended 30 June 2016;

- (v) the compensation of approximately HK\$2.6 million for the early termination of the services contracts;
 - (vi) the provision for claims of approximately HK\$2.9 million from the employees relating to their personal injuries;
 - (vii) the increase in the administrative and operating expenses by approximately HK\$9.5 million from approximately HK\$13.1 million for the year ended 30 June 2015 to approximately HK\$22.6 million for the year ended 30 June 2016 due to business expansion of the Group;
 - (viii) the impairment loss on the goodwill and intangible assets for the auto beauty business of approximately HK\$1.5 million; and
 - (ix) the unrealized fair value loss of approximately HK\$1.4 million arising on the revaluation of the investments in securities.
- The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: Nil).

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2016, together with the comparative audited figures for the year ended 30 June 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	4	269,438	202,192
Cost of services		<u>(241,175)</u>	<u>(178,488)</u>
Gross profit		28,263	23,704
Other income, other gains and losses and impairments	5	(2,372)	(17,532)
Selling and marketing expenses		(5,968)	(2,109)
Administrative expenses		(70,473)	(29,336)
Finance costs	6	<u>(912)</u>	<u>(590)</u>
Loss before taxation	7	(51,462)	(25,863)
Income tax credit/(expenses)	8	<u>257</u>	<u>(1,386)</u>
Loss for the year		<u>(51,205)</u>	<u>(27,249)</u>
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>(577)</u>	<u>(23)</u>
Total comprehensive loss for the year		<u>(51,782)</u>	<u>(27,272)</u>
Loss for the year attributable to:			
– Owners of the Company		(51,058)	(27,205)
– Non-controlling interests		<u>(147)</u>	<u>(44)</u>
		<u>(51,205)</u>	<u>(27,249)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		(51,635)	(27,228)
– Non-controlling interests		<u>(147)</u>	<u>(44)</u>
		<u>(51,782)</u>	<u>(27,272)</u>
			restated
Loss per share			
– Basic and diluted (HK cents)	10	<u>(3.61)</u>	<u>(2.19)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		2016	2015
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		11,983	15,015
Goodwill	11	43,679	629
Intangible assets		1,283	1,062
Restricted bank deposits		3,274	1,126
		<u>60,219</u>	<u>17,832</u>
Current assets			
Inventories		63	67
Trade receivables	12	44,288	45,720
Deposits, prepayments and other receivables	13	23,646	11,766
Financial assets at fair value through profit or loss	14	18,454	–
Restricted bank deposits		3,867	6,596
Cash and cash equivalents		48,747	45,425
Tax recoverables		1,598	–
		<u>140,663</u>	<u>109,574</u>
Current liabilities			
Trade payables	15	12,285	7,848
Accruals, deposits received and other payables		42,147	22,495
Bank and other borrowings		4,278	263
Obligations under finance leases		330	775
Deferred revenue	16	8,052	6,579
Tax payables		4,682	2,145
		<u>71,774</u>	<u>40,105</u>
Net current assets		<u>68,889</u>	<u>69,469</u>
Total assets less current liabilities		<u>129,108</u>	<u>87,301</u>

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current liabilities			
Obligations under finance leases		499	50
Deferred taxation		844	1,361
Bond	<i>17</i>	9,342	9,250
		<u>10,685</u>	<u>10,661</u>
Net assets		<u>118,423</u>	<u>76,640</u>
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	<i>19</i>	1,800	1,000
Reserves		116,883	75,739
		<u>118,683</u>	<u>76,739</u>
Equity attributable to owners of the Company		118,683	76,739
Non-controlling interests		(260)	(99)
		<u>118,423</u>	<u>76,640</u>
Total equity		<u>118,423</u>	<u>76,640</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 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 GEM of the Stock Exchange on 17 June 2013. The Company acts as an investment holding company and the principal activities of its principal subsidiaries are the provision of environmental and cleaning services and auto beauty services. The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK\$'000), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) on The Stock Exchange issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted that apply HKFRS 15 on or before the date of initial application of HKFRS 16.

⁵ Effective for annual periods beginning on or after a date to be determined.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics the asset or liability if market participants would take these characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value-in-use in HKAS 36.

The Group has consistently applied its accounting policies to all the years presented, unless otherwise stated, in the preparation of the consolidated financial statements.

4. 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 Shanghai, the People's Republic of China (the "PRC")
AUTO	Provision of car beauty services in Hong Kong
Management Services	Provision of property and car park management services in Shenzhen, the PRC
Investments	Investments in financial assets

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

Revenue

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

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

	2016	2015
	HK\$'000	HK\$'000
Service income from Environmental and Cleaning	256,521	200,604
Service income from AUTO	8,339	1,588
Service income from Management Services	4,578	–
	<u>269,438</u>	<u>202,192</u>

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

Segment revenue and results

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

2016

	Environmental and Cleaning	AUTO	Management Services	Investments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
Revenue from external customers	<u>256,521</u>	<u>8,339</u>	<u>4,578</u>	<u>–</u>	<u>269,438</u>
Result					
Segment profit/(loss)	<u>(5,402)</u>	<u>(6,014)</u>	<u>1,492</u>	<u>(1,512)</u>	<u>(11,436)</u>
Other incomes, other gains and loss and impairments					(993)
Central administrative costs					(38,241)
Finance costs					<u>(792)</u>
Loss before taxation					<u>(51,462)</u>

2015

	Environmental and Cleaning <i>HK\$'000</i>	AUTO <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Revenue from external customers	<u>200,604</u>	<u>1,588</u>	<u>202,192</u>
Result			
Segment profit/(loss)	<u>3,781</u>	<u>(9,828)</u>	<u>(6,047)</u>
Other incomes, other gains and loss and impairments			(5,677)
Central administrative costs			(13,681)
Finance costs			<u>(458)</u>
Loss before taxation			<u>(25,863)</u>

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015: 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 emolument, impairment loss on other receivables, forfeiture of the deposit of the possible acquisition 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

2016

	Environmental and Cleaning <i>HK\$'000</i>	AUTO <i>HK\$'000</i>	Management Services <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets					
Segment assets	91,983	1,607	48,510	18,553	160,653
Unallocated corporate assets					<u>40,229</u>
					<u>200,882</u>

	Environmental and Cleaning <i>HK\$'000</i>	AUTO <i>HK\$'000</i>	Management Services <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Liabilities					
Segment liabilities	43,205	6,262	16,250	12	65,729
Unallocated corporate liabilities					<u>16,730</u>
					<u>82,459</u>

2015

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

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

Other segment information

	Environmental and Cleaning <i>HK\$'000</i>	AUTO <i>HK\$'000</i>	Management Services <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
2016						
Depreciation of property, plant and equipment	4,427	448	122	-	1,341	6,338
Amortisation of the intangible assets	19	224	-	-	-	243
Impairment loss on goodwill (<i>Note 11</i>)	-	629	-	-	-	629
Impairment losses on intangible assets	-	838	-	-	-	838
Impairment losses on deposit and other receivables (<i>Note 13</i>)	-	-	-	-	1,000	1,000
Unrealised loss on financial assets at FVTPL	-	-	-	1,444	-	1,444
Gain on disposal of property, plant and equipment	752	-	-	-	-	752
Additions to non-current assets*	<u>2,387</u>	<u>1,031</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>3,442</u>

	Environmental and Cleaning <i>HK\$'000</i>	AUTO <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
2015				
Depreciation of property, plant and equipment	4,720	81	1,347	6,148
Amortisation of the intangible assets	-	56	-	56
Impairment loss on goodwill (<i>Note 11</i>)	-	8,530	-	8,530
Impairment losses on deposit and other receivables (<i>Note 13</i>)	4,460	-	1,200	5,660
Loss from termination of possible acquisition (<i>Note 5</i>)	-	-	4,500	4,500
Gain on disposal of property, plant and equipment, net	75	-	-	75
Additions to non-current assets*	<u>4,688</u>	<u>19</u>	<u>5,439</u>	<u>10,146</u>

* Additions to non-current assets excluding goodwill, intangible assets, deferred tax assets and restricted bank deposits.

Information about major customers

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	43,259	43,312
Customer B	31,085	32,074
Customer C	28,991	26,675

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The revenue generated from Environmental and Cleaning, AUTO and Management Services are mainly in Hong Kong and the PRC. For the geographical information, services income are analysed at different geographical areas as below.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	263,818	202,192
The PRC	5,620	–
	269,438	202,192

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the non-current assets are located:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	15,239	17,832
The PRC	44,980	–
	60,219	17,832

5. OTHER INCOME, OTHER GAINS AND LOSSES AND IMPAIRMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other incomes:		
Interest income	35	47
Dividend income	40	–
Sundry income	712	380
Reversal of provision for long service payment	–	230
Reversal of provision for claims	–	426
	<u>787</u>	<u>1,083</u>
Other gains:		
Gain on disposals of property, plant and equipment, net	<u>752</u>	<u>75</u>
Other losses and impairments:		
Loss from termination of possible acquisition (<i>Note</i>)	–	(4,500)
Impairment losses on deposits and other receivables (<i>Note 13</i>)	(1,000)	(5,660)
Unrealised loss on financial assets at FVTPL	(1,444)	–
Impairment loss on goodwill (<i>Note 11</i>)	(629)	(8,530)
Impairment loss on intangible assets	(838)	–
	<u>(3,911)</u>	<u>(18,690)</u>
	<u>(2,372)</u>	<u>(17,532)</u>

Note:

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

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

On 9 January 2015, Go Million decided to terminate the MOU with effect from 9 January 2015, and as a result, the deposit of HK\$4,500,000 shall not be refunded to Go Million from the Vendors.

The deposit of HK\$4,500,000 was charged to the profit or loss during the year ended 30 June 2015.

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interests on:		
Bank borrowings wholly repayable		
within five years	2	49
Finance leases charges	43	83
Effective interest on bond (<i>Note 17</i>)	792	458
Interest on other borrowings	75	–
	<u>912</u>	<u>590</u>

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditors' remuneration	600	500
Depreciation of property, plant and equipment		
– Owner by the Group	4,884	5,319
– Held under finance lease obligations	541	829
Loss on written off of property, plant and equipment	436	243
Amortisation of intangible assets	243	56
Cost of consumable goods	4,606	2,827
Provision for untaken paid leave	–	332
	<u>2016 <i>HK\$'000</i></u>	<u>2015 <i>HK\$'000</i></u>
Staff costs including directors' emoluments:		
– Salaries and wages	163,181	116,160
– Share-based payments	6,625	–
– Long service payment	95	53
– Allowances and others	742	1,426
– Contributions to defined contribution retirement plans	6,237	4,474
	<u>176,880</u>	<u>122,113</u>
Minimum lease payments under operating leases	<u>7,394</u>	<u>3,099</u>

8. INCOME TAX CREDIT/(EXPENSES)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year provision	–	1,372
– Over provision in prior years	<u>(30)</u>	<u>(47)</u>
	<u>(30)</u>	<u>1,325</u>
Current tax:		
PRC-EIT		
– Current year provision	<u>373</u>	<u>–</u>
	<u>343</u>	<u>1,325</u>
Deferred tax	<u>(600)</u>	<u>61</u>
Income tax (credit)/expenses	<u>(257)</u>	<u>1,386</u>

The income tax credit/(expenses) for the years ended 30 June 2016 and 2015 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before taxation	<u>(51,462)</u>	<u>(25,863)</u>
Tax at the applicable income tax rate of 16.5% (2015:16.5%)	(8,491)	(4,267)
Tax effect of:		
Income not taxable for tax purpose	(445)	(159)
Expenses not deductible for tax purpose	1,189	2,149
Recognised temporary differences	–	128
Over provision in prior year	(30)	(47)
Effect of different tax rate of subsidiaries operating in other jurisdiction	127	–
Tax loss not recognised	<u>7,393</u>	<u>3,582</u>
Income tax (credit)/expenses	<u>(257)</u>	<u>1,386</u>

No provision for Hong Kong Profits Tax had been made as the Hong Kong subsidiaries of the Group did not generate any assessable profits in Hong Kong for the year ended 30 June 2016. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Hong Kong subsidiaries of the Group for the year ended 30 June 2015.

PRC Enterprise Income Tax (“EIT”) is calculated at 25% of the estimated assessable profits of PRC subsidiaries of the Group for the year ended 30 June 2016. No provision for PRC EIT had been made as the PRC subsidiaries of the Group did not generate any assessable profits in the PRC for the year ended 30 June 2015.

Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and the PRC, for avoidance of double taxation and prevention of fiscal evasion, dividends declared from the PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax.

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2016 and 2015.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company for the purpose of the basic and diluted loss per share	<u>(51,058)</u>	<u>(27,205)</u>
	2016 <i>'000</i>	2015 <i>'000</i> (restated)
Weighted average number of shares for the purpose of the basic and diluted loss per share (<i>Note</i>)	<u>1,415,683</u>	<u>1,240,000</u>

Note:

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

The share 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 year ended 30 June 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 year ended 30 June 2016.

11. GOODWILL

	AUTO <i>HK\$'000</i>	Management Services <i>HK\$'000</i>	PPS Shanghai <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
As at 1 July 2014	–	–	–	–
Arising on acquisition of a subsidiary (Note 20)	9,159	–	–	9,159
As at 30 June 2015 and 1 July 2015	9,159	–	–	9,159
Arising on acquisition of subsidiaries (Note 20)	–	40,747	2,932	43,679
As at 30 June 2016	9,159	40,747	2,932	52,838
Accumulated impairment:				
As at 1 July 2014	–	–	–	–
Impairment for the year	8,530	–	–	8,530
As at 30 June 2015 and 1 July 2015	8,530	–	–	8,530
Impairment for the year	629	–	–	629
As at 30 June 2016	9,159	–	–	9,159
Net carrying amount:				
As at 30 June 2016	–	40,747	2,932	43,679
As at 30 June 2015	629	–	–	629

Impairment Tests for CGUs Containing Goodwill

After recognition of impairment losses, the carrying amount of goodwill acquired has been allocated for impairment testing purposes to the following CGUs:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
– AUTO (Note (a))	–	629
– Management Services (Note (b))	40,747	–
– PPS Shanghai (Note (c))	2,932	–
	43,679	629

Notes:

- (a) The recoverable amount of the AUTO CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 15% that reflects current market assessment of the time value of money and the risks specific to the AUTO CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

AUTO CGU still has suffered segment loss continuously from its operation since acquisition. Accordingly, the management considered that AUTO CGU would not generate profit from its operations in the cash flow projections to reflect the current status and the goodwill allocated to the AUTO CGU is fully impaired during the year. Therefore, the management considered that an impairment loss on goodwill of approximately HK\$629,000 was recognised during the year ended 30 June 2016 (2015: HK\$8,530,000) as the AUTO business operation does not turnout as previously expected.

The recoverable amount of the AUTO CGU has been referenced to the valuation report prepared by Norton Appraisals Limited, an independent professional valuer.

The key assumptions used in the value-in-use calculations for the AUTO CGU are as follows:

Budgeted market share	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the Directors' estimation of the revenue from existing and potential customers. The Directors believe that planned revenue growth per year for the next five years is reasonably achievable.
Number of auto beauty centres	In order to maintain successive business operations of the AUTO CGU, the Directors believe that there is no particular difficulty in renewal of the rental agreements of existing auto beauty centers operated by the AUTO CGU.

- (b) The recoverable amount of the Management Services CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 21% that reflects current market assessment of the time value of money and the risks specific to the Management Services CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.8% per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

The recoverable amount of the Management Services CGU has been referenced to the valuation report prepared by Norton Appraisals Limited, an independent professional valuer.

The key assumptions used in the value-in-use calculations for the Management Services CGU are as follows:

Budgeted market share	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the Directors' estimation of the revenue from existing and potential tenants. The Directors believe that planned revenue growth per year for the next five years is reasonably achievable.
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Number of leasing contracts	In order to maintain successive business operations of the Management Services CGU, the Directors believe that there is no particular difficulty in renewal of the leasing contracts of existing tenants operated in the Management Services CGU.
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The directors of the company believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

- (c) The recoverable amount of the PPS Shanghai CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 17% that reflects current market assessment of the time value of money and the risks specific to the PPS Shanghai CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.8% per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

The recoverable amount of the PPS Shanghai CGU has been referenced to the valuation report prepared by Norton Appraisals Limited, an independent professional valuer.

The key assumptions used in the value-in-use calculations for the PPS Shanghai CGU are as follows:

Budgeted market share	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the Directors' estimation of the revenue from existing and potential customers. The Directors believe that planned revenue growth per year for the next five years is reasonably achievable.
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Number of service contracts	In order to maintain successive business operations of the PPS Shanghai CGU, the Directors believe that there is no particular difficulty in renewal of the service contracts of the existing customers in the PPS Shanghai CGU.
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The directors of the company believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

12. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<u>44,288</u>	<u>45,720</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	34,140	32,757
31-60 days	9,088	3,070
61-90 days	292	5,225
Over 90 days	<u>768</u>	<u>4,668</u>
	<u>44,288</u>	<u>45,720</u>

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 judgment 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 30 June 2016 and 2015, no allowances for bad and doubtful debts in respect of the trade receivables had been made.

Age of receivables that are past due but not impaired

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	34,140	32,757
31-60 days	9,088	3,070
61-90 days	292	5,225
Over 90 days	<u>768</u>	<u>4,668</u>
	<u>44,288</u>	<u>45,720</u>

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.

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

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits (<i>Note (i)</i>)	17,336	10,733
Prepayments	2,374	1,008
Other receivables (<i>Note (ii)</i>)	<u>4,936</u>	<u>5,685</u>
	24,646	17,426
Less: Impairment loss (<i>Note (iii)</i>)	<u>(1,000)</u>	<u>(5,660)</u>
	<u>23,646</u>	<u>11,766</u>

Notes:

- (i) The Group has tendered for certain environmental services contracts and deposited sums of approximately HK\$768,000 (2015: approximately HK\$2,000,000) as tender deposits as at 30 June 2016. The tender deposits are interest-free and repayable at the end of the tender.

The Group has deposited sums of approximately HK\$15,000,000 as refundable deposits for possible acquisitions of equity interest in other companies as at 30 June 2016. The refundable deposits are interest-free, unsecured and refundable upon completion or termination of the acquisitions according to the agreed terms. Included in the refundable deposits was a deposit of approximately HK\$5,000,000 (“Deposit”) paid in relation to the possible acquisition of the 40% equity interest in China Eastern Clean Energy Corporation (the “Possible Acquisition”). The Possible Acquisition was terminated on 16 August 2016 and the Deposit was fully repaid to the Group in September 2016.

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 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 settled in full during the year.
- (iii) During the year ended 30 June 2016, the Group recognised the impairment loss on the purchase deposits of HK\$1,000,000 for the purchase of trademarks from the vendor. Having considered that the trademarks have not been delivered to the Group in accordance with the agreed terms and the amount of HK\$1,000,000 has not been refunded to the Group from that the vendor 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\$1,000,000 and considered to make a provision for the sake of prudence.

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. Having considered that the 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 have taken legal action towards the refund arrangement. The Directors are of the opinion that there is material uncertainty over the recovery of the amount of HK\$4,460,000 and considered to make a provision for the sake of prudence. During the year ended 30 June 2016, the purchase deposits of HK\$4,460,000 were fully written off as the Directors are of the opinion that the probability to recover the purchase deposits is remote as that independent third party was in financial difficulty to repay the purchase deposits.

During the year ended 30 June 2015, the Group recognised the impairment loss on the other receivables of approximately RMB960,000 (approximately to 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 to HK\$1,200,000) has not been refunded from that independent agency 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 to HK\$1,200,000). During the year ended 30 June 2016, the other receivables of approximately RMB960,000 (approximately to HK\$1,200,000) were fully written off as the Directors are of the opinion that the probability to recover the other receivables is remote as that independent third party was in financial difficulty to repay the other receivables.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Held-for-trading:		
Equity securities, at fair value		
– listed in Hong Kong	<u>18,454</u>	<u>–</u>

The fair value of held-for-trading investments traded on The Stock Exchange is determined with reference to their quoted closing prices.

15. TRADE PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<u>12,285</u>	<u>7,848</u>

The following is an ageing analysis of trade payables as at 30 June 2016 and 2015:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	11,697	6,571
31-60 days	519	1,064
61-90 days	–	198
Over 90 days	69	15
	12,285	7,848

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 30 June 2016 was an amount due to Niko Cleaning Services Limited ("Niko"), of approximately HK\$794,000 (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, a director of Pollution & Protection Services Limited 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.

16. DEFERRED REVENUE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Car beauty package	5,236	5,663
Car beauty membership	730	916
Management Services	2,086	–
	8,052	6,579
Analysed for reporting purposes as:		
Current liabilities	8,052	6,579
Non-current liabilities	–	–
	8,052	6,579

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

17. BOND

	2016	2015
	HK\$'000	HK\$'000
Unlisted corporate bond	<u>9,342</u>	<u>9,250</u>

On 20 November 2014, the Company issued an unlisted corporate bond at a principal amount of HK\$10,000,000 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\$10,000,000.

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>
Initial amortised cost as at 20 November 2014	9,200
Imputed interest charged	458
Less: Coupon interest payable	<u>(408)</u>
As at 30 June 2015 and 1 July 2015	9,250
Imputed interest charged	792
Less: Coupon interest payable	<u>(700)</u>
As at 30 June 2016	<u>9,342</u>

18. SHARE WARRANTS

On 20 December 2014, the Company issued 2,000,000,000 unlisted warrants (the "Share 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 Share Warrants were exercised up to the expiry date. The Share Warrants expired on 28 January 2016.

19. SHARE CAPITAL

The movements of share capital of the Company are as follows:

	<i>Notes</i>	Number of shares HK\$	Nominal value
Authorised:			
Ordinary shares of HK\$0.001 each			
As at 30 June 2014 and 1 July 2014		100,000,000,000	100,000,000
Share subdivision	<i>(a)</i>	<u>900,000,000,000</u>	<u>–</u>
Ordinary shares of HK\$0.0001 each			
As at 30 June 2015 and 1 July 2015		1,000,000,000,000	100,000,000
Share consolidation	<i>(c)</i>	<u>(900,000,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.001 each			
As at 30 June 2016		<u>100,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.001 each			
As at 30 June 2014 and 1 July 2014		1,000,000,000	1,000,000
Share subdivision	<i>(a)</i>	<u>9,000,000,000</u>	<u>–</u>
Ordinary shares of HK\$0.0001 each			
As at 30 June 2015 and 1 July 2015		10,000,000,000	1,000,000
Issue of shares pursuant to open offer	<i>(b)</i>	5,000,000,000	500,000
Share consolidation	<i>(c)</i>	(13,500,000,000)	–
Issue of shares pursuant to share placing	<i>(d)</i>	<u>300,000,000</u>	<u>300,000</u>
Ordinary shares of HK\$0.001 each			
As at 30 June 2016		<u>1,800,000,000</u>	<u>1,800,000</u>

Notes:

- (a) On 17 November 2014, the Company conducted a 1-for-10 share subdivision. Each issued and unissued ordinary share of HK\$0.001 of the Company was subdivided into 10 ordinary shares of HK\$0.0001 each.
- (b) The company has issued and allotted 5,000,000,000 new shares at HK\$0.013 per share as fully paid by open offer on the basis of one offer share for every two existing shares held on 9 December 2016.
- (c) On 15 March 2016, the Company conducted a 10-for-1 share consolidation. Every 10 issued and unissued ordinary share of HK\$0.0001 of the Company was consolidated into 1 ordinary share of HK\$0.001 each.
- (d) On 8 June 2016, the Company allotted and issued an aggregate 300,000,000 new shares of HK\$0.001 each to six independent placees at a price of HK\$0.085 per share.

20. ACQUISITION OF SUBSIDIARIES

(a) Logon Clean Energy Group Limited

On 11 April 2016, the Company completed the acquisition of 100% equity interest in Logon Clean Energy Group Limited (“Logon”) at a cash consideration of HK\$30,900,000 (the “Logon Acquisition”). Logon, through its subsidiaries (collectively referred to as “Logon Group”), is principally engaged in property and car park management services in Shenzhen, the PRC.

Acquisition-related costs of approximately of HK\$1,275,000 have been recognised as expense in the year and included in the administrative expenses.

The fair value of the identifiable assets and liabilities of Logon Group acquired as at the date of the Logon Acquisition and the goodwill arising therefrom, are as follows:

	Fair value <i>HK\$'000</i>
Net liabilities acquired:	
Property, plant and equipment	1,037
Trade receivables	55
Deposits, prepayments and other receivables	4,459
Cash and cash equivalents	1,640
Accruals, deposits received and other payables	(10,143)
Deferred revenue	(2,478)
Tax payables	(4,417)
	<u> </u>
	(9,847)
Goodwill arising on the Logon Acquisition (<i>Note 11</i>)	<u>40,747</u>
Total consideration	<u>30,900</u>
	<i>HK\$'000</i>
Satisfied by:	
Cash	<u>30,900</u>
Net cash outflow arising on the Logon Acquisition:	
Consideration paid in cash	(30,900)
Cash and bank balances acquired	<u>1,640</u>
	<u>(29,260)</u>

The goodwill arising on the Logon Acquisition is attributable to the acquired customer services agreement and economies of scale expected from combining the operations of the Group and Logon Group.

The goodwill arising on the Logon Acquisition is not deductible for tax purpose.

Impact of acquisition on the results of the Group

Logon Group contributed approximately HK\$4,578,000) and approximately HK\$1,492,000) to the Group's revenue and profit for the year respectively for the period between the date of the Logon Acquisition and the end of the reporting period.

If Logon Group had been acquired on 1 July 2015, the Group's turnover for the year ended 30 June 2016 would have been approximately HK\$283,173,000 and the consolidated loss for the year would have been approximately HK\$47,848,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the Logon Acquisition been completed on 11 April 2016, nor is it intended to be a projection of future results.

(b) Shanghai PPS Sheng Mao Environmental Services Limited

On 9 May 2016, PPS Environmental Services Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 51% equity interest in Shanghai PPS Sheng Mao Environmental Services Limited ("PPS Shanghai") at a cash consideration of RMB2,685,000 (approximate to HK\$3,167,000) (the "Shanghai Acquisition"). PPS Shanghai is principally engaged in provision of environmental and cleaning services in Shanghai, the PRC.

Acquisition-related costs of approximately HK\$493,000 have been recognised as expense in the year and included in the administrative expenses.

The fair value of the identifiable assets and liabilities of PPS Shanghai acquired as at the date of the Shanghai Acquisition and the goodwill arising therefrom, are as follows:

	Carrying amount before combination	Fair value adjustment	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	22	–	22
Intangible assets	–	333	333
Trade receivables	671	–	671
Cash and cash equivalents	472	–	472
Trade payables	(70)	–	(70)
Accruals, deposits received and other payables	(1,124)	–	(1,124)
Deferred tax liabilities	–	(83)	(83)
	<u>(29)</u>	<u>250</u>	<u>221</u>
Non-controlling interests			14
Goodwill arising on the Shanghai Acquisition (Note 11)			<u>2,932</u>
Total consideration			<u>3,167</u>
			<i>HK\$'000</i>
Satisfied by:			
Cash			<u>3,167</u>
Net cash outflow arising on the Shanghai Acquisition:			
Consideration paid in cash			(3,167)
Cash and bank balances acquired			<u>472</u>
			<u>(2,695)</u>

The goodwill arising on the Shanghai Acquisition is attributable to the business network and experience of the existing management of PPS Shanghai and the signed several binding management and cleaning services contracts with customers at the Shanghai acquisition date. The recognition of the intangible assets has been referenced to the valuation report issued by Norton Appraisals Limited, an independent professional valuer.

The goodwill arising on the Shanghai Acquisition is not deductible for tax purpose.

Impact of acquisition on the results of the Group

PPS Shanghai contributed approximately HK\$1,042,000) and approximately HK\$86,000) to the Group's revenue and losses for the year respectively for the period between the date of the Shanghai Acquisition and the end of the reporting period.

If PPS Shanghai had been acquired on 1 July 2015, the Group's turnover for the year ended 30 June 2016 would have been approximately HK\$274,647,000 and the consolidated loss for the year would have been approximately HK\$51,634,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the Shanghai Acquisition been completed on 9 May 2016, nor is it intended to be a projection of future results.

(c) Elite Car Services Limited

On 31 March 2015, Go Million has acquire 100% equity interest in Elite Car Services Limited at a cash consideration of HK\$5,000,000 (the "Elite Car Acquisition"). Elite Car Services Limited, through its subsidiaries (collectively referred to as "Elite Car Group"), is principally engaged in auto beauty services, including auto detailing services, and its own brand name "Champion Auto Club" in Hong Kong.

Acquisition-related costs of approximately HK\$634,000 have been recognised as expense in the year and included in the administrative expenses.

The fair value of the identifiable assets and liabilities of Elite Car Group acquired as at the date of the Elite Car Acquisition and the goodwill arising therefrom, are as follows:

	Carrying amount before combination HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Net liabilities acquired:			
Property, plant and equipment	309	–	309
Intangible assets	–	1,118	1,118
Trade receivables	73	–	73
Deposits, prepayments and other receivables	1,232	–	1,232
Bank overdraft	(103)	–	(103)
Accruals, deposits received and other payables	(339)	–	(339)
Deferred revenue	(6,319)	–	(6,319)
Amount due to a shareholder	(2,800)	–	(2,800)
Deferred tax liabilities	–	(185)	(185)
	(7,947)	933	(7,014)
Add: Amount due to a shareholder assigned to Go Million as at the date of the Elite Car Acquisition			2,800
Non-controlling interests			55
Goodwill arising on the Elite Car Acquisition (Note 11)			9,159
Total consideration			<u>5,000</u>

HK\$'000

Satisfied by:

Cash 5,000

Net cash outflow arising on the Elite Car Acquisition:

Consideration paid in cash	(5,000)
Add: Bank overdraft	<u>(103)</u>
	<u>(5,103)</u>

The non-controlling interest (15%) in Champion Auto (Hong Kong) Limited (85% indirectly owned by Elite Car Services Limited) recognised at the Elite Car Acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately HK\$55,000.

The goodwill arising on the Elite Car Acquisition is attributable to the network of its service points, the experience of its management and staff and the prospect of the auto beauty service business in Hong Kong as well as PRC. The recognition of the intangible assets has been referenced to the valuation report issued by Norton Appraisals Limited, an independent professional valuer.

The goodwill arising on the Elite Car Acquisition is not deductible for tax purpose.

Impact of acquisition on the results of the Group

Elite Car Group contributed approximately HK\$1,588,000 and approximately HK\$1,298,000 to the Group's revenue and losses for the year respectively for the period between the date of the Acquisition and the end of the reporting period.

If Elite Car Group had been acquired on 1 July 2014, the Group's turnover for the year ended 30 June 2015 would have been approximately HK\$205,769,000 and the consolidated loss for the year would have been approximately HK\$24,474,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the Elite Car Acquisition been completed on 31 March 2015, nor is it intended to be a projection of future results.

21. EVENTS AFTER THE REPORTING PERIOD

Possible Acquisition of China Eastern Clean Energy Corporation

Reference is made to the Company's announcements dated 2 March 2016, 8 June 2016 and 16 August 2016 (the "Announcements") relating to the possible acquisition of the 40% equity interest in China Eastern Clean Energy Corporation (the "Target Company") at a consideration of HK\$81,000,000 (the "Possible Acquisition"). Unless stated otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

On 2 March 2016, Sharp Team Global Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with the vendor for the Possible Acquisition, which was automatically terminated upon the signing of the acquisition agreement between Opulent Wise Global Limited ("Opulent Wise"), a wholly-owned subsidiary of the Company, the vendor and the guarantors in relation to the Possible Acquisition on 8 June 2016.

Pursuant to the acquisition agreement, Opulent Wise conditionally agrees to purchase and the vendor conditionally agrees to sell the sale shares, which represent 40% equity interest in the Target Company at a total consideration of HK\$81,000,000 which is payable as to (i) HK\$5,000,000 in cash within five business days from the date of the acquisition agreement as refundable deposit; (ii) HK\$51,000,000 by procuring the Company to allot and issue 51,000,000 consideration shares at an issue price of HK\$0.1 per consideration share at completion; and (iii) the remaining consideration of HK\$25,000,000 in cash at completion.

On 16 August 2016, Opulent Wise, the vendor and the guarantors mutually agreed that (i) the acquisition agreement was terminated due to the slower-than-expected development progress of the Target Company; (ii) all the rights or obligations of the parties under the acquisition agreement are released and discharged and no party would have any claims against each other; and (iii) the refundable deposit of HK\$5,000,000 shall be refunded to Opulent Wise from the vendor.

BUSINESS OVERVIEW

Environmental and Cleaning Services

The Group is principally engaged in the provision of environmental services in Hong Kong and Shanghai, the PRC, 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.

Environmental and Cleaning Services in Shanghai, the PRC

On 9 May 2016, the Group completed the acquisition of the 51% equity interest in Shanghai Sheng Mao Cleaning Services Company Limited (the company name was changed to Shanghai PPS Sheng Mao Cleaning Services Company Limited after our acquisition, hereinafter referred to as “PPS Shanghai”).

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 30 June 2016, there were a total of 4 auto beauty centers located at car parking facilities and ground floor. The auto beauty services offered by “E-Car” includes 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.

Property and Car Park Management Services

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 and car park management services in Shenzhen, the PRC.

Investments in Financial Assets

During the year, the Group has invested in financial assets classified as the financial assets at fair value through profit or loss which composed of only the shares of companies listed on the Stock Exchange.

BUSINESS REVIEW

Environmental and Cleaning Services in Hong Kong

Compared to the year ended 30 June 2016, the Group’s revenue from the environmental and cleaning services in Hong Kong increased by approximately 27.4% 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 in Hong Kong and also achieved certain promising results.

Revenue by Service Sector

The following table sets forth the breakdown of our revenue by different sectors which reflect the target clients of our environmental and cleaning services:

	Year ended 30 June 2016		Year ended 30 June 2015	
	HK\$'000	%	HK\$'000	%
Commercial	130,407	51.0	111,375	55.5
Hospitality	28,497	11.2	26,189	13.1
Residential	37,376	14.6	28,823	14.4
Transportation	45,190	17.7	18,526	9.2
Others	14,009	5.5	15,691	7.8
	<u>255,479</u>	<u>100</u>	<u>200,604</u>	<u>100</u>

The Group continues to strengthen its core business sectors in which revenue from the commercial and transportation sectors has significantly improved. Most new commercial contracts are for the provision of cleaning and related services at commercial buildings where customers traditionally demand a higher service quality and are also willing to pay a premium price. Almost all of the new commercial contracts enable the Group to provide additional services for the tenants in the tenanted area of the buildings with contracts on a regular, ad-hoc or one-off basis which further enhance our revenue stream.

The Group recorded a slight increase in the revenue of hospitality sector attributable to the securing of a new contract to provide overnight general cleaning for a branded hotel during the year.

Revenue from residential and other sector increased mainly due to renewal of existing contracts on better terms and securing of additional projects in the financial year.

During the year, the Group was successful in securing 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, as well as the provision of cabin dressing in which the Group provides 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.

Most of the revenue from other sector is recurring and service price is reviewable on an annual basis.

Service Contracts

Contractor contracts are service contracts entered into mainly with property management companies, owners of various building premises, operators of hotels and public transportation facilities as well as government and academic institutions and are awarded to us through competitive tendering. Our major service contracts cover services provided in some designated sectors which include: (a) commercial sector which includes mainly office buildings, shopping arcades and the tenanted areas therein; (b) hospitality sector which includes hotels, hostel and service apartments; (c) residential sector which includes residential complexes and residential floors therein; (d) transportation sector which includes public transportations and (e) other sector which includes government and academic institutions and private clubs.

For the year ended 30 June 2016, we had a total of 77 contracts from the abovementioned five sectors. With the increase in number of contract in the commercial and transportation sectors, the Group was able to provide more services for the tenant in the tenanted area or any other ad hoc cleaning service in the commercial and residential sectors for the year ended 30 June 2016.

Environmental and Cleaning Services in Shanghai, the PRC

During the period from the date of completion of our acquisition to 30 June 2016, PPS Shanghai contributed revenue of approximately HK\$1 million to the Group's total revenue. As certain selling and marketing expenses and office renovation expenses were incurred by PPS Shanghai to promote the company and set up the office, PPS Shanghai has recorded slight loss during the period from the date of completion of our acquisition to 30 June 2016.

Auto Beauty Services

During the year, 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 and closure of the loss making centres, the total number of auto beauty centres operated at car parking facilities by E-Car reduced from 7 auto beauty centres as at 30 June 2015 to 4 auto beauty centres as at 30 June 2016. As of 30 June 2016, the Group operates 3 car parking facilities and 1 ground floor shop. With the fierce competition from other competitors, E-Car still has not achieved positive results since the date of completion of our acquisition. 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.

Property and Car Park Management Services

According to the terms of the Logon Acquisition, amongst other things, (i) certain key management personnel employed by the Logon Group prior to the Logon Acquisition has been retained as the key management personnel of the Logon Group (the "Retained Management") for a period from the date of the Logon Acquisition to 30 June 2019; and (ii) 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 before tax (the "Guaranteed Profits"). During the period from the date of the Logon Acquisition to 30 June 2016, the Logon Group contributed revenue of approximately HK\$4.6 million to the Group's total revenue and profit before tax of approximately HK\$1.3 million to the Group's total profit before tax.

Investments in Financial Assets

As at 30 June 2016, the Group had investments in financial assets classified as financial assets at fair value through profit or loss of approximately HK\$18.5 million. During the year, the net unrealized loss arising on the revaluation of the financial assets which was determined based on the closing prices quoted on the stock market of the Stock Exchange was approximately HK\$1.4 million.

OUTLOOK

Environmental and Cleaning Services in Hong Kong

During the year, the Group was successful in renewing and securing a number of new environmental services contracts including (i) toilet cleaning services at the airport terminal of Hong Kong; (ii) cabin dressing services contract to provide a cleaning and restocking bathroom and seat amenities for one of the largest airline operators in Hong Kong; (iii) several commercial contracts for the provision of cleaning and related services at commercial buildings and shopping arcades; (iv) a new service contract to provide overnight general cleaning for a branded hotel; and (v) general cleaning services for one of the major public bus operators for the provision of bus, bus depot cleaning and fuel refilling services. Along with the other major contracts secured, we believe that these contracts shall be used as the backbone to support our Group's business growth. As such, we have demonstrated our ability to provide large scale environmental services, we have also 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 implementation of the SMW in Hong Kong. The SMW is set to be reviewed every two years and we expect the SMW shall be reviewed and adjusted upwards in May 2017. The Group is facing 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 under the same SMW rate. 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 operations in order to simplify and improve our operation efficiency. We believe that our success in the transportation sector will further build up the confident for new clients to select our cleaning services in the coming future.

Environmental and Cleaning Services in Shanghai, the PRC

Together with the extensive business network and operating experience possessed by the existing management of PPS Shanghai, the additional capital injection made by the Group and the management and operating skills provided by our Group, PPS Shanghai is expanding as expected, PPS Shanghai has secured several new contracts since the completion of the acquisition. PPS Shanghai will implement the same quality control and training program as the same in Hong Kong, it is expected the quality of service provided by PPS Shanghai will further be improved. The management of PPS Shanghai will also refine its marketing strategies in order to attract more new customers to utilize our cleaning services, Through the acquisition of PPS Shanghai, it is believed that the Group would accelerate its expansion of the environmental and cleaning services into the PRC.

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 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 auto beauty services in the PRC with a view to expanding our geographical coverage.

Property and Car Park Management Services

Through the arrangements of Retained Management and Guaranteed Profits, the Group is confident that the Logon Group can (i) help diversify the Group's business portfolio into a new section and introduce a new revenue stream of the Group and (ii) assist the Group to accelerate the expansion of its environmental and cleaning services and the auto beauty services into the PRC.

Investments in Financial Assets

The management will take a cautious and prudent approach in implementing our investment strategies that only companies listed on the Stock Exchange with valuable prospectus would be considered and invested by the Group in the future.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2016, the Group reported a revenue of approximately HK\$269.4 million (2015: approximately HK\$202.2 million), representing an increase of approximately 33.2% mainly due to (i) increase in the revenue from the environmental and cleaning services business in Hong Kong by approximately HK\$54.9 million to approximately HK\$255.5 million for the year ended 30 June 2016 (2015: approximately HK\$200.6 million) as a result of regular price increment for own tenanted services contracts and successful bid and renewal of a number of significant services contracts for commercial complexes and transportation services providers in Hong Kong; (ii) contribution of the additional revenue of approximately HK\$6.7 million from the auto beauty services business acquired in April 2015; (iii) contribution of the revenue of approximately HK\$1.0 million from the newly acquired environmental and cleaning services business in Shanghai, the PRC in May 2016; and (iv) contribution of the revenue of approximately HK\$4.6 million from the newly acquired property and car park management services business in Shenzhen, the PRC in April 2016.

More details of the Group's performance for the year by business segments is set out in note 4 to the consolidated financial statements.

Cost of Services, Gross Profit and Gross Profit Margin

The Group's cost of services increased by approximately 35.1% to approximately HK\$241.2 million for the year ended 30 June 2016 (2015: approximately HK\$178.5 million). 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, manpower services costs and direct overhead costs by approximately HK\$58.1 million incurred from the environmental and cleaning services business in Hong Kong as a result of successful bid of a number of new service contracts, the upward adjustment of SMW in Hong Kong effective from May 2015 and the salary increment due to intensifying labor market competition in the environmental and cleaning services business in Hong Kong during the year; (ii) additional direct labor costs and direct overheads of approximately HK\$1.6 million incurred from the auto beauty services business acquired in April 2015; and (iii) additional costs of services of approximately HK\$2.9 million incurred from the newly acquired environmental and cleaning services business in Shanghai, the PRC in May 2016 and the property and car park management services business in Shenzhen, the PRC in April 2016.

The gross profit of the Group for the year ended 30 June 2016 increased by approximately HK\$4.6 million to approximately HK\$28.3 million (2015: approximately HK\$23.7 million) was mainly due to the net effect of (i) decrease in the gross profit by approximately HK\$3.2 million generated from the environmental and cleaning services business in Hong Kong; (ii) additional gross profit of approximately HK\$5.1 million generated from the auto beauty services business acquired in April 2015; (iii) additional gross profit of approximately HK\$0.2 million from the newly acquired environmental and cleaning services business in Shanghai, the PRC in May 2016; and (iv) additional gross profit of approximately HK\$2.5 million from the newly acquired property and car park management services business in Shenzhen, the PRC in April 2016.

The gross profit margin of the Group for the year ended 30 June 2016 decreased by approximately 1.2% to approximately 10.5% (2015: approximately 11.7%).

The decrease in gross profit margin of the Group for the year was mainly due to the deterioration in the gross profit margin from the environmental and cleaning services business in Hong Kong by approximately 3.7% to approximately 7.6% (2015: approximately 11.3%) for the year ended 30 June 2016 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 in Hong Kong.

Impairment Loss on Goodwill and Intangible Assets

As at 30 June 2016, before impairment testing, the goodwill of approximately HK\$0.6 million and the intangible assets of approximately HK\$0.8 million were allocated to the cash generating unit of the auto beauty business (“AUTO CGU”). Having considered the negative prospectus of the AUTO CGU as a result of the continuing loss making of the AUTO CGU since the acquisition of AUTO CGU by the Group on 31 March 2015, the management of the Group has consequently determined to further write off the goodwill and the intangible assets allocated to the AUTO CGU amounting to approximately HK\$1.4 million (2015: impairment loss on the goodwill allocated to the AUTO CGU amounting to HK\$8.5 million) for the year ended 30 June 2016. No other write-down of the assets of the AUTO CGU is considered necessary. The impairment review has been referenced to the valuation report prepared by Norton Appraisals Limited, an independent professional valuer.

Selling and Marketing Expenses, Administrative Expenses and Other Losses

The Group’s selling and marketing expenses, administrative expenses and other losses increased by approximately HK\$37.3 million to approximately HK\$78.9 million (2015: approximately HK\$41.6 million) for the year ended 30 June 2016. The significant increase was mainly due to the net effect of the below expenses and losses for the year:

- (i) one-off forfeiture of a deposit of HK\$4.5 million paid for the possible acquisition of Hong Kong Automobile Restoration Group Limited which was terminated on 9 January 2015 as announced by the Company on the same date;
- (ii) impairment losses on deposits and other receivables of approximately HK\$1.2 million and approximately HK\$4.5 million for purchase of a Hong Kong – Shenzhen Bay cross border car plate and for purchase of motor car cleaning materials respectively in 2015;
- (iii) increase in legal and professional fees by approximately HK\$12.7 million in 2016 mainly incurred for the professional advisory services for the Group’s operations, business developments and the legal issues;
- (iv) recognition of the share-based payment expenses of approximately HK\$6.6 million related to the grant of share options to eligible employees of the Group on 11 December 2015 which is one-off and non-cash in nature;

- (v) recognition of unrealized loss of HK\$1.4 million on the revaluation of the financial assets in 2016;
- (vi) recognition of the loss of approximately HK\$2.6 million from the early termination of an environmental and cleaning services contract in Hong Kong in 2016;
- (vii) additional provision for claims of HK\$2.9 million for personal injuries by the Group's employees and third party claimants in 2016;
- (viii) increase in general selling marketing expenses and administrative expenses by approximately HK\$9.5 million as a result of the increase in the marketing activities, travelling frequency and number, salaries and allowances of directors and administrative staff for further development of the existing businesses and the newly acquired businesses and future potential development of businesses in PRC;
- (ix) additional general selling marketing expenses and administrative expenses of approximately HK\$8.1 million incurred by the auto beauty services business, which was acquired in April 2015; and
- (x) additional general selling marketing expenses and administrative expenses of approximately HK\$2.1 million incurred by the newly acquired environmental and cleaning business in Shanghai, the PRC in May 2015 and the newly acquired property and car park management services business in Shenzhen, the PRC in April 2016.

Income Tax Expenses/Credit

The Group had income tax credit of approximately HK\$0.3 million for the year ended 30 June 2016 (2015: income tax expenses of approximately HK\$1.4 million). The change from the income tax expenses in 2015 to the income tax credit in 2016 was mainly due to the taxation loss incurred by the main operating subsidiary in Hong Kong in 2016 as compared with the taxation profit in 2015.

Loss Attributable to Owners of the Company

The Group incurred a net loss attributable to owners of the Company of approximately HK\$51.1 million (2015: approximately HK\$27.2 million) for the year ended 30 June 2016. The significant increase in the net loss for the year ended 30 June 2016 was primarily attributable to decrease in the gross profit margin and increase in the selling and marketing expenses, administrative expenses, impairment loss and other losses with the factors as described above.

Capital Structure and Fund Raising Activities

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

Share Warrants

On 20 December 2014, the Company issued 2,000,000,000 unlisted warrants (the "Share 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 Share Warrants were exercised up to the expiry date. The Share Warrants expired on 28 January 2016.

Open Offer

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 is approximately HK\$62.5 million. 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 and the issued share capital of the Company increased from 1,000,000,000 ordinary shares of HK\$0.001 each (as adjusted by the completion of the share consolidation of the Company on 15 March 2016) to 1,500,000,000 Shares of HK\$0.001 each (as adjusted by the completion of the share consolidation of the Company on 15 March 2016). 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.

Grant of Share Options

On 11 December 2015 (the "Date of Grant"), the Company granted share options (the "Share Options") to the eligible persons within the Group (the "Grantees") pursuant to the Company's share option scheme launched on 28 May 2013 (the "Share Option Scheme"), subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 100,000,000 ordinary shares with nominal value of HK\$0.001 each (the "Shares") (as adjusted by the completion of the share consolidation of the Company on 15 March 2016) in the capital of the Company upon exercise of the Share Options in full. The exercise price of the Share Options granted of HK\$0.23 (as adjusted by the completion the share consolidation of the Company on 15 March) per Share represent the highest of (i) the closing price of HK\$0.23 per Share (as adjusted by the completion of the share consolidation of the Company on 15 March 2016) on the Date of Grant; (ii) the average closing price of HK\$0.228 per Share (as adjusted by the completion of the share consolidation of the Company on 15 March 2016) for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.001 per Share (as adjusted by the completion of the Share consolidation of the Company on 15 March 2016). As at 30 June 2016, 2,500,000 options had been lapsed and there were 97,500,000 options outstanding under the Share Option Scheme. Details of the Grant of Share Options was set out in the announcement of the Company dated 11 December 2015. Details of the Share Option Scheme and the movements in the Share Options granted under the Share Option Scheme during the year are set out in the paragraph headed "Share Option Scheme" in the section headed "Directors' Report" of the annual report of the Company which is to be published on 30 September 2016.

Share consolidation

On 15 March 2016, the Company conducted a 10-for-1 share consolidation (the “Share Consolidation”), every 10 issued and unissued shares of HK\$0.0001 each were consolidated into 1 consolidated share of HK\$0.001 each. At the completion of the Share Consolidation, the authorised share capital of the Company are HK\$100,000,000 divided into 100,000,000,000 Shares of HK\$0.001 each, of which 1,500,000,000 Consolidated Shares are in issue. Details of the Share Consolidation are set out in the Company’s circular dated 30 November 2015 and the Company’s revised notice of extraordinary general meeting dated 25 February 2016 and the Company’s announcements dated 23 February 2016 and 15 March 2016.

Placing of New Shares under General Mandate (the “Placing”)

On 21 May 2016, the Company entered into a placing agreement (the “Placing Agreement”) with an agent (the “Placing Agent”) and the closing price of the share as quoted on the Stock Exchange on the date of the Placing Agreement was HK\$0.099. On 8 June 2016, the Placing was completed in accordance with the terms and conditions of the Placing Agreement and an aggregate of 300,000,000 placing shares (the “Placing Share”) were successfully placed by the Placing Agent to not less than six independent placees at the placing price of HK\$0.085 per Placing Share. The net proceeds from the Placing amount to approximately HK\$24.75 million will be used for working capital to the Group, financing the potential acquisitions or other future investment opportunities as and when think fit. Details of the Placing are set out in the Company’s announcements dated 21 May 2016 and 8 June 2016.

Liquidity and Financial Resources

During the year ended 30 June 2016, the Group had financed its operations and capital requirements through operating cash flows and net proceeds from equity financings.

As at 30 June 2016, the Group had cash and cash equivalents of approximately HK\$48.7 million (2015: approximately HK\$45.4 million), representing an increase of 7.3% from the year ended 30 June 2015.

As at 30 June 2016, the Group’s total current assets and current liabilities were approximately HK\$140.7 million (2015: HK\$109.6 million) and HK\$71.8 million (2015: HK\$40.1 million) respectively, while the current ratio was approximately 2.0 times (2015: approximately 2.7 times) which remains healthy.

As at 30 June 2016, the total debt of the Group were approximately HK\$14.4 million (2015: approximately HK\$10.1 million) which include other borrowing of approximately HK\$4.3 million (2015: HK\$NIL), obligations under finance leases of approximately HK\$0.8 million (2015: approximately HK\$0.8 million) and unlisted corporate bond of approximately HK\$9.3 million (2015: HK\$9.3 million). The gearing ratio of the Group (calculated by dividing total debt by total equity) as at 30 June 2016 was approximately 12.2% (2015: approximately 13.1%), which remains healthy and stable.

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 and expansion.

Foreign Exchange Exposure

The Group's business transactions are mainly denominated in Hong Kong dollars and Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Employee and Remuneration Policies

The Group had 1,539 (2015: 1,381) employees as at the end of the Year. The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with the employees by providing competitive remuneration package to the employees including salaries, allowances, insurance, discretionary bonus, and training for human resources upskilling. Total staff costs and related expenses (including Directors' remuneration) for the year ended 30 June 2016 increased by approximately 44.8% to approximately HK\$176.9 million over that for the previous year. The increase was mainly due to (i) employment of more on-site staff as a result of additional service contracts secured during the year and the expansion of the Group in order to secure more Government related projects which the Group has less exposure in the past; (ii) inflation in the on-site staff cost and the upward adjustment of SMW in May 2015; (iii) additional staff costs incurred by the newly acquired businesses in late 2015 and 2016; and (iv) recognition of the share-based payment expenses of HK\$6.6 million related to the grant of the Share Options to the eligible employees of the Group.

On 11 December 2015, the Group granted the Share Options to the eligible employees within the Group under the Share Option Scheme to motivate and compensate their contributions to the Group. Details of the grant of the Share Options are set out in the Company's announcement dated 11 December 2015. The movements in the Share Options granted under the Share Option Scheme during the year are set out in the paragraph headed "Share Option Scheme" in the section headed "Directors' Report" of the annual report of the Company which is to be published on 30 September 2016.

Capital expenditure and Capital Commitment

For the year ended 30 June 2016, our capital expenditures mainly included additions in motor vehicles, leasehold improvement and plant and equipment amount to approximately HK\$3.4 million (2014: approximately HK\$10.1 million). These capital expenditures were funded by finance companies, funds generated from our operating activities and equity financings.

As at 30 June 2016, the Group is committed to contribute capital of approximately HK\$1.7 million (equivalent to RMB1.5 million) to the Group's PRC subsidiaries.

As at 30 June 2015, the Group had capital commitment of approximately HK\$0.5 million in respect of the acquisition of intangible assets contracted but not provided in the financial statements.

Significant Investment Held

As at 30 June 2016, the Group had investments in financial assets classified as financial assets at fair value through profit or loss of approximately HK\$18.5 million (2015: Nil) which composed of only the shares of companies listed on the Stock Exchange.

USE OF PROCEEDS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at 30 June 2016
6 November 2015	Open offer	Approximately HK\$62.5 million	(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; (iii) approximately HK\$9.5 million, for the renewal and purchase of new machinery; and (iv) approximately HK\$9.5 million, for general working capital of the Company.	As to (i) approximately HK\$30.9 million was fully utilized for the acquisition of a property and car park management and cleaning services related company in the PRC as announced by the Company on 11 April 2016, (ii) approximately HK\$2 million was utilized for the expansion in Hong Kong; (iii) approximately HK\$15 million assigned for purchase and renewal of machinery was reallocated and utilized for the legal and professional fees in relation to the legal proceedings in Cayman Islands; (iv) approximately HK\$7.0 million used for the investment in PPS Shanghai; and (v) approximately HK\$7.6 million used for general working capital.
21 May 2016	Placing of new shares under general mandate	Approximately HK\$24.75 million	(i) Approximately HK\$24.75 million for general working capital of the Group and/or financing the potential acquisition as disclosed in the Company's announcement dated 2 March or other future investment opportunities as and when think fit.	As to (i) HK\$5 million for the refundable deposit for the possible acquisition as disclosed in the Company's announcement dated 8 June 2016; and (ii) approximately HK\$5 million for the general working capital. The unutilized proceeds as at 30 June 2016 have been placed as the interest bearing deposits with licensed banks in Hong Kong.

Charges on the Group's Assets

As at 30 June 2016, the Group had obligations under finance leases of approximately HK\$0.8 million (2015: approximately HK\$0.8 million), of which approximately HK\$0.3 million (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 30 June 2016, the Group had bank deposits of approximately HK\$7.1 million (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.

Contingent Liabilities

(a) Performance bond

	As at 30 June 2016 HK\$'000	As at 30 June 2015 HK\$'000
Guarantees on performance bonds in respect of environmental service contracts	<u>13,269</u>	<u>13,469</u>

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

As at 30 June 2016, fixed deposits of approximately HK\$7.1 million (2015: approximately HK\$7.7 million) were pledged to banks as security for (i) bank facilities of approximately HK\$13 million (2015: HK\$5 million) 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 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 year, 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) *Litigation – Shareholder complaints*

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, 12 April 2016, 10 May 2016 and 20 May 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.

On 9 May 2016 and 20 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.

The Company is currently seeking legal advice and is taking steps to recover the costs of the proceedings. Further announcement(s) will be made by the Company on the progress of the above matters as and when appropriate.

Material Acquisitions of Subsidiaries and Affiliated Companies

Acquisition of PPS Shanghai

On 7 March 2016, the subsidiary of the Company (the "Purchaser") entered into the equity transfer agreement with two PRC individuals (the "Vendors"), pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell 21% and 30% equity interest in PPS Shanghai respectively at a total cash consideration of RMB2.7 million (the "Shanghai Acquisition"). PPS Shanghai is principally engaged in the provision of environmental and cleaning services in Shanghai, the PRC. The Shanghai Acquisition was completed on 9 May 2016. Details of the Shanghai Acquisition are set out in the Company's announcement dated 7 March 2016.

Acquisition of Logon Group

On 11 April 2016, the Company entered into an agreement for sale and purchase agreement with 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 at a cash consideration of HK\$30,900,000. The Logon Group is principally engaged in the provision of the provision of property and car park management services in Shenzhen, the PRC.

According to the terms 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 for a period from the date of the Logon Acquisition to 30 June 2019; and (ii) 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 the Guaranteed Profits. Details of the Logon Acquisition are set out in the Company's announcement dated 11 April 2016.

Possible Acquisition of China Eastern Clean Energy Corporation

Reference is made to the Company's announcements dated 2 March 2016, 8 June 2016 and 16 August 2016 (the "Announcements") relating to the possible acquisition of the 40% equity interest in China Eastern Clean Energy Corporation (the "Target Company") at a consideration of HK\$81 million (the "Possible Acquisition"). Unless stated otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

On 2 March 2016, Sharp Team Global Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with the Vendor for the Possible Acquisition, which was automatically terminated upon the signing of the Acquisition Agreement between Opulent Wise Global Limited ("Opulent Wise"), a wholly-owned subsidiary of the Company, the Vendor and the Guarantors in relation to the Possible Acquisition on 8 June 2016.

Pursuant to the Acquisition Agreement, Opulent Wise conditionally agrees to purchase and the Vendor conditionally agrees to sell the Sale Shares, which represent 40% equity interest in the Target Company at a total consideration of HK\$81 million which is payable as to (i) HK\$5 million in cash within 5 Business Days from the date of the Acquisition Agreement as refundable deposit; (ii) HK\$51 million by procuring the Company to allot and issue 51 million Consideration Shares at an issue price of HK\$0.1 per Consideration Share at Completion; and (iii) the remaining Consideration of HK\$25 million in cash at Completion.

On 16 August 2016, Opulent Wise, the Vendor and the Guarantors mutually agreed that (i) the Acquisition Agreement was terminated due to the slower-than-expected development progress of the Target Group; (ii) all the rights or obligations of the parties under the Acquisition Agreement are released and discharged and no party would have any claims against each other; and (iii) the refundable deposit of HK\$5 million shall be refunded to Opulent Wise from the Vendor.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the year ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

CORPORATE GOVERNANCE PRACTICES

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 and the GEM Listing Rules for the year ended 30 June 2016 and up to the date of this announcement, except for the deviations of the following Codes and the GEM Listing Rules.

- (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 year under review, the roles of chairman of the Board and chief executive officer of the Company were performed by the same executive Directors. Following the resignation of Mr. Chan Wai Kit as an executive Director, the chairman of the Board and the chief executive officer of the Company on 11 July 2016 and up to the date of this announcement, no chairman of the Board is appointed by the Company and the chief executive officer of the Company is performed by the executive Director, Mr. Ye Jingyuan. 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) Under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year under review, the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time.

- (iii) The Code provision A.4.1 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.
- (iv) Under the Code provision F1.1 and the Rule 5.14 of the GEM Listing Rules, the Company is required to appoint a qualified individual as its company secretary to discharge the functions of company secretary of the Company. Following the resignation of Ms. Wong Chi Yan ("Ms. Wong") as the company secretary of the Company on 18 July 2016, the Company has not appointed the company secretary of the Company in accordance with the Code provision F1.1 and the Rule 5.14 of the GEM Listing Rules. The Board would make its best endeavour to identify a qualified individual to be appointed as the company secretary of the Company in accordance with the Code provision F1.1 and the Rule 5.14 of the GEM Listing Rules. Further announcement will be made by the Company in relation to such appointment as and when appropriate.
- (v) Under the Rule 18.66 of the GEM Listing Rules, the Company is required to upload and publish the quarterly report within 45 days after the end of the relevant financial period. The third quarterly report of the Company for the nine months ended 31 March 2016 (the "3rd Quarterly Report") was not uploaded to the website of the HKEX within 45 days from 31 March 2016 due to an inadvertent mistake made by the printer of the Company which was failure to follow the Company's instruction to upload the 3rd Quarterly Report to the website of the HKEX on 13 May 2016. The Company raised its serious concerns to the printer of the Company immediately and emphasized that such mistake was completely unacceptable and proposed to the printer of the Company to mark on their to-do list for any outstanding tasks they should have done for their clients in order to prevent any such mistake happening again. The Company also reminded each of the staff handling the upload of documents to the HKEX to double check the upload status in order to prevent any inadvertent mistake made by the printer of the Company again.

AUDIT COMMITTEE

At the date of this report, the Audit Committee has three members comprising Mr. Chui Chi Yun, Robert (Chairman), Mr. Kwong Tsz Ching, Jack and Mr. Huang Ke, all being independent non-executive directors. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and internal control system of the Group.

The annual results of the Company have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's result for the year ended 30 June 2016 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be despatched to the Shareholders as well as published on the websites of The Stock Exchange of Hong Kong Limited and the Company on 30 September 2016.

By Order of the Board

PPS International (Holdings) Limited

Ye Jingyuan

Chief Executive Officer and Executive Director

HKSAR, 26 September 2016

As at the date of this announcement, the board of directors (the "Directors") of the Company comprises three executive Directors, Mr. Ye Jingyuan, Mr. Tse Man Yiu and Ms. Ding Pingying and three independent non-executive Directors, Mr. Chui Chi Yun, Robert, Mr. Kwong Tsz Ching, Jack and Mr. Huang Ke.